CNMV
Comisión Nacional del Mercado de Valores

Annual Report 2019

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Edison, 4
28006 Madrid

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08007 Barcelona

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Abbreviations

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

HF	Hedge Fund
HFT	High Frequency Trading
IAGC	Annual corporate governance report
IARC	Annual report on director remuneration
IAS	International Accounting Standards
ICIS	Collective investment company/scheme
ICO	Initial Coin Offering
IF	Investment Firm / Investment Fund
IFRS	International Financial Reporting Standards
IIMV	Ibero-American Securities Market Institute
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering (for sale/subscription of securities)
IPP	Periodic public information
IRR	Internal Rate of Return
ISIN	International Securities Identification Number
KIID/KID	Key Investor Information Document
Latibex	Market of Latin American Securities
LEI	Legal Entity Identifier
LIIC	Spanish Collective Investment Companies Act
LMV	Spanish Securities Market Act
MAB	Alternative Stock Market
MAD	Market Abuse Directive
MAR	Market Abuse Regulation
MARF	Alternative Fixed-Income Market
MBS	Mortgage Backed Securities
MEFF	Spanish Financial Futures Market
MFP	Maximum Fee Prospectus
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MOU	Memorandum Of Understanding
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MTF	Multilateral Trading Facility
MTS	Market for Treasury Securities
NCA	National Competent Authority
NDP	National Domestic Product
OECD	Organisation for Economic Cooperation and Development
OIS	Overnight Indexed Swaps
OTC	Over The Counter
OTF	Organised Trading Facility
PER	Price-to-Earnings Ratio
PRIIP	Packaged Retail and Insurance Based Investment Product
PUI	Loan of last resort
RAROC	Risk-Adjusted Return On Capital
REIT	Real Estate Investment Trust
RENADE	Spanish National Registry for Greenhouse Gas Emission Allowances
RFQ	Request For Quote
ROA	Return On Assets
ROE	Return On Equity
SAMMS	Advanced Secondary Market Tracking System
SAREB	Asset Management Company for Assets Arising from Bank Restructuring
SENAF	Electronic Trading Platform for Spanish Government Bonds
SEND	Electronic Debt Trading System
SEPBLAC	The Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences
SGC	Portfolio management company
SGECR	Venture capital firm management company
SGEIC	Closed-ended investment scheme management company
SGFT	Asset securitisation fund management company
SIBE	Electronic Spanish Stock Market Interconnection System
SICAV	Open-ended collective investment company
SICC	Closed-ended collective investment company
SII	Real estate investment company
SIL	Hedge fund with legal personality
SME	Small and Medium Enterprise

SNCE	National Electronic Clearing System
SPV/SFV	Special purpose/financial vehicle
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
STOR	Suspicious Transaction and Order Report
SV	Broker-dealer
T2S	Target2-Securities
TER	Total Expense Ratio
TOB	Takeover Bid
TRLMV	Recast text of the Spanish Securities Market Act
TVR	Theoretical Value of the Right
UCITS	Undertaking for Collective Investment in Transferable Securities
VCF	Venture Capital Firm / Venture Capital Fund
XBRL	Extensible Business Reporting Language

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Presentation of the CNMV 2019 Annual Report

10 June 2020

2019, the year to which this report refers, was a signal year in terms of how the markets evolved and new trends seen in them, and also a year in which both the CNMV and the various international cooperation bodies in the area of securities markets were particularly active, pushing a large number of initiatives. While the scale and severity of the crisis caused by COVID-19 may have put analysis of the implications and effects of the pandemic in the spotlight, this should not detract from the interest and usefulness of the main content of this report, which focuses on the development of the markets and the activities carried out by the CNMV during 2019.

However, given the impact of the crisis during the first few months of 2020, it has been considered appropriate to include an overview of the effects of the pandemic on the markets in the areas under the supervision of the CNMV and on the CNMV itself at the end of this presentation.

The **reference context** in which to place the situation of the markets and the CNMV's actions in 2019 was marked by the persistence of certain sources of uncertainty – some of them of a political nature, which tended to decrease in the final stretch of the year – and by a slowdown in economic activity, which in Spain was proving less intense than in other European countries.

Brexit was another major uncertainty that persisted throughout 2019. As the initial Brexit date approached (29 March 2019) without an agreement having been reached that would allow an orderly exit by the United Kingdom, Royal Decree-Law 5/2019, of 1 March, adopting contingency measures to prepare for a withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union without the conclusion of the agreement provided for in Article 50 of the Treaty on European Union, was published. The CNMV also opened a new section on its website called "After Brexit: issues relating to the financial sector", which sets out information that may be useful for market participants and investors. After the withdrawal agreement was signed, the United Kingdom ceased to be a Member State of the European Union on 31 January 2020, although it will continue to observe EU rules and agreements until 31 December 2020. At the time of writing this report, uncertainty remains high, as it is possible, even probable, that the parties will not agree on an extension of the transition period and that 2020 will end with no agreement in place on the terms of the future relationship between the United Kingdom and the European Union.

The **performance of the financial markets in 2019**, the second year of the MiFID II regulations, was to some extent a reflection of some of the uncertainties present. In **equity** markets, quoted prices fell in the first half of the year and subsequently increased, closing the year with significant gains. The Ibex 35 gained around 12%, in a context of very low volatility, with gains observed in most sectors, with the exception of the financial sector, which was affected by the environment of lower interest rates. This interest rate environment was intensified in the middle of the year by the decisions of the European Central Bank (ECB) to resume the expansionary tone of its monetary policy due to the economic slowdown in the area and the persistently low rate of inflation. Securities trading was at lower levels than in previous years and the proportion of trades made through external trading venues continued to increase. Primary market activity was thin, and there were no significant IPOs, a trend that is also being observed in other markets and to which the CNMV is giving special attention, as it is desirable to increase financing for Spanish companies through the markets. In **fixed income markets,** gross debt issues were just over €400 billion in 2019, a slight decrease compared with 2018. This was a result of the lower number of issues by public authorities and financial institutions, due to the process of budgetary consolidation in the first case, and to the availability of other attractive sources of financing in the second. The volume of debt issues by non-financial companies increased, as they took advantage of the favourable market conditions in a context in which issues carried out in foreign markets continued to play a major role.

The **collective investment industry** grew once again in 2019, resuming an expansionary trend that had started in 2013 and had been temporarily halted in 2018. Investment fund assets grew by almost 8% in the year, mainly due to portfolio returns. Investors subscribed to units in these funds, but to a lesser extent than in previous years, no doubt due to the uncertainties affecting the markets. Furthermore, assets of collective investment schemes marketed in Spain continued to grow, as did their relative importance; at the end of the year they accounted for more than a third of the total number of schemes of this type marketed in the country.

Credit institutions remained the main **providers of investment services,** accounting for most income from fees from these activities. In particular, the proportion of income received by entities related to what we might call "commercial banks" (as opposed to non-bank entities and credit institutions specialising in securities-related services) has held relatively steady at around 70% for several years. In the specific case of broker-dealers and brokers – over which the CNMV carries out a comprehensive supervisory activity that includes solvency and rules of conduct – 2019 was a complex year, in view of the fall in sector profits. These entities are progressively changing their business models as a result of several factors, among which the increased competition from credit institutions stands out. This has led them to shore up segments such as investment advice, which were of little importance years ago.

In the area of **market supervision**, the tools available to the CNMV functioned normally in 2019: with regard to transaction reporting, more than 165 million reports were received of transactions executed on financial instruments, 50% more than in 2018. This increase was due to the special files (REQ) for reporting omitted or corrected transactions and also to the decision taken by some financial institutions to centralise their operations in Europe through their Spanish investment firms due to Brexit. Throughout 2019, the CNMV also focused particularly on the quality of the reference data, such as the issuer's LEI (legal entity identifier), the financial instruments classification code (CFI) and the correlation between the instruments reported to the Financial Instruments Reference Data System (FIRDS) and to the transparency system. For this purpose, it maintained ongoing contact with trading venues in order to correct any incidents detected. The use of the channel established by the CNMV to report suspicious transactions (STOR, Suspicious Transaction and Order Report) continued to increase, with 345 reports in 2019, 49% more than in 2018.

As in previous years, most of the STORs were related to the possible use or attempted use of inside information (66%) and the rest to possible market manipulation.

In 2019, the CNMV carried out the tasks set out in the supervision plan for the Spanish stock market management companies operated by Bolsas y Mercados Españoles (BME), established in the CNMV Activity Plan. This plan focused on market microstructure features such as algorithmic trading, the obligations of market makers and the publication of data on quality of execution.

The supervision of **derivative instruments** focused on three lines of action: analysing and monitoring daily trading, preventing and detecting situations of market abuse, and carrying out certain specific control actions.

In addition, since the start of operations of the **two Spanish organised trading facilities (OTFs)** in January 2018, supervision tasks have been carried out on a daily basis in the three lines of action indicated above, both for CAPI OTF (managed by CM Capital Markets Brokerage, S.A., AV) and CIMD OTF (managed by CIMD SV, S.A., of the CIMD Corretaje e Información Monetaria y de Divisas, S.A. Group).

Through its **Market Monitoring Unit,** the CNMV continued to investigate possible actions contrary to market integrity. As a result of these investigations, four disciplinary proceedings were initiated in 2019 affecting one investment firm, one broker and one natural person.

In relation to the **supervision of entities,** the CNMV continued to pay special attention to compliance with the rules of conduct in the provision of investment services. As a result of these supervisory actions, the CNMV sent out a total of 898 deficiency letters to supervised entities, 691 of which originated from off-site supervision. Another standout was the horizontal review of the online operations of a selection of entities that provide investment services. Specifically, it verified appropriate compliance with the main rules of conduct that apply in online transactions, prior to the execution of transactions of or on behalf of the client, whether through the website, mobile apps or specific investment platforms.

Likewise, further reviews were performed with the specific objective of analysing the quality and consistency of the information obtained from clients to assess their **suitability and appropriateness.** The CNMV detected deficiencies in various cases, and therefore considers it important that entities adopt measures and carry out controls aimed at ensuring that the information they obtain from retail clients to assess the appropriateness and suitability of their transactions is consistent, accurate and up to date. Along the same lines, the CNMV and other European supervisors took part in the first joint supervisory action in this area, coordinated by ESMA. This was the first action of this type aimed at sharing experiences and supervisory criteria in order to help achieve greater supervisory convergence.

Regarding **collective investment schemes,** in addition to the usual supervisory tasks, which seek to ensure management companies' fulfilment of their obligations, the appropriate resolution of conflicts of interest and the receipt of sufficient information by unitholders, recurring analyses were conducted of the **degree of liquidity** of the assets held by these entities in their portfolios. Using a predefined methodology that combines information from a variety of market sources, a liquidity level is assigned to each asset, and this allows institutions and managers with the greatest exposure to relatively illiquid assets to be identified. This is particularly important given that most of these institutions allow redemptions to be carried out on a daily basis. If these redemptions were to increase substantially, institutions should be in a position to meet them easily and to do this they must have an appropriate volume of sufficiently liquid assets. In the current crisis, management companies have seen a rise in redemptions, which has been handled without any difficulty, as mentioned above.

The CNMV is the competent authority in Spain for the application of the regulations on **benchmarks**, laid down in Regulation (EU) 2016/1011 of the European Parliament and of the Council. 2019 was the last year of the transition period for the full application of the Regulation[1] and for the authorisation and registration of existing index administrators at the time of their approval. For this reason, during the year, part of the CNMV's work in this area focused on processing the registration of the benchmark administrators set up in Spain to include them in the central registry overseen by ESMA.

The work directly related to **investors** was also significant. In addition to the usual complaint management tasks, attention to enquiries and warnings about unauthorised entities, the *Economic Psychology for Investors* guide was published. This guide establishes various recommendations for investors to facilitate the practical application of the main premises of behavioural economics to investment decision-making. This guide continues the work started in 2017 with the publication of the *Psychological mechanisms involved in investment decision-making* sheet.

In relation to **disciplinary actions**, in 2019 the CNMV Executive Committee initiated 18 new disciplinary proceedings, investigating a total of 26 possible infringements. The proceedings opened included six infringements for the incorrect communication of significant holdings in listed companies, one for non-compliance with reporting obligations by issuing companies, five for market abuse (market manipulation), two for operating without authorisation, five for breach of rules of conduct in relations with clients or investors, one for resisting the CNMV's inspection and the rest for violations of the general regulations on investment firms, collective investment schemes and crowdfunding platforms. In addition, 39 fines were imposed for a total amount of just under €4 million.

For the second year, the CNMV's **key performance indicators (KPIs)** are published in this annual report. The publication of these indicators aims to increase transparency regarding the activities carried out by the Commission, to provide a means of assessing its performance and to serve as a basis for improving the efficiency of the processes. Furthermore in 2019 other key indicators were identified, including those related to information systems, the number of requests sent and reports prepared in the markets area.

Lastly, two major priority tasks of a horizontal nature were undertaken: the CNMV's **Digital Transformation Plan**, which is envisaged in the Activity Plan referred to at the beginning of this presentation, and its work on **social responsibility**. The Digital Transformation Plan aims to incorporate available new technologies into the Commission's everyday tasks, to increase its effectiveness, efficiency, transparency and security. This Plan, which becomes even more relevant in the current crisis context,

1 Regulation (EU) 2019/2089 of the European Parliament and of the Council, of 27 November, extends the transition period for critical indices and for third-country indices by two years, until 31 December 2021.

seeks to rely on more intensive use of data, implementing new work tools and evolving towards more digital channels to access information and interact with both investors and the entities it supervises.

Equally relevant are the CNMV's initiatives in the area of social responsibility, which form part of its aspiration to reach an optimal level of development without compromising its capacity for future progress. In this context, the securities markets have an important job to do, through sustainable action in relation to aspects such as the corporate governance of listed companies and certain characteristics of investment products. The CNMV is aware of this and actively participating in various national and international forums related to sustainable finance. At the international level, it is worth noting that the CNMV chairs two international working groups through its vice-chair: the IOSCO Sustainable Finance Network and, at European level, the Coordination Network on Sustainability (CNS), created by ESMA.

After reviewing the content of this annual report, given the impact and topicality of COVID-19, it makes sense to mention the implications and effects of this crisis, which has led to a drastic change in the way of working of this institution, and of many others, and has affected the priorities that had been established. This has given rise to a revision of the CNMV's **Activity Plan** for 2020, involving the postponement of some objectives and the addition of some new ones, such as adapting the institution's contingency plan to a model based on teleworking.

The **CNMV** has carried out multiple actions related to the crisis triggered by COVID-19. The main decisions and measures adopted since the beginning of March are briefly described below, and relate to its **organisation**, the **supervision of markets and the entities** that participate in them, and **interaction with other institutions**, including international ones. In relation to the latter, a description will be given of the most important work carried out to date, in which the CNMV has actively participated.

From a purely **organisational** standpoint, with regard to **human resources,** the first significant measures implemented, following health guidelines, were aimed at ensuring that CNMV employees could continue to work normally from home. The process began on 11 March, when approximately half the workforce began to work from home, and teams especially important for CNMV operations were divided in two. On the day the Royal Decree announcing the State of Alarm came into force (published on 14 March) practically all employees were already working from home.

According to a survey carried out among **CNMV staff**, to which more than 300 employees responded, more than two thirds consider that the CNMV's activity is similar to the level it was before, and their assessment of how the systems and the institution in general have worked during this phase is favourable. Factors such as the importance that the CNMV has long attached to information systems and its experience with teleworking schemes played a role in this, but the key factor has undoubtedly been the effort and dedication of all CNMV staff, who have demonstrated great adaptability. Its governing bodies, the Board, the Executive Committee and the Management Committee have also functioned normally, and the frequency of their meetings has even increased. Meetings are generally held by video conference, a system that has also been widely used in other areas of the organisation. The experience has reinforced the perceived importance of technology and communications in the CNMV's work and has involved the use of new tools, servers and equipment.

Furthermore in mid-March, on the sixteenth to be exact, the CNMV announced the closure of its **General Register** for the physical presentation of documents. To ensure continuity in the presentation and registration of documents, several channels were enabled: the open area and the investors' area of the CNMV's electronic office and the electronic offices of the registries of the various public administrations. On 20 March the CNMV announced the approval of a Resolution on the **suspension of administrative deadlines** as provided in Royal Decree 463/2020, on the State of Alarm, published in the *Official State Gazette (BOE)* on 25 March. Thanks to this Resolution, the suspension of deadlines provided in the Royal Decree has not affected activities such as the CNMV's supervisory activity in general (requirements and other supervisory actions) or authorisations processed by the Institutions or Markets Directorates General likely to benefit interested parties.

The **Spanish financial markets**, which had ended 2019 with gains, started to experience some instability in early February this year when the scale of the spread of the coronavirus became apparent. This instability grew substantially in March, when several European governments, including Spain's, adopted strict lockdown measures to prevent the further spread of the virus. The financial markets saw some extremely volatile weeks in March (the Ibex 35 marked the largest fall in its history in that month and volatility reached levels not observed since the global financial crisis in 2008), which caused the CNMV to shore up its activities relating to **supervision of markets**, infrastructures and agents participating in them. The most notable decisions in this area in March related to **restricting short positions** in securities listed on Spanish securities markets. These are exceptional measures that can be taken under Regulation (EU) No. 236/2012 of the European Parliament and of the Council, in situations of very significant price falls or, more generally, when circumstances arise that constitute a serious threat to financial stability or market confidence.

The first measure, implemented on 13 March, consisted in banning the short selling of 69 shares which had seen price falls on 12 March, the date of the largest drop in the history of the Ibex 35 (of over 10% or 20% in some cases). The second measure, prohibiting the creation or increase of net short positions, was agreed on 16 March for a period of one month, and applied to all listed Spanish shares. It was subsequently extended for a further month (and lifted on 18 May). Similar decisions were taken in the days following by other European securities supervisors, specifically those of France, Italy, Belgium, Austria and Greece. Restrictions on short-selling affect the efficiency of the markets by reducing the speed at which prices adjust to available information and adversely affect some liquidity measures or actual trading volumes, but may be advisable under certain circumstances. The CNMV is carrying out specific analyses to assess the impact of the measures adopted, and for the time being has not identified any significant impact other than a slight deterioration of liquidity in the securities affected by the ban in the first few days.

In the field of **market infrastructures**, in addition to verifying that the trading systems have functioned normally despite the severe bout of volatility and price falls, special attention was given to the central counterparty (CCP), BME Clearing. This entity activated its contingency plans and had to make extraordinary margin calls, in numbers and amounts higher than usual, although no particular incidents were detected. In addition, it has been carrying out back-testing and has brought forward the review of the parameters for margin calls. Special attention has also been paid to settlements, with some increase in inefficiency observed (failures in the delivery of securities on the agreed date) as a consequence, according to the entities, of the increase in activity at certain times and a decreased capacity to respond to and resolve incidents due to staff working from home. This trend, which has also been observed in other European countries, has partially reversed as tensions in the markets decrease.

In the area of **listed companies**, criteria were published – on two occasions jointly with the Spanish College of Registrars – on various issues raised in the situation of health emergency and restrictions on mobility deriving from COVID-19 in relation to the holding of general shareholders' meetings, the formulation of annual financial statements and proposals for the appropriation of companies' profits, and the institution has collaborated in the preparation of the provisions related to these matters included in the Royal Decree-Laws approved by the government.

As regards the **supervision of entities,** it is worth highlighting the measures that have been adopted in relation to collective investment schemes, and in particular investment funds. The work has mainly focused on the liquidity conditions of the fund portfolios and movements in redemptions, maintaining contact with the management companies to monitor the situation and remind them of their obligations as well as the liquidity management tools available to them. In this regard, the CNMV has issued indications on the appropriateness in certain cases of valuation at bid prices or applying swing pricing schemes.

The **liquidity** conditions of the funds have been assessed based on various indicators such as trading volumes, time taken to unwind a position and the availability of prices. Attention has also been paid to the credit ratings of the debt assets held by these institutions and in particular to assets with a BBB rating, this being the lowest rating that still qualifies as investment grade. Based on the findings of these analyses, the CNMV is carrying out special monitoring of certain management companies.

In terms of **monitoring redemptions**, the cumulative net volume from the time the crisis flared up in early March until the end of that month is estimated at approximately €6 billion, which managers handled with no difficulty. Redemptions in the subsequent months were for much smaller amounts. Only in a small number of funds did they exceed 20% of assets, a percentage that requires a significant information notice to be filed. The only notable incident involved a fund of funds which had invested 7.1% of its portfolio in a Luxembourg SICAV that suspended the calculation of net asset value.

Lastly, it is worth noting in this area of collective investment, the inclusion, by virtue of Royal Decree-Law 11/2020, of 31 March, adopting urgent complementary measures in the social and economic area to deal with COVID-19, of a new macroprudential tool consisting of the possibility of establishing, with the authorisation of the CNMV, prior notice periods for redemptions without these being subject to the requirements that are normally applicable regarding term, minimum amount and being provided for in the management regulations. These terms can be established by the manager or by the CNMV itself.

To manage this crisis, **coordination with other** national and foreign **institutions** has proved to be essential. At the national level we would highlight the meetings taking place within the Macroprudential Authority Financial Stability Board (**AMCESFI**), the frequency of which has increased. These bring together representatives of the Ministry of the Economy, the Bank of Spain, the CNMV and the General Directorate of Insurance and Pension Funds, to analyse the situation of the Spanish financial system from the point of view of financial stability and the possible increase in systemic risk. In times of market turmoil it is important for financial supervisors to exchange information to understand the extent of the risks involved and to take such measures as may be necessary.

At the **international** level, the CNMV has actively participated in several working groups created as a result of the crisis to assess different aspects and has intensified the exchange of information with institutions of which it is a member or with which it maintains regular contact, such as the European Securities and Markets Authority (ESMA), the International Organisation of Securities Commissions (IOSCO), the Financial Stability Board (FSB), the European Systemic Risk Board (ESRB) and the Ibero-American Institute of Securities Markets (IIMV).

At **ESMA**, numerous remote extraordinary meetings have been held of the various permanent committees and the governing bodies, the Management Board and the Board of Supervisors, to monitor market performance during the crisis and the measures adopted by the various members have been shared. The most significant developments include measures related to short selling adopted by ESMA itself (reducing the threshold for the obligation to report net short positions to 0.10% of the capital) and by certain national authorities, including the CNMV – measures on which ESMA issued a favourable report –, as well as all aspects concerning trends in ratings and collective investment schemes.

At **IOSCO**, in addition to the meetings and mechanisms developed to share information on the measures adopted by the various members of the organisation, it is worth noting the relaunch of the group's work on rating agencies (to assess the possible increase in credit ratings downgrades in the context of the crisis, and the effects of this) and the creation of a new high-level committee, the **FSEG** (Financial Stability Engagement Group), of which the CNMV is a member and which, among other tasks, collaborates with two working groups created by the FSB as a result of the crisis: one of which addresses investment funds and the other margin calls.

Lastly, the **ESRB** has launched five lines of work as a consequence of the crisis: implications for the financial system of public guarantees and other fiscal measures adopted to protect the real economy; liquidity in the markets and implications for asset managers and insurers; procyclical impact of credit rating downgrades on the markets and entities in the financial system; restrictions on dividend payments, share buybacks and other disbursements, and the possibility of mitigating the liquidity risk generated by margin calls.

I Securities markets and their agents

1 Economic and financial environment

1.1 International environment

2019 was marked by a notable slowdown in growth in most world economies, in a context of political and economic uncertainty. According to estimates by the International Monetary Fund (IMF) global gross domestic product (GDP) grew by 2.9%, 7 tenths of a point less than in 2018, with advanced and emerging economies performing evenly. This slowdown was due mainly to the negative impact of the trade restrictions imposed but was also influenced by other events and uncertainties. One salient feature was the expansive tone of monetary policy to which central banks on both sides of the Atlantic reverted to offset the fall in activity, in a context of low inflation rates. The US Federal Reserve cut its official interest rate three times during the year, compared with the four rate hikes in 2018, and in the euro area, although the European Central Bank (ECB) kept its official interest rate unchanged, it cut its deposit facility rate by 10 basis points (bp) to a negative 0.5%, in addition to launching a new round of financing for the banking sector (TLTRO) and resuming its net purchases of debt, which had been discontinued in late 2018.

The international financial markets were conditioned by the uncertainties present in the year. All short-term rates in the developed economies followed the performance of official rates, while yields on long-term public debt fell, especially in the longer-dated sections, despite the increase seen at the end of the year following the easing of some uncertainties. Equity markets showed significant gains, especially at the beginning and end of the year, while the uncertainties arising in the middle part of the year had negative, albeit relatively limited effects. The largest gains were seen in the United States (rising between 22% and 35% in the year), while European indices also performed well, up by close to 25% in most cases (except for the Spanish and UK indices which gained around 12%). In Japan, the markets showed more moderate gains of between 15% and 18%.

The outlook for growth in early 2020 pointed to some strengthening of activity due to the recovery of economies such as Germany, Italy and Latin American countries. Some of the uncertainties present in 2019 had been alleviated with the signing of the first phase of the trade agreement between China and the United States, and the increased probability of an orderly exit by the United Kingdom from the European Union (EU) following the elections in that country. However, there was a major turnaround almost from the outset, when the spread of the coronavirus beyond China started to become apparent.

The rapid spread of the virus among countries, the difficulties in coping with it and the widespread lockdown measures with the consequent paralysis of economic activity led to some strong bouts of turbulence in the international financial markets in March, with abrupt falls in stock market prices and a flight towards the safest assets. In response to this serious crisis, the main central banks adopted urgent measures to combat some of its most negative effects. These included extensive asset purchase programmes to inject liquidity into the system and interest rate reductions (the Federal Reserve cut was of one and a half points, to the range of 0-0.25%, and the Bank of England cut was 0.75 percentage points [pp] to 0.1%). Governments adopted different types of measures spanning increases in public spending, the cancellation or deferral of taxes, loans and capital injections, as well as guarantee programmes. The first forecasts made by the IMF on the impact of this crisis, subject to a high degree of uncertainty, put the decline in world GDP at 3% for this year.

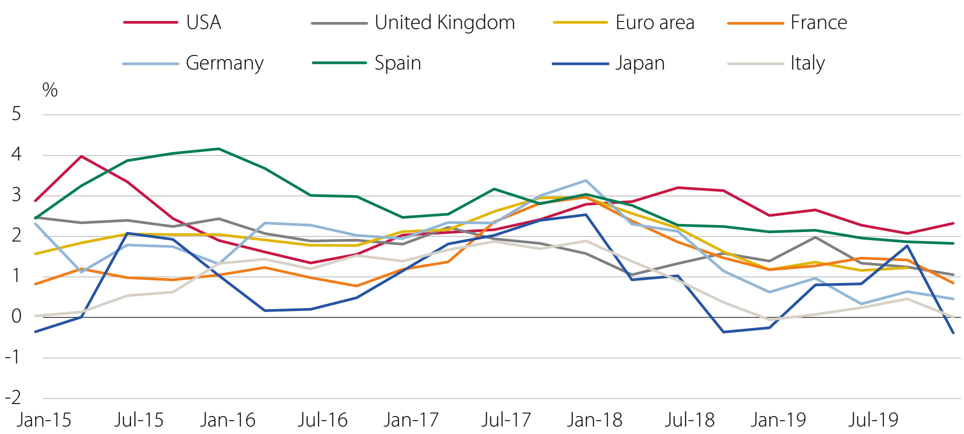
1.1.1 The world economy

World GDP grew by 2.9% in 2019, a long way off the 3.6% seen in 2018

According to IMF estimates,[1] the world economy grew by 2.9% in 2019, 0.7 percentage points less than in 2018. Growth in developed economies was 1.7% (0.5 percentage points less than in the previous year), while the emerging economies recorded growth of 3.7%, 0.8 pp less than in 2018. Restrictions on trade, the political and social tensions in some economies and other uncertainties were the main causes of this slowdown in world growth.

This slowdown in the rate of growth was common to all advanced economies, with the exception of Japan, where GDP growth went from 0.3% in 2018 to 0.7% in 2019,[2] due to the strong performance of private consumption, higher capital expenditure and the revisions of the national accounts, among other factors. In the United States, growth went from 2.9% in 2018 to 2.3% in 2019, while macroeconomic indicators continued to reflect the strength of the economy, with an unemployment rate of around 3.5% (the lowest seen in the past 50 years) and marking more than 40 consecutive quarters of positive year-on-year change, despite the slowdown.

GDP: Annual change FIGURE 1.1.1



Source: Thomson Datastream.

In the euro area, GDP rose by 1.2% in 2019, 0.7 pp less than in 2018, with a significant slowdown in growth recorded in the larger economies. Germany in particular

1 *World Economic Outlook* (April 2020).

2 Japanese GDP data for the fourth quarter of 2019 were very unfavourable, showing a year-on-year decline of 0.4% (-1.6% QoQ). This information introduces a degree of uncertainty as to the performance of the Japanese economy in the coming quarters.

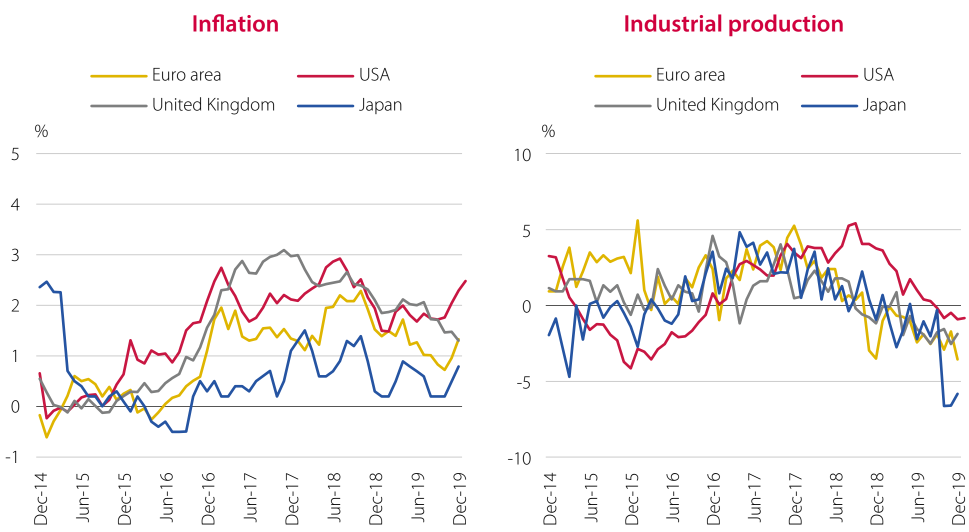
saw a significant slowdown in activity (from 1.5% to 0.6%), caused by trade disputes, uncertainties surrounding Brexit and weak external demand. GDP growth in Italy went from 0.8% in 2018 to 0.3% in 2019, shaped by rising financial risks and the political crisis that took hold in the country. In Spain and France, the slowdown (0.4 pp to 2% and 1.3% respectively) was less pronounced than in other economies. In the United Kingdom, GDP grew by 1.4% (0.1 pp more than in 2018).

The slowdown in emerging and developing economies was sharper than in developed nations. Overall these economies grew by 3.7% (4.5% in 2018), with significant deceleration observed in most emerging regions. Emerging Asian economies grew by 5.5% (6.4% in 2018), emerging European economies saw growth of 2.1%, 1 pp less than in 2018, and emerging Latin American economies recorded insignificant growth, of 0.1% (1.1% in 2018), weighed down by political uncertainty and social protest in countries in this region during the year.

Uneven performance of inflation in the leading economies throughout 2019

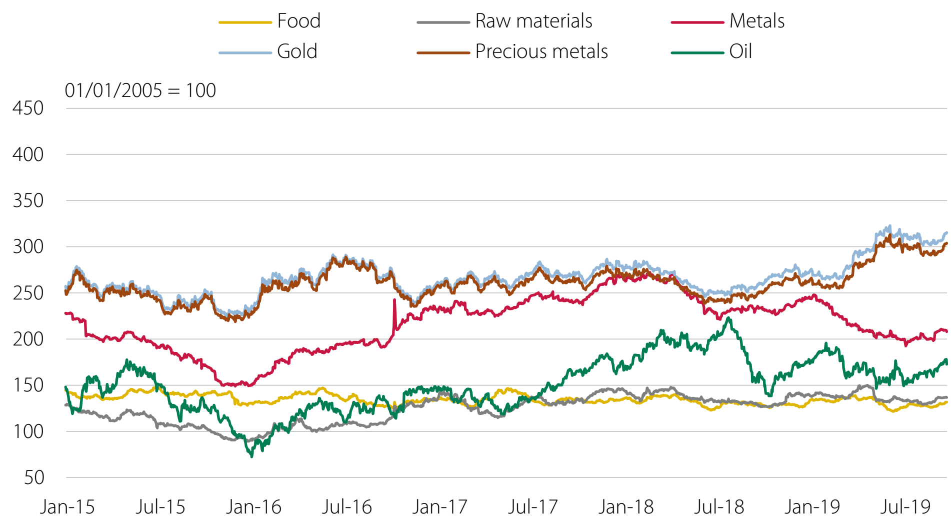
In a context of lower global growth, inflation rates in the leading economies showed differing trends for much of the year. In the United States, inflation followed an upward trend in the first four months and held steady during the middle part of the year, ending the year with the highest rate of the previous 12 months, 2.3% (compared with 1.9% in 2018). In the United Kingdom, the inflation rate showed a declining trend and closed the year at 1.3% (2.1% in December 2018, see Figure 1.1.2). In the euro area the trend was relatively similar, with decreases over the year, except in the last two months. The inflation rate also ended the year at 1.3%, holding at very low levels throughout the year and a long way off the ECB's target (close to but slightly lower than 2%). In Japan, inflation rates were under 1% throughout the year, with peaks of 0.9% observed in the spring (0.8% in December). Core inflation, which excludes the most volatile elements of the index (fresh food and energy), marked a much more stable trend in 2019, with the highest level seen in the United States. In this economy, core inflation stood at 2.2% in December, while in the euro area it was 1.3%, and 1.4% and 0.9% in the United Kingdom and Japan respectively.

Inflation and industrial production (% annual change) FIGURE 1.1.2



Source: Thomson Datastream.

Price of raw materials FIGURE 1.1.3



Source: Thomson Datastream.

In 2019, the tone of the monetary policies applied by the US and euro area central banks was accommodative, as a consequence of the slowdown in activity and the potential effects of the various uncertainties

The official interest rates of the main economies continued to show notable differences during 2019, although they tended to decrease, in line with the expansive monetary policy implemented in the United States and the euro area. In the United States, the Federal Reserve, which had carried out four rate hikes in 2018, cut its official interest rate three times in 2019 to a range of 1.50-1.75%, in a context of slowing economic activity, trade tensions and low inflation. It also began to increase the size of its balance sheet in September, reversing the trend seen since July 2017.[3] In the euro area, the ECB, which had ended 2018 heading towards a new phase of less expansive monetary policy, progressively changed its focus as 2019 advanced. After announcing a delay in its first rate hike, it announced that it would launch a fresh provision of liquidity to the banking sector, also indicating that it did not rule out further interest rate cuts. These cuts came in September for the deposit facility, which was cut by 10 bp to -0.5%, while the "official" (MRO) and marginal lending facility rates remained unchanged at 0% and 0.25% respectively. Furthermore, net purchases of debt, which had stopped at the end of 2018,[4, 5] resumed on 1 November.

3 In July 2017, the Federal Reserve started the process of reducing the growth of its balance sheet, which was 16% up to September 2019. From then until the end of December, the balance sheet grew by approximately 11%.

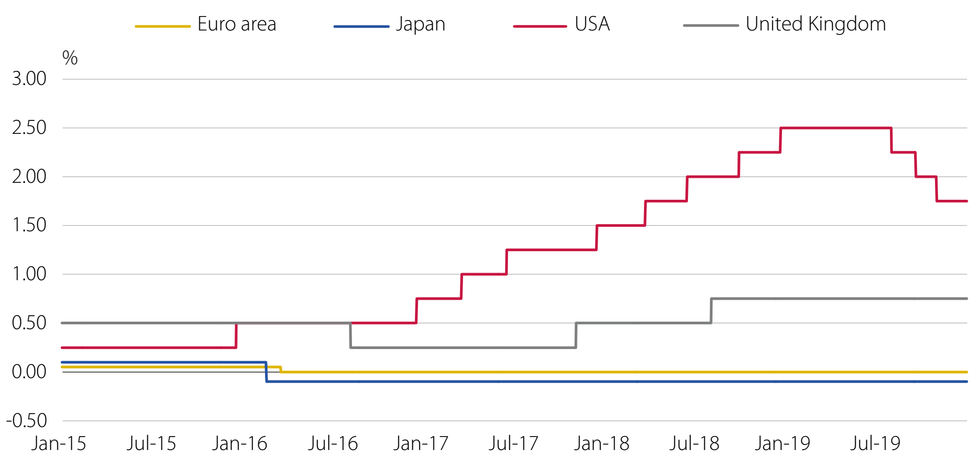
4 The ECB had ended its debt purchase programme at the end of 2018, but on 1 November of the following year, asset purchases were resumed at a monthly rate of €20 billion, in the framework of a programme that will remain in force for as long as it takes to reinforce the accommodative impact of its official rates.

5 Another very important development is the review of the bank's monetary policy strategy, which began in January of this year. The existing strategy, which was adopted in 1998 and partly clarified in 2003, is being reviewed to include the structural changes that have taken place in the euro area economy during these years. This review will cover the quantitative formulation of price stability, the monetary policy toolbox, economic and monetary analyses and communication practices, as well as other aspects such as financial stability, employment and sustainability.

The central banks of the United Kingdom and Japan did not change their official interest rates during the past year. The Bank of England has kept its official rate at 0.75% since August 2018 and the Bank of Japan has kept its rate at -0.1% since February 2016. However, in October, the Bank of Japan partially changed its discourse to indicate that it expects official rates to remain at the same level and even lower for as long as is necessary to achieve the objective of price stability.

As mentioned at the beginning of this chapter, 2020, which started with some expectations of stronger activity, changed drastically following the appearance and spread of the coronavirus. The speed of its spread, the lack of any specific treatment for the disease and the different isolation measures implemented changed the world economic panorama in a matter of weeks, to the point where governments, central banks and other institutions announced extensive packages of measures to combat the crisis. In the particular case of central banks, the cuts in official rates by the Federal Reserve and the Bank of England stood out. They announced rate cuts on two occasions in March, to a range of 0-0.25% in the United States and 0.1% in the United Kingdom. In addition, like their US and UK counterparts, both the ECB and the Bank of Japan announced further expansive monetary policy measures to alleviate the situation through new asset purchase programmes to inject liquidity into the system, injections of liquidity to banks on more advantageous terms and the setting up of financing lines for companies affected by the coronavirus pandemic. In any case, all the monetary authorities have announced that they are prepared to take additional measures to provide liquidity to the system and contain the economic effects caused by this crisis.

Key policy rates FIGURE 1.1.4



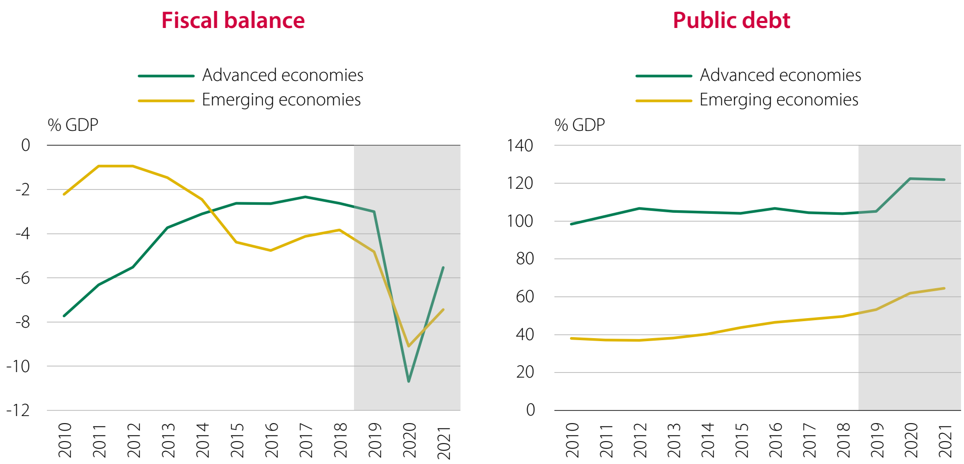
Source: Thomson Datastream.

In 2019, public deficits and debt increased in both advanced and emerging economies, although to a greater extent in the latter

According to IMF estimates, the aggregate public deficits of advanced, emerging and developing economies increased in 2019. Advanced economies saw a small increase to 3.0% of GDP, compared with 2.6% in 2018, while emerging economies reported a greater rise, to 4.8% (3.8% in 2018). Public debt also increased: advanced economies recorded a slight fall in the aggregate ratio (from 103.9% of GDP in 2018 to 105.2% in 2019), while emerging economies saw a somewhat greater increase of around 3 pp, to 53.2% (see Figure 1.1.5).

IMF forecasts for the coming years include sharp variations in the public deficit and public debt of advanced and emerging economies, factoring in the expected consequences of the COVID-19 pandemic, as falls in government revenues and a significant increase in public spending are both expected, related to the slowdown in activity and the impact of the various measures implemented by governments. The IMF forecasts an increase in the public deficit of advanced economies from 3% to 10.7% of GDP in 2020 and from 4.8% to 9.1% in emerging economies, falling in 2021 by almost half for the former and to a lesser extent for the latter (to 5.5% and 7.4% respectively). Meanwhile, public debt in advanced economies is expected to increase by over 15 pp, to stand at around 122% of GDP over the coming years, while in emerging economies the increase would be less pronounced, reaching 65% of GDP in 2021.

Fiscal balance and public debt FIGURE 1.1.5



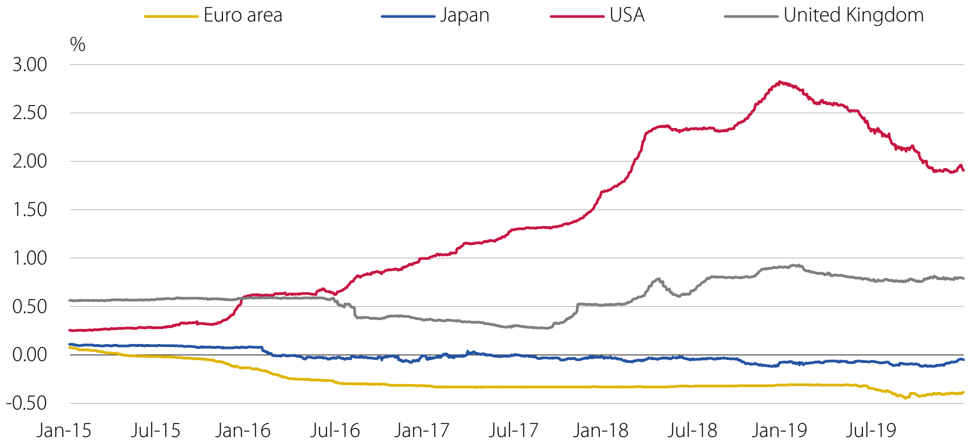
Source: FMI.

1.1.2 Developments in international financial markets

Differences between 3-month interest rates in the United States and in the euro area decreased relative to 2018

Short-term interest rates of the main advanced economies continued to show significant differences in 2019, although these tended to ease as the expansive monetary policy once again applied in the United States gave rise to sharper falls in interest rates, bringing them more into line with those of other advanced economies. The decline in interest rates in the United States was in tune with the decisions of the Federal Reserve, which, after some initial reluctance, reduced its official rate three times in 2019. At the end of the year, the 3-month rate was 1.91%, 90 bp lower than at the end of 2018 (see Figure 1.1.6.). This was still the highest of all advanced economies, but the difference with respect to euro area economies decreased from just over 310 bp to approximately 230 bp. Three-month interest rates in the euro area remained relatively stable during the year except for the third quarter of 2019, when they decreased to -0.45%. They subsequently rose to end the year at -0.38%, 7 bp less than in 2018. In the United Kingdom, short-term interest rates fell by 12 bp compared with the previous year, standing at 0.79%. Lastly, interest rates in Japan, which have been slightly negative for several years, saw a very slight uptick of 3 bp in the year as a whole, standing at around -0.05% in December.

Short-term interest rates[1] (3 months) FIGURE 1.1.6



Source: Thomson Datastream. (1) 3-month LIBOR.

As for interest rate expectations, forward rates (FRA) suggest that short-term benchmarks in the euro area and the United States will continue to show differences, although these will be notably less than in previous quarters after the cuts in US rates made in March. In the euro area, interest rates are expected to remain close to current levels, while in the United States, forward rates have decreased significantly since the end of the year due to the latest decisions taken by the Federal Reserve. Following the two cuts in the United States, rates are expected to remain at current levels in the short term (at around 0.25%).

Debt markets were characterised by falling bond yields and risk premiums

As a result of the clear downturn in activity, low inflation rates and several major uncertainties, long-term interest rates on sovereign bonds of the main economies marked a downward trend for most of the year. Notable rebounds were observed only towards the end of the period, following the easing of some the existing political and economic uncertainties, although these increases did not offset the accumulated decreases. Uncertainties that eased off or were clarified included the possibility that the United States and China could reach a full trade agreement in 2020;[6] the victory of the UK prime minister in the December elections, giving him sufficient votes to push through the UK's exit from the European Union (which he has already negotiated with Brussels); and the slight improvement in the economic outlook for Germany, where GDP increased in the third quarter (after falling in the second quarter).

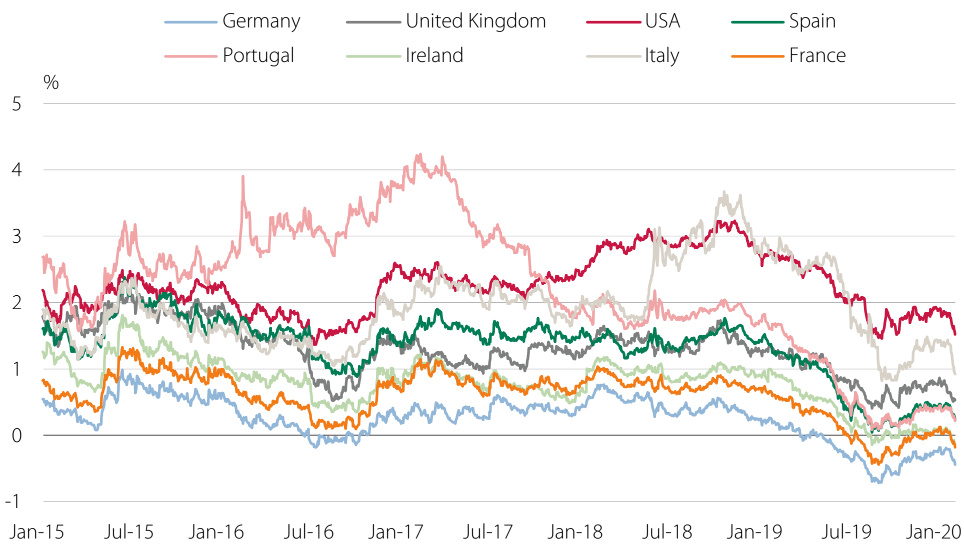
In the year as a whole, interest rates on sovereign bonds decreased most in European countries, with falls ranging from 43 bp for German bonds to 290 bp for Greek bonds. In Spain, the annual decrease was 95 bp, while in Italy and Portugal it was somewhat greater at 135 bp and 128 bp respectively. With these declines, yields on 10-year bonds were at very low levels and at the end of 2019 they moved into negative territory in Germany and the Netherlands (although this had occurred in seven

6 The first phase of the trade agreement between China and the US was signed in January and negotiations for the second and final phase are slated to begin shortly, although the signing could take place after the US presidential elections in November.

countries on 7 October), and yields on 10-year sovereign bonds were below 0.5% in Spain, France, Ireland, Portugal, Belgium, Austria and Finland and slightly below 1% in the United Kingdom.

In the United States, the bond yield fell by 78 bp, to end the year at 1.91% (2.69% in December 2018), while in Japan there were hardly any changes in the year as a whole, with a slight decrease of 2 bp to -0.02%.

10-year government bond yields FIGURE 1.1.7

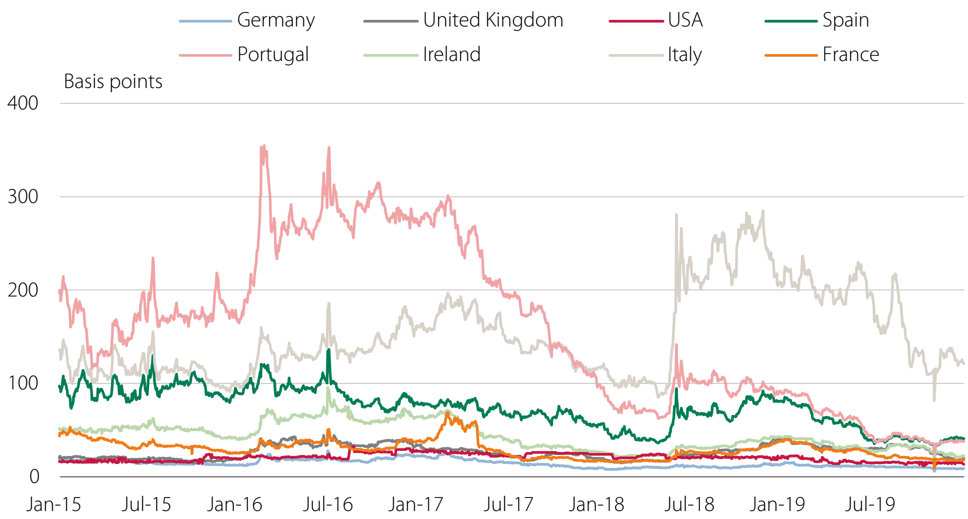


Source: Thomson Datastream.

Sovereign credit risk premiums (measured through 5-year credit default swaps (CDS) of advanced economies decreased slightly, in general terms, throughout 2019, although in the case of peripheral euro area countries this fall was greater. This performance was generally in response to the easing of some uncertainties, as described above. In Greece, the risk premium fell by a total of 346 bp, to 112 bp at the end of December, and in Italy it fell by 84 bp to 121 bp. In Spain, the premium decreased by around 40 bp in the first six months of the year and subsequently remained fairly stable, ending the year at 41 bp (80 bp at year-end 2018), similar to Portugal's credit risk premium (down by 51 bp to 38 bp). In the other European economies, the risk premiums experienced smaller declines throughout 2019. For example, in France and the United Kingdom there were falls of close to 20 bp and in Germany, of barely 5 bp. The US sovereign risk premium stood at 13 bp at the end of December, 9 bp below the figure of 22 bp seen at year-end 2018 (see Figure 1.1.8).

Sovereign CDS spreads

FIGURE 1.1.8



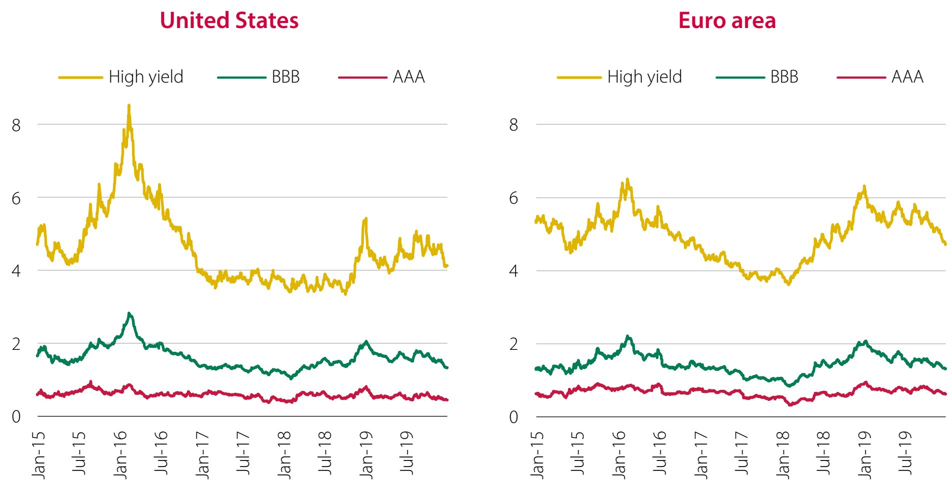
Source: Thomson Datastream.

The risk premium applied to euro area credit institutions declined throughout 2019, as the same factors that contributed to lower sovereign risk premiums gave risk to positive changes in the outlook for the banking sector. Therefore, the risk premium applied to the euro area banking sector as a whole decreased by 54 bp in the year to stand at 101 bp at the end of December. The risk premium applied to the US banking sector fell by 35 bp, to stand at 37 bp.

Corporate debt risk premiums also fell in 2019, albeit unevenly, with greater irregularity observed in the first half and significant decreases during the second. In both the euro area and the United States the fall was especially noted in the lower credit quality segments[7] (116 bp in Europe and 54 bp in the United States), reflecting the general increase in risk appetite. Thus, at the end of December, the risk premium applied to euro area high yield bonds stood at 489 bp, with a cumulative decrease of 171 bp between June and December, and in the United States it was 430 bp, with a fall of 78 bp in the same period. In general, the very low rates, especially in the euro area, continue to favour the search for yield through investment in higher risk assets (see Figure 1.1.9).

7 Monthly average of daily data.

Corporate bond spreads[1] FIGURE 1.1.9



Source: Thomson Datastream (BofA Merrill Lynch and IBOXX indices). (1) Expressed as the difference between the internal rate of return (IRR) of the set of bonds belonging to a determined maturity and credit rating index and that of 10-year government bonds (the German bond is used in the case of the euro area).

Increase in gross debt issues in international markets in 2019, driven by activity in the United States

In 2019, gross debt issues in international markets increased by 5%, reaching US$11.7 trillion, with no common pattern between regions and issuers (see Figure 1.1.9). In the United States, debt issues increased by 24.6%, to US$5.33 trillion, while in the rest of the areas analysed there were decreases of 12.1% in Europe and 4.2% in Japan, to stand at US$2.68 trillion and US$1.33 trillion respectively. By sector too, behaviour was uneven, with a larger increase in issues in the non-financial sector, where they stood at US$2.0 trillion (up by 15.7%) and in sovereigns, for an amount of US$7.4 trillion (up by 4.2%), while they remained practically stable in the financial sector (US$2.3 trillion, 0.3% less than in 2018).

In the United States, the increase in debt issues in 2019 was widespread among the different sectors and is explained both by the decisions of its government and by the decrease in interest rates, which has made this form of financing more attractive. The increase in sovereign issues was 29%, with a significant boost in the second half of the year; the increase in issues by non-financial companies was 32.8%; and the increase in issues by financial institutions was somewhat more modest, at 1.9%.

Gross international fixed income issues FIGURE 1.1.10

Source: Dealogic. Half-yearly data.

In Europe, the decline in debt issue was due mostly to the public sector, with a drop of nearly 20% to US$1.4 trillion,[8] although the figure for financial institutions also fell (by 4.3% to 744 billion). The latter are likely to have lower funding requirements and also have alternative low-cost sources. In contrast, non-financial companies took advantage of a further fall in interest rates and saw an increase in issues of 2.9% in 2019 to €527 billion, the highest figure in recent years.

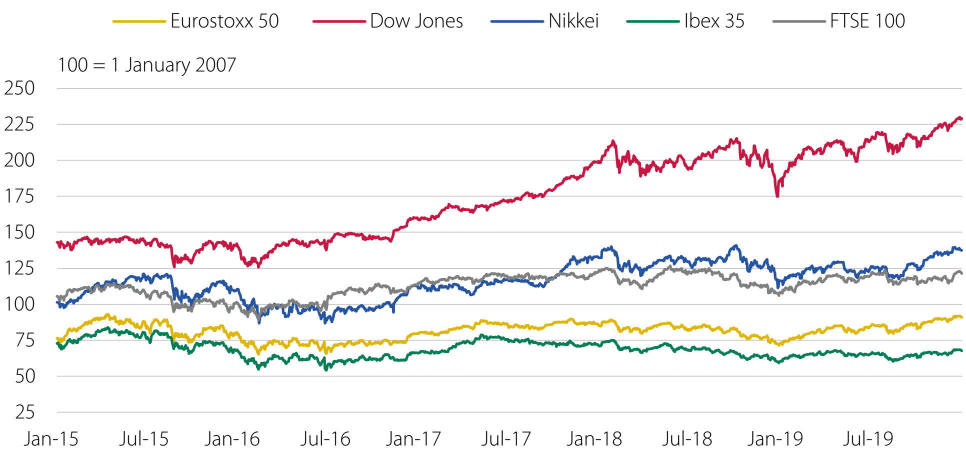
International stock markets experienced significant rebounds in the year as a whole and low levels of volatility were recorded

International stock markets made sharp gains compared with 2018, when they saw significant losses. In general, the largest gains occurred in the first and last quarters of the year, with the lowest rises seen in the middle part of the year (with some, such as the Spanish, Italian and UK indices, even falling). The general perception of lower economic and political uncertainty, especially in the last quarter of the year, favoured the bullish trends marked by the indices. In 2019, the gains made by Europe indices were generally of more than 24%, with the exception of the Ibex 35, which recorded a more moderate increase (11.8%), and the UK's FTSE 100, which rose 12.1%. Apart from these two cases, the gains reported by European indices ranged from 24.8% (Eurostoxx 50) to 28.3%

8 In fact, net issue of these instruments (i.e. discounting the maturities) was in negative ground.

(Italian MIB 30). Similarly, the US and Japanese exchanges experienced substantial gains in the year: between 15.2% (Topix) and 18.2% (Nikkei) in Japan and between 22.3% (Dow Jones) and 35.2% (Nasdaq Composite) in the United States.

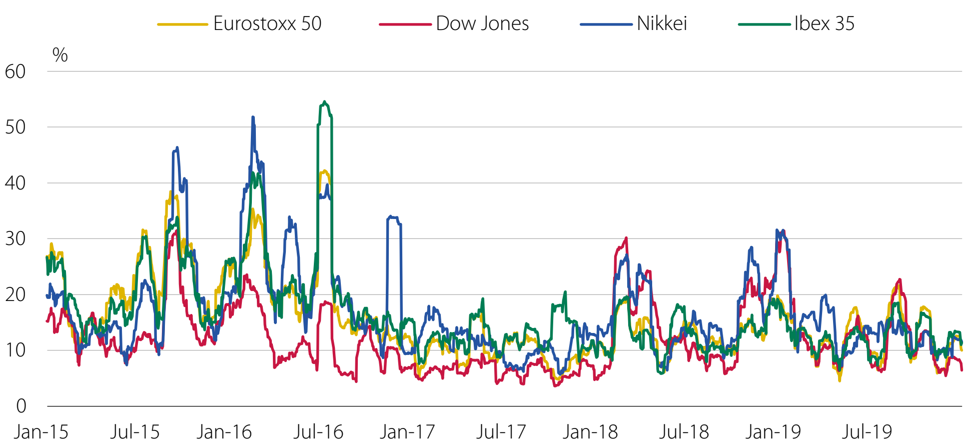
Performance of the main world stock market indices FIGURE 1.1.11



Source: Thomson Datastream.

The historical volatility measures of the most relevant stock market indices were at lower levels during 2019, if we compare the annual average with their historical averages. In Europe, the volatility indicators of the Ibex 35 and the Eurostoxx 50 registered an annual average of around 12.5%, while the historical average for both is approximately 20%. The volatility of these indices, which ended 2018 at levels close to 20%, decreased as 2019 progressed, although with a slight uptick at the end of August. The average historical volatility of the Dow Jones in 2019 was also lower than its historical average (12.4% vs 15%) and showed a more pronounced downward trend compared with the European indices, starting the year at 30% and ending it at 6.4%. Similarly, the Japanese index, which started the year with higher volatility levels, ended 2019 at around 11.6% (see Figure 1.1.8). The implied volatility measures of the most relevant stock market indices followed the same line as the historical measures, with annual averages of between 12% and 16%.

Historical volatility[1] of the main stock market indices FIGURE 1.1.12

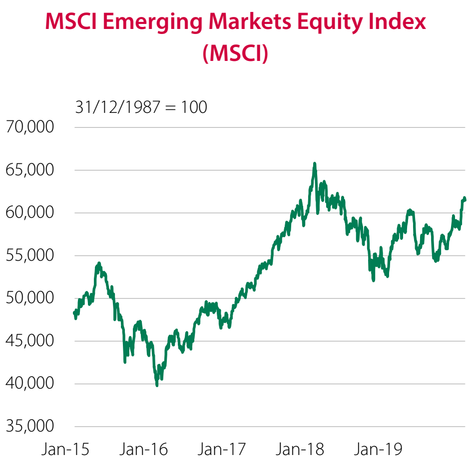


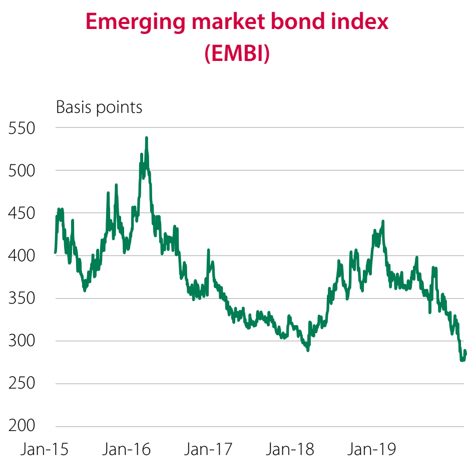
Source: Thomson Datastream. (1) The index's historical volatility on day t is calculated as the standard deviation of daily index returns in the 20 preceding sessions

The behaviour of stock market prices in emerging economies differed during the course of 2019: buoyant in the first and last quarters of the year (as in advanced economies) and declining in the middle months. The year was marked by the trade tensions between the United States and China, although the political and social uncertainty in South America, particularly in Chile, also stood out. Even so, the MSCI emerging markets equity index gained 15% in the year as a whole and the risk premium (EMBI) decreased by150 bp, to end the year at 284 bp (see Figure 1.1.13).

As shown in Table 1.1.1, the stock markets of emerging economies generally recorded a slightly irregular performance in 2019. By region, the Latin American indices increased with respect to December 2018, with the exception of the Chilean IGPA index, which lost 9.9% in the year as a result of the political instability in the country. The gains made by the rest of the indices in the region reached 31.6% for Brazil's Bovespa index and 37.6% for Argentina's Merval index, which, after falling 30.5% following the primary elections held in the country and the collapse of the peso in the third quarter, rose by 43.4% in the last months of the year. Most of the Asian indices also showed increases, with highlights including the Shanghai Composite index, which, after two quarters of losses and thanks to the favourable direction taken by the trade negotiations with the USA, gained 5.0% in the last quarter and closed on a gain of 22.3%. In Eastern Europe, the Russian (RTS Index) and Romanian (Romania BET) indices were up 45.3% and 35.1% respectively.

Emerging economy financial markets FIGURE 1.1.13





Source: Thomson Datastream and Bloomberg.

Equity markets performance TABLE 1.1.1

Stock market	Index	Change[1] (%) 2015	2016	2017	2018	2019
Developed countries						
United States	Dow Jones Ind. A.	-2.2	13.4	25.1	-5.6	22.3
United States	Nasdaq Composite	5.7	7.5	28.2	-3.9	35.2
United States	S&P 500	-0.7	9.5	19.4	-6.2	28.9
Japan	Nikkei	9.1	0.4	19.1	-12.1	18.2
United Kingdom	FTSE 100	-4.9	14.4	7.6	-12.5	12.1
Euro area	Eurostoxx 50	3.8	0.7	6.5	-14.3	24.8
Euronext[2]	Euronext 100	8.0	3.0	10.6	-11.2	24.9
Germany	Dax 30	9.6	6.9	12.5	-18.3	25.5
France	Cac 40	8.5	4.9	9.3	-11.0	26.4
Italy	Mib 30	12.7	-10.2	13.6	-16.1	28.3
Spain	Ibex 35	-7.2	-2.0	7.4	-15.0	11.8
Latin America, Asia and Eastern Europe						
Argentina	Merval	36.1	44.9	77.7	0.8	37.6
Brazil	Bovespa	-13.3	38.9	26.9	15.0	31.6
Chile	IGPA	-3.8	14.2	35.0	-7.3	-9.9
Mexico	CPI	-0.4	6.2	8.1	-15.6	4.6
Peru	IGBL	-33.4	58.1	28.3	-3.1	6.1
South Korea	Korea Cmp Ex	2.4	3.3	21.8	-17.3	7.7
Hong Kong	Hang Seng	-7.2	0.4	36.0	-13.6	9.1
China	Shanghai Composite	9.4	-12.3	6.6	-24.6	22.3
Russia	Russian RTS Index	-4.3	52.2	0.2	-7.6	45.3

Source: Thomson Datastream. (1) In local currency. (2) Comprises Belgium, the Netherlands, France and Portugal.

According to data published by the World Federation of Exchanges and the Federation of European Securities Exchanges, the trading volumes of the main exchanges and multilateral trading facilities (MTFs) showed a general downward trend in the main geographical areas throughout 2019. In the United States, trading fell by 16.6% to €36.8 trillion, as a result of lower trading on the NYSE and BATS Global Markets (falls of 17.8% and 13.5%, respectively).[9] Among the European platforms, the largest decline was recorded at Cboe Equities, with 29.9%, although the rest of the European trading venues also experienced declines in trading activity (in Spain the fall was 20.6%), as did the Japanese venues. Even the Turquoise MFT was not spared from this trend, with a drop in trading of nearly 50% in 2019.

In the first months of 2020, the spread of the coronavirus and the general implementation of confinement measures led to bouts of turbulence on the international financial markets, with abrupt falls in prices and substantial increases in volatility, which in some of the indices exceeded the highs seen in 2008. Some indices, such as Spain's, posted their biggest daily fall ever (14.1% on 12 March). To date,[10] stock

9 The year-on-year changes shown have been calculated with the information available at the end of 2019. Specifically, full-year data is available for all trading venues except the NYSE (to October).

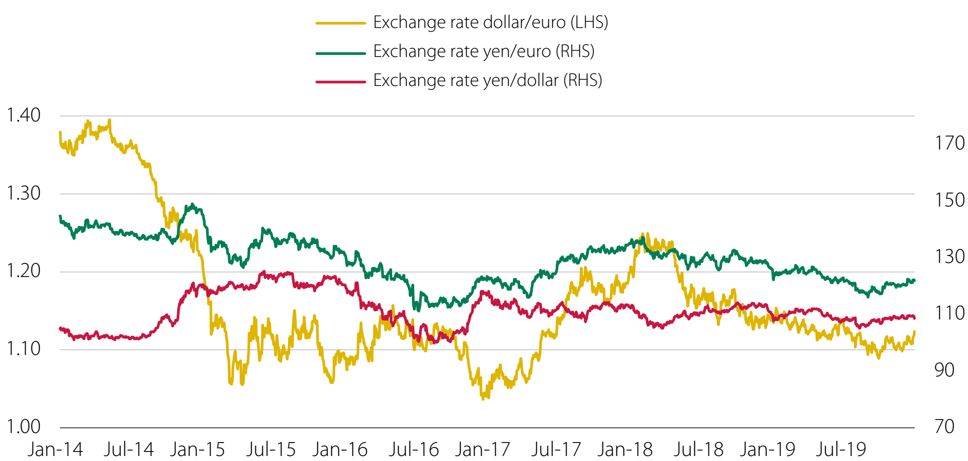
10 Information to 15 April.

markets in advanced economies have lost between 14% and 29% in the year, with the exception of the Nasdaq index, which has fallen by 6.5%. In China, where the equity markets were experiencing turbulent episodes as early as February (the Shanghai Composite opened on Monday, 3 February with losses of close to 8%, its biggest fall in more than 4 years), a more stable trend subsequently developed, so that in mid-April the accumulated loss for the year was 7.8%.

The rate hikes in the United States and uncertainties in Europe are weighing on the price of the euro

As seen in Figure 1.1.14, the euro/dollar exchange rate started the year at US$1.15 per euro and stood at US$1.12 in December 2019. During the year, the exchange rate fluctuated between the two figures, although the euro depreciated slightly, most notably in September. The better macroeconomic data released in the United States and political and economic uncertainties in Europe (Brexit, slowdown in activity, etc.) explain the attractiveness of the US currency compared with the euro. Following a pattern similar to the dollar/euro rate, the euro/yen exchange rate went from 126 yen to 122 yen per euro between December 2018 and December 2019. The trend followed by the euro/pound exchange rate was marked by the Brexit negotiations and moved from 0.89 pounds per euro at the end of 2018 to 0.85 pounds at the end of 2019, following the strengthening of the British currency at the end of the year after the December elections.

Euro exchange rate against the dollar and the yen FIGURE 1.1.14



Source: Thomson Datastream.

1.1.3 Outlook and risks

The IMF forecasts published in January 2020, which put world GDP growth for 2020 at 3.3%, were rendered completely obsolete by the events triggered by the spread of the coronavirus. In April, the IMF published a new report which, while subject to a high degree of uncertainty,[11] points to a very unfavourable year in 2020, with world GDP slowing by 3.0% (a much sharper drop than the 0.6% contraction seen in 2009

11 The IMF forecasts take as a base scenario the assumption that the COVID-19 pandemic will dissipate in the second half of 2020 and that containment measures can be gradually withdrawn, so that

during the global financial crisis), followed by an uptick to 5.8% in 2021. The main advanced economies and most of the emerging economies are expected to show different degrees of recession. The contraction in GDP would be more pronounced in the former, standing at 6.1% this year, compared with the growth of 1.7% recorded in 2019, with expected contractions for the euro area and the United States of 7.5% and 5.9% respectively (compared with growth of 1.2% and 2.3% in 2019). Forecasts for emerging and developing economies place the contraction in activity at 1.0% for this year, as the growth data forecast for China and India (with expected advances of 1.2% and 1.9% in 2020 respectively) would smooth the fall in GDP for this group of countries.

The main risks in this scenario stem from the duration of the expansion and containment of the COVID-19 outbreak, as well as the effectiveness of the measures adopted, the duration of which is also uncertain. The consequences of the current health crisis are difficult to predict and depend on numerous factors. On the one hand, it is difficult to forecast the rate of recovery of economic activity once the lockdown measures are gradually eased, and there is even the possibility of new outbreaks that may lead to the hardening or extension of some of these. It is also important to take account of the agents' significant loss of wealth deriving from the sharp falls in the prices of financial assets (and possibly real assets shortly) in a context of a foreseeable decrease in their income. Apart from this, it is difficult to predict the change and the scale of agents' consumption patterns and even how they will interact in the future; factors that will also determine the speed of the recovery from the crisis. Lastly, for most economies tackling the deterioration of their public accounts caused partly by the decisions taken, while at the same time ensuring the sustainability of public sector finances in the medium and long term will pose a very substantial challenge.

In addition to the repercussions of the coronavirus pandemic for the growth scenario, other risks of a different nature have been discerned that have faded into the background but are still relevant. These include notably the negotiations surrounding the US-China trade agreement and Brexit. Although the first phase of the trade agreement was signed at the beginning of the year, doubts remain over how the second phase will be developed and its effects on international trade. The presidential elections in the United States in November add greater uncertainty to this factor. As regards Brexit, negotiations, which had been temporarily halted due to the crisis, were resumed in mid-April and if an agreement is not reached by the end of the transition period (which is the end of the year unless there is an extension) there will be a disorderly exit by the United Kingdom and the country could end up trading with the EU under WTO rules. There is also uncertainty surrounding the negotiations between the European Union and the United States for a trade agreement that would curb the rise in bilateral tariffs between the two powers.

1.2 Spanish environment

The Spanish economy was not immune from the factors that led to a global slowdown in 2019, although it was not as intense in Spain as in other European economies that were harder hit by trade restrictions and other uncertainties. In this

economic activity normalises thanks to the support provided by economic policies implemented by the authorities.

context, GDP and employment continued to grow, albeit at a slower pace than in 2018, and inflation remained below 2% throughout the year – supported by the fall in the price of energy products. The public deficit stood at 2.8% of GDP (2.5% in 2018). Several of the existing uncertainties eased off at the end of the year and this enabled the stock markets to close with significant gains and higher yields on debt assets, although the balance reflected decreases stemming from the prolonged scenario of ultra low interest rates.

Thus, GDP increased by 2.0% in 2019 (2.4% in 2018), 0.8 pp more than in the euro area as a whole and jobs grew by more than 402,000, as a result of which the average unemployment rate for 2019, while high, stood at 14.1% of the active population (1.2 pp less than in 2018). The financial position of households continued to improve slowly as a result of increased income, lower debt and an increase in wealth. The savings rate rose for the second consecutive year, prompted by precaution on the part of households, although it remained much lower than the European standard. Banks once again struggled to increase their profitability due to the low interest rates, although the NPL ratio fell further (it has been at lows since 2009).

Yields on Spanish debt markets declined, as in other European economies, and marked new historic lows. Both short-term and long-term debt decreased, shaped by the continuity of the accommodative monetary policy adopted by the ECB, which decided not to raise official interest rates and restarted its debt purchase programme. In the longer-dated public debt segments, the negative rates remained in placed at the end of the year for bonds up to the 5 year maturity section. The yield on the 10-year bond, which came very close to zero in August, ended the year at 0.47% (1.43% in 2018). Additionally, the risk premium fell sharply in the first half, in line with the greater relative strength of the Spanish economy, and experienced little change afterwards. It closed 2019 at 66 bp (118 bp in 2018).

In the equity markets, the Ibex 35 marked a bullish trend, in line with most international equity indices, but it gained considerably less (11.8%), in an environment of low volatility and favourable liquidity conditions and largely due to the heavy weight of financial sector stocks in its composition. Trading in Spanish shares decreased, a trend that was also observed in other venues, and part of the volume continued to move from Spanish trading venues to other MTFs and foreign regulated markets (market share of 42.6% vs 37.4% in 2018).

The first few months of 2020 have been marked by an abrupt turnaround in the economic and financial scenario in Spain due to the COVID-19 crisis. The lockdown measures adopted in March to limit the spread of the virus brought a considerable part of productive activity to a halt. This triggered an episode of major market turbulence, of a scale not seen since the last big crises in 2008 and 2012. Equity market prices declined sharply, coupled with spikes in volatility and a loss of liquidity to the point where the CNMV, like other securities supervisors, banned the creation or increase of short equity positions. Rises in risk premiums, especially of poorer credit quality assets, were observed in the fixed income markets until the ECB announced a comprehensive set of measures to mitigate the effects of the crisis, when this trend was reversed. In this context, the most relevant published estimates place the drop in GDP for Spain at least 8% this year.

1.2.1 Economic environment

The Spanish economy grew by 2% in 2019, further widening the gap with the rest of the euro area

Spain's GDP grew by 2% in 2019, and therefore continued the growth that began in 2014, although at a somewhat lower rate than in previous years (2.4% in 2018 and 2.9% in 2017), in line with the slowdown seen in other economies. Even so, the slowdown in domestic activity was weaker than in the euro area as a whole, where GDP growth fell from 1.9% to 1.2%, mainly due to Germany's relatively poor performance, taking the growth differential with Spain from 0.5 pp to 0.8 pp.

The contribution of domestic demand to GDP growth fell to 1.5 pp in 2019 (2.6 pp in 2018), while that of the external sector, which had been negative in the previous two years, was 0.5 pp (almost 0.8 pp more than in 2018). As regards the components of domestic demand, growth in private consumption slowed from 1.8% in 2018 to 1.1% in 2019 and growth in gross fixed capital formation slowed by much more, from 5.3% to 1.8%, while growth in public consumption rose slightly, from 1.9% in 2018 to 2.3% in 2019. Regarding the performance of the external sector, exports grew by slightly more than in the previous year (2.6% vs. 2.2%) despite the slowdown in global trade, while the increase in imports slowed (from 3.3% in 2018 to 1.2% in 2019). The slowdown in imports, coupled with higher exports, made for a positive contribution of external demand to growth throughout the year.

Key variables of the Spanish economy (growth rates) TABLE 1.2.1

%	2015	2016	2017	2018	2019
GDP	3.8	3.0	2.9	2.4	2.0
Private consumption	2.9	2.6	3.0	1.8	1.1
Public consumption	2.0	1.0	1.0	1.9	2.3
Gross fixed capital formation, of which:	4.9	2.4	5.9	5.3	1.8
Capital goods	9.9	1.9	8.5	5.6	3.0
Exports	4.3	5.4	5.6	2.2	2.6
Imports	5.1	2.6	6.6	3.3	1.2
External sector (contribution to growth, pp)	-0.1	1.0	-0.1	-0.3	0.4
Employment[1]	3.2	2.8	2.8	2.5	2.3
Unemp. rate (% active population)	22.1	19.6	17.2	15.3	14.1
Consumer price index	-0.5	-0.2	2.0	1.7	0.7
Current account balance (% GDP)	2.0	3.2	2.7	1.9	2.0
Public authorities balance (% GDP)[2]	-5.2	-4.5	-3.1	-2.5	-2.8

Source: Ministry of Economy and Competitiveness, Thomson Datastream and European Commission. Annual change unless otherwise stated. (1) Full-time equivalent (FTE) jobs. (2) Includes public aid to credit institutions in 2015, 2016, 2017, 2018 and 2019 for amounts of 0.1%, 0.2%, 0.04% 0.01% and 0.0% of GDP respectively.

On the supply side, the sharpest slowdowns were seen in the primary sector (agriculture, livestock, forestry and fisheries), the added value of which, having grown by 5.9% in 2018, shrank in 2019 by 2.6% as an annual average, and in construction, which still posted positive growth (3.5% in 2019, compared with 5.7% in 2018). With the services sector growing at a similar pace to the previous year (2.6% in 2019 compared with 2.7% in 2018), the industrial sector was the only one to see a pick up, from a negative 0.4% in 2018 to a positive 0.6% in 2019. This was driven mainly by non-manufacturing industries.

The inflation rate, which stood at 1.5% in April, as a result of the upturn in energy prices, later fell as energy inflation entered into negative ground.[12] The annual average rate was 0.7% (0.8% in December), while the core rate – IPSEBENE – which excludes the most volatile elements of the index such as energy and fresh food, remained in a much tighter range for the whole period (between 0.7% and 1.0%), with an average of 0.9% for the year (1.0% in December). Inflation in the euro area as a whole was higher than the rate in Spain throughout the year. The inflation differential between Spain and the euro area as a whole ended 2019 at -0.5 pp and ranged from -0.1 pp in the period of highest inflation in April to -0.7 pp in June. The average of this differential over the year was -0.4 pp, compared with practically zero in 2018.

In the labour market, the buoyant economic activity allowed employment to grow significantly, by 2.3% on average in 2019, but with less intensity than in previous years (2.5% in 2018 and 2.8% in 2017). Information from the Labour Force Survey (EPA) indicates that last year the number of jobs increased by 402,300 (2.4 million in the last five years) and that the unemployment rate fell to 13.8% in the fourth quarter (14.4% at the end of 2018). In addition, the average year-on-year growth in unit labour costs stood at 2.4% in the first nine months of 2019, as the increase in remuneration per employee (2%) was accompanied by a slight fall in apparent labour productivity (0.4%).

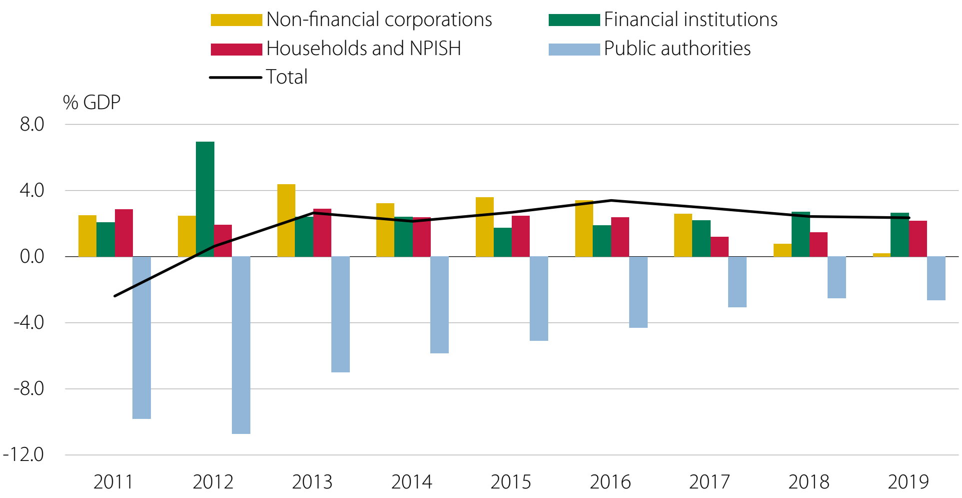
Public sector finances as a whole worsened in 2019. The public deficit closed the year at 2.8% of GDP (2.5% in 2018), which is therefore compatible, for the second consecutive year, with Spain's exit from the excessive deficit procedure to which it has been subject since 2009. With the exception of the autonomous regions, with a deficit of 0.55% of GDP (0.28% in 2018), the government bodies with financing needs reduced the amounts they borrowed. The most notable decreases were in the deficits of the social security administration, which stood at 1.29% (1.44% in 2018) and to a lesser extent of the central administration, which went from 1.32% in 2018 to 1.30% in 2019. The surplus of local authorities fell slightly from 0.5% to 0.3% of GDP. Public debt stood at 95.5% of GDP at year-end 2019, 2.1 pp lower than in 2018.

The financing capacity of the Spanish economy with regard to the rest of the world fell slightly in 2019 to 2.3% of GDP

The Spanish economy continued to show financing capacity in 2019, although it fell slightly to 2.3% of GDP (2.4% in 2018); the lowest level since 2014. The savings rate of the Spanish economy saw a decrease during the year that was greater than the fall in investment in non-financial assets, which led to the aforementioned decline in aggregate financing capacity. By sector, it is worth noting the slight increase, for the first time after six years of consecutive falls, in the financing needs of public administrations. In the non-financial sectors of the economy, an increase in the financing capacity of households was observed (from 1.5% of GDP in 2018 to 2.2% in 2019), while for non-financial companies, this figure fell to 0.2% of GDP (0.8% in 2018).

12 The year-on-year change in energy prices went from 5.6% in March to -2.1% in December and reached a low of -6.6% in September.

Capacity (+)/need (-) for financing of the Spanish economy FIGURE 1.2.1



Source: Bank of Spain.

The household savings rate continued to increase, although it remained much lower than that of the euro area as a whole

The most recent data on the financial position of households reveal an increase in savings and wealth rates, while the debt ratio continued to decline in 2019. The increase in the savings rate, which went from 5.9% of gross disposable household income (GDHI) at the end of 2018 to 7.4% at the end of 2019, is explained by precaution on the part of households in a context of economic slowdown and the presence of several uncertainties, which was compatible with the expansion of aggregate consumption and easier access to financing. Despite registering two consecutive years of increased savings, the rate of Spanish households remains well below the euro area average (close to 13% of GDHI). The debt ratio decreased from 102.2% of GDHI at the end of 2018 to 98.7% in 2019, with a decline in debt levels, basically in housing loans, and an increase in aggregate disposable income. Net wealth of households increased in 2019 (from 563.6% of GDP to 571.1%) due to the revaluation of both financial and, to a lesser extent, real estate assets.

Household net financial investment amounted to 3.9% of GDP in 2019 (2.8% in 2018), maintaining the trend seen in previous years. Therefore, investment in means of payment continued (4.9% of GDP) as did disinvestment in shares and units (1.0% of GDP) and in term deposits and fixed income securities (1.7% of GDP), in this last case by smaller amounts than in previous years. Households invested in investment fund units, continuing the trend started in 2012, probably influenced by the good performance of the markets in the latter part of 2019, although the volume invested was also lower. In total, households invested the equivalent of 0.5% of GDP in these products (0.7% in 2018).

Regarding investment in investment funds, in an apparent break with the trend that had been in place since 2013, with asset variations translating into a decrease in the relative weight of the more conservative formulas (fixed income funds and guaranteed fixed income and equity funds), in 2019 unitholders did not follow such a clear direction. While global equity funds – a category considered more risky – registered positive net subscriptions of more than €4 billion, fixed income funds received the most funds during the year. The way this changed over time was also significant:

the first quarters were marked by subscriptions to fixed income funds, above all by the most risk-averse investors who were influenced by the negative performance of the markets at the end of 2018, while there were substantial subscriptions to global equity funds in the second half of the year. While global equities were favoured by the easing of several of the uncertainties affecting the markets, some of these subscriptions may have been made by investors attracted by options with a higher expected return (and risk), in the current environment of low interest rates.

1.2.2 Financial environment

The financial markets stress indicator, which remained at low levels for most of 2019, rebounded sharply in March this year due to the crisis caused by the coronavirus

In 2019, the Spanish financial market stress indicator[13] rose progressively until September, from very low levels to reach the threshold values separating low stress levels from medium stress levels (0.27). It hovered around these values for several weeks, but ended the year at 0.22, marking a slight downward trend in line with the easing of existing uncertainties.

This indicator remained at low levels in the first two months of 2020 and then rose sharply to reach the high stress zone (above 0.49) due to the crisis generated by COVID-19 and its impact on the different segments of the financial system. The stress indicator for the system as a whole, the latest reading of which is 0.56 (at 17 April), saw the most intense uptick in its history in four consecutive weeks: between 28 February and 27 March it surged from 0.19 to 0.56 (0.36 points), a trend that contrasts with the more gradual increase in value observed in other periods of crisis. The indicator has reached its third highest ever value, below only those seen in late 2008 (0.88) and mid-2012 (0.70). Abrupt falls in asset prices, increased volatility and loss of liquidity of assets have generated very significant increases in stress levels in most of the segments that make up the general indicator.

As seen in Figure 1.2.2, the most significant individual indicators rose above 0.85 or even 0.95 in the case of non-financial equities. Since the end of March, the total aggregate stress value has remained relatively stable at figures ranging between 0.55 and 0.56 due to a certain easing of market turbulence, to which the announcement of a more ambitious package of measures by the ECB, which put an end to the rising trend in the main risk premiums, has undoubtedly contributed. Furthermore, the

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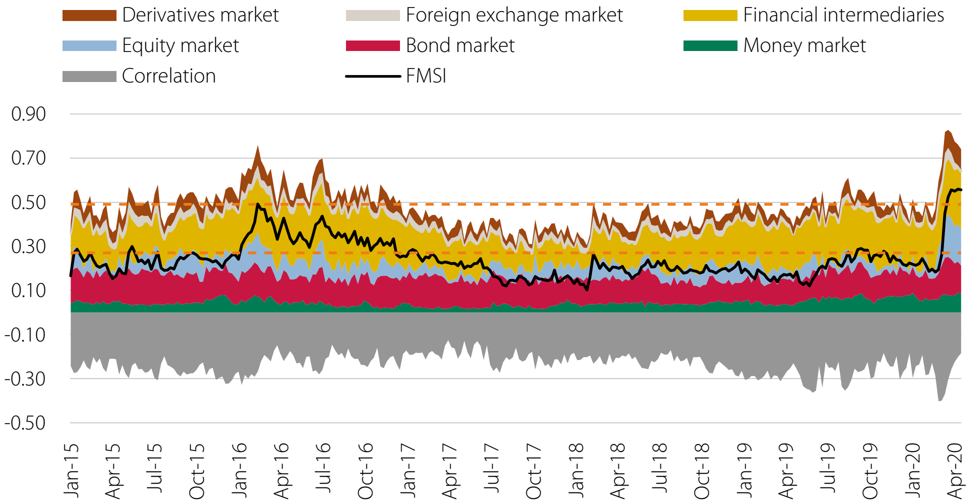
13 The stress indicator calculated by the CNMV provides a real-time measure of systemic risk in the Spanish financial system that ranges from zero to one. To do this, it evaluates stress in six segments of the financial system and makes an aggregate, obtaining a single figure that takes into account the correlation between these segments. Econometric estimates indicate that index values below 0.27 correspond to periods of low stress, while scores between 0.27 and 0.49 correspond to periods of medium stress, and values above 0.49 indicate periods of high stress. For further details on recent movements in this indicator and its components, see the quarterly publication of the *Financial Stability Note*, and the CNMV's statistical series (market stress indicators), available at http://www.cnmv.es/portal/Publicaciones/PublicacionesGN.aspx?id=51. For more information on the methodology of this index, see Cambón, M.I. and Estévez, L. (2016). "A Spanish Financial Market Stress Index (FMSI)". *Spanish Review of Financial Economics,* Vol. 14, No. 1, pp. 23-41 or as CNMV Working Document No. 60 (http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/Monografia_60_en.pdf).

degree of correlation in the system has also increased over the last few weeks, albeit slowly, which may contribute to keeping the stress level at high levels for some time.

Spanish financial markets stress indicator[1] FIGURE 1.2.2



Source: CNMV. For further information on the methodology of this index, see Cambón, M.I. and Estévez, L. (2016). "A Spanish Financial Market Stress Index (FMSI)". *Spanish Review of Financial Economics,* Vol. 14, No. 1, pp. 23-41 or as CNMV Working Document No. 60 (http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/Monografia_60_en.pdf).

Debt yields continued to decline in 2019, affected by monetary policy decisions

In the national debt markets, interest rates on short-term public debt showed a slight downward trend throughout 2019, standing at historical low. Therefore, in line with the ECB's ultra-expansive monetary policy, these rates have been in negative territory along the whole short section of the curve for the fourth consecutive year. In particular, the 3-month, 6-month and 12-month yields on Spanish treasury bills stood at -0.69%, -0.52% and -0.48%, respectively, below the values for year-end 2018 (-0.55%, -0.42% and -0.37%, respectively). Medium- and long-term rates fell further throughout the year due to the aforementioned accommodative measures implemented by the central bank and to the consideration of these bonds as safe-haven assets in times of uncertainty. In this context, the yield on the 10-year bond was at historic lows of close to zero at the end of August and the 5-year bond yield entered negative territory in June.[14] Subsequently, in the last quarter, following the resolution of some uncertainties and expectations that, for the time being, there would be no further decisions of an expansive nature, 10-year bond rates began to rise slightly, ending the year at 0.47%, which is 95 bp less than in December 2018 (1.43%).

The sovereign credit risk premium fell in 2019, favoured by the better relative performance of the Spanish economy compared with the rest of the large European economies, and marked an annual low of 60 bp in July. Thereafter, it remained relatively stable, with small fluctuations, ending the year at 66 bp, more than 50 bp below the 2018 close (118 bp). The performance of risk premiums in the private

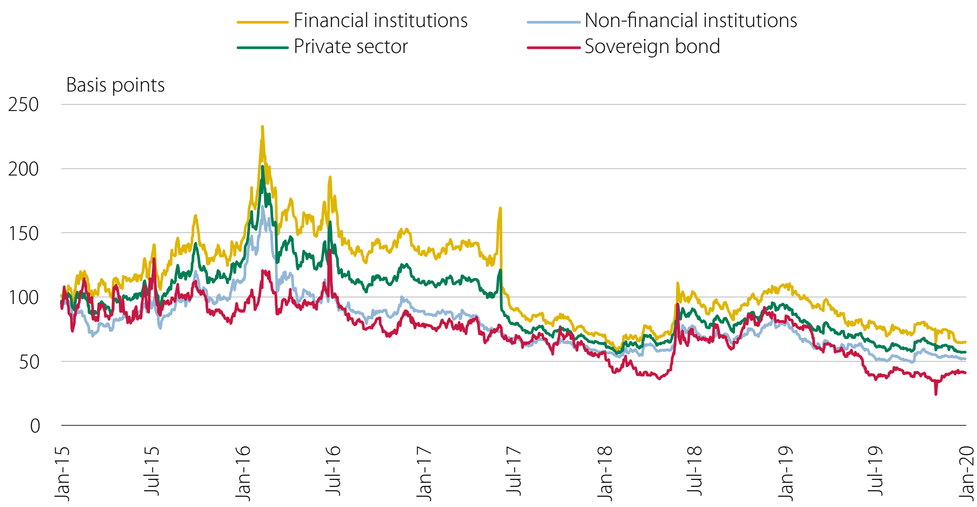
14 This yield reached a low of -0.38% in August and ended the year at -0.09%.

sub-sectors of the economy tracked those of the public sector, particularly the risk premium applied to financial institutions, which declined over practically the whole year. Thus, the average CDS of Spanish financial institutions at the end of December stood at 65 bp, below the 108 bp at the start of the year, and the average for non-financial companies stood at 52 bp, compared with 78 bp at the start of the year.

In 2019, companies continued to replace issues in Spain with issues made abroad. Corporate bond issues registered with the CNMV fell by 11% over the year to €90,161 million, while issues made abroad grew by 14% to €100,321 million. This performance responds partly to the decrease in issues made by SAREB, the Asset Management Company for Assets Arising from Bank Restructuring, which were reduced by 31% to €20,505 million (€29,751 million in 2018). Stripping out debt issues made by this entity, the fall in total fixed income issues would have been less (-2.6%).

Risk premiums of Spanish issuers[1]

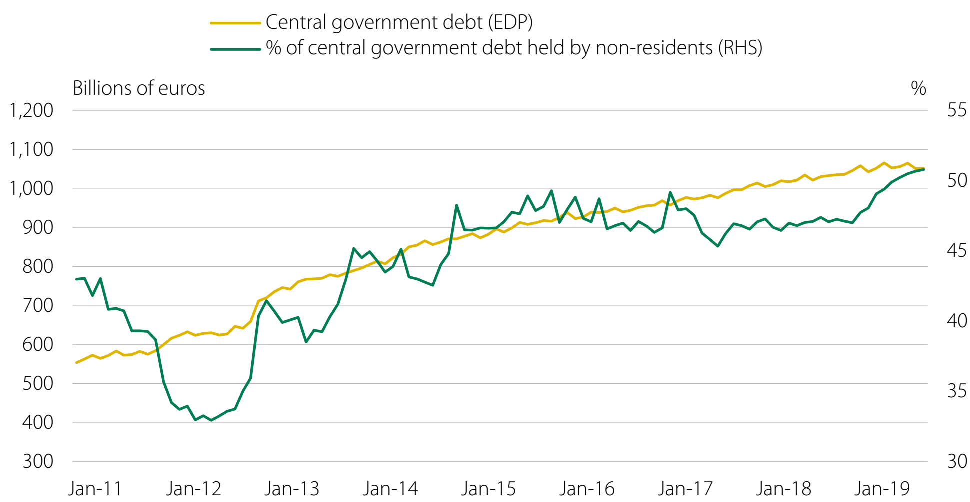
FIGURE 1.2.3



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

State debt and percentage of debt held by non-residents

FIGURE 1.2.4



Source: Bank of Spain.

It is worth noting the increase in debt issues made in 2019 in the Alternative Fixed Income Market (MARF), which is mainly used to finance SMEs through the issue of fixed income securities, and focuses on institutional investors. The nominal amount issued in 2019 stood at over €10.3 billion, an increase of 63% on the previous year. Most of this amount corresponded to issues of commercial paper (93%) by 58 entities (18 more than in 2018), including companies such as El Corte Inglés, MásMóvil, Grupo Barceló and Sacyr. Trading of securities listed on the MARF continued to be carried out mainly on a bilateral basis.

The low interest rate environment continued to weigh on bank profits, although the NPL ratio continued to fall, standing at lows since 2009

Expectations of a first rise in official rates in the early part of last year gave way to a decision not to rule out further cuts. This took place at the end of 2019 (in the deposit facility rate) and continued to significantly shape the business activity of the banking sector, preventing any significant improvements in net interest income. The complexity of this situation is exacerbated by the entry of new players linked to the new technologies sector and other uncertainties of a legal nature, such as the forthcoming ruling of the Court of Justice of the European Union (CJEU) on mortgage loans linked to the "IRPH" (index reference for mortgage loans).[15] On a positive note, it is important to highlight the fact that the buoyancy of the economy and the favourable performance of the job market continued to allow falls in the NPL ratio, which stood at 4.8% in December (5.8% at the end of 2019), where it stands at its lowest level since August 2009. The sector was also boosted by the new round of financing for banks (TLTRO) extended by the ECB.

The income statements of credit institutions relating to their businesses in Spain showed profits of €13,800 million for the whole of 2019 (€12,356 million in 2018). As mentioned above, bank profits are still restricted by the context of low interest rates, which prevents any improvement in net interest income (€23,149 million in 2019 vs €23,277 million in 2018). Operating expenses increased slightly, to €26,327 million in 2019 (€25,990 million in 2018), and therefore the better performance of financial instruments and the increase in other profit for the year led to an improvement in the aggregate sector profit (its highest since 2009).

Total financing to the resident non-financial sector (companies and households) increased by 0.7% in 2019, less than in previous years (0.8% in 2018 and 0.5% in 2017). This increase was due to the rise in household financing (0.2%) and especially corporate financing, which grew by 1%. The rise in household financing was due to the increase in consumer loans and other credits (3.9%), which offset the effect of the decline in home purchase loans (-1.1%). For non-financial institutions, financing obtained through marketable debt securities (13.9%) offset the fall in loans from resident credit institutions (-0.7%) and foreign loans (-3.6%).

The size of the banking sector, in terms of the aggregate volume of assets from its activity in Spain, increased in 2019 to €2.61 trillion (€2.57 trillion in 2018), breaking, for the second time, the downward trend that started in 2012 (the first time

15 Uncertainties surrounding the latter diminished once the ruling of the CJEU was published in early March, which left in the hands of Spanish judges the power to decide whether mortgages linked to IRPH are abusive on a case by case basis.

was in 2017). The most important sources of funding performed unevenly: financing from the Eurosystem decreased,[16] as did the item that includes equity, adjustments and value corrections. In this item it is worth noting that equity increased slightly, but this was offset by the decrease in the item including provisions for impairment losses for both loans and other assets (moving from €101.30 billion in 2018 to €93.47 billion in 2019). Liability items that showed the most significant increases included deposits from the other resident institutions sector and debt financing.[17]

The aggregate profits of listed non-financial companies fell in 2019 compared with the previous year, although this trend was not general to all companies

Listed non-financial companies obtained aggregate profit of €19,335 million in 2019, 20% down on 2018. The performance was not uniform among sectors or companies as, stripping out the negative performance of one single company (out of 93) that suffered very high losses,[18] total aggregate profit would have grown by 6.6%. By sector, the largest increases occurred in construction and real estate companies, where profits increased by 61.6% in the year, predominantly driven by the positive performance of companies that had made losses in 2018[19] and industrial companies, with a 2.3% rise in consolidated profits. In contrast, the most significant falls were concentrated in the energy and the retail and services sectors, with decreases in profits of 43.1% and 35.5% respectively. In both sectors, the performance of some specific large companies was decisive for the sector aggregate.[20, 21]

Profit/(loss) by sector: non-financial listed companies TABLE 1.2.2

Millions of euros

	Operating profit		Profit before tax		(Consolidated) profit for the year	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**
Energy	9,589	8,037	7,754	5,731	5,787	3,290
Manufacturing	8,088	8,967	7,646	8,135	6,075	6,217
Trading and services	16,036	13,041	14,138	9,673	10,158	6,549
Construction and real estate	5,627	5,197	4,244	3,953	2,029	3,279
Aggregate total	**39,340**	**35,242**	**33,781**	**27,492**	**24,049**	**19,335**

Source: CNMV.

16 Borrowing from the Eurosystem (deducting the amount of the debt purchase programmes) at the end of 2019 was slightly below €130 billion (€143 billion in 2018).

17 Other resident sectors that are not credit institutions or public administrations, which is why it is mostly made up of non-financial companies and households.

18 Repsol (a company in the energy sector) posted losses of €3.79 billion in 2019, according to the company as a result of the adjustments made to lay the groundwork for its new strategic orientation (it has set a goal of zero net emissions by 2050).

19 These companies notably include Ferrovial, which went from losses in 2018 to profits in 2019, and OHL, which has significantly reduced its losses.

20 In the energy sector, stripping out Repsol, aggregate profits would have doubled between 2018 and 2019, driven by the improvement in Naturgy's figures.

21 In the retail and services sector, the decrease in aggregate profits was largely due to the poor performances of IAG and Telefónica. Stripping out these companies, the reduction in profits in this sector would be less (-4.2%).

The debt of listed non-financial companies increased by 8.1% in 2019, to around €249 billion. Although short term debt represents a minor part (19% of total debt), it grew at a faster pace than long-term debt (16.6% compared with 6.3%). All sectors posted higher debt, most notably companies in the retail and services sector (+9.0%, to €87,965 million), energy companies (+8.5%, to €89,168 million) and construction and services companies (+7.4%, to €49,735 million). The increase in debt of industrial companies increased was lower (4.4% to €22,613 million), although these entities, together with companies in the retail and services sector, show the highest rates of leverage, measured in terms of the debt equity ratio (1.23 and 1.41 respectively). These figures are higher than the aggregate leverage ratio, which went from 0.94 in 2018 to 0.99 in 2019. Lastly, the debt coverage ratio, calculated as the ratio of debt to operating profit, deteriorated between 2018 and 2019, from 5.8 to 7.1.

The Ibex 35 rose 11.8% in 2019, below other benchmark indices, affected by several sources of domestic uncertainty

In the Spanish equity markets, the Ibex 35 ended the year with a notable rise (11.8%), in line with the performance of most European benchmarks (see Section 1.1), but much lower than the gains made by other markets. The lower rise of the Spanish index is due to differences in index composition and also probably to some domestic political uncertainties, such as the delay in forming the new government and the prolonged conflict in Catalonia. By sector, the best performances corresponded to the consumer discretionary and the health sectors. The main declines were seen in chemical companies and in the banking sector which, while favoured by the launch of the third round of ECB financing, continued to feel the effect of the scenario of very low interest rates and other uncertainties, as discussed above.

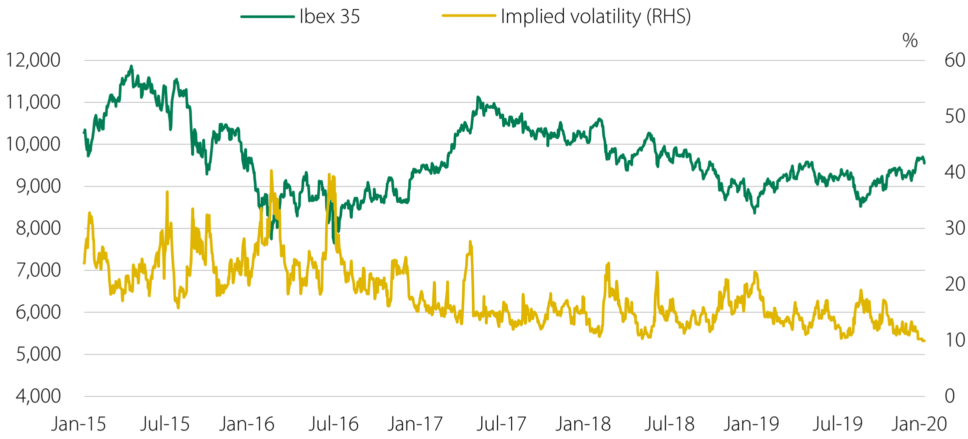
Like the Ibex 35, small and medium cap companies posted gains throughout the whole of 2019, especially at the beginning and end of the year. Medium-sized companies marked a more discreet performance and were more affected by the uncertainty surrounding trade and economic activity in Europe, where much of their economic and export activity is concentrated. The Latin American securities indices listed in euros also showed notable rises in 2019 (the FTSE Latibex All-Share and FTSE Latibex Top indices posted gains of 16.3% and 15.3%, respectively), in line with the good performance of most Latin American stock markets.

Stock market capitalisation grew once again in 2019 after the decline in 2018, which ended six years of consecutive increases. At the end of 2019, it stood at just under €667 billion, 12.5% more than in the previous year. This growth was mainly due to increases in prices and to a lesser extent to the contribution of fundraising through capital increases, which increased by 11.5%, to €8,240.6 million (€7,389 million in 2018).

As in other international benchmark indices, the volatility of the Ibex 35 remained low throughout the year, falling even further in the final months and closed at an all-time low (levels close to 10%). Although there were short-lived rebounds in volatility throughout 2019 as a consequence of the escalating trade tensions between the United States and China and other uncertainties, this indicator remained at low levels for most of the year, standing at an average of 13.7%, lower than the value recorded in the past two years and well below the 2016 figure

(23.7%). Trading in Spanish securities exceeded €805 billion in 2019 (13.4% less than in 2018), of which slightly more than €460 billion corresponded to the Spanish regulated market (20.6% less) and €345 billion to the MFT and competing regulated markets (1.5% less). As a result, the latter reached their maximum trading quota subject to market rules (42.6%, compared with 37.4% in 2018 and 32.1% in 2017).[22]

Performance of the Ibex 35 and implied volatility[1] FIGURE 1.2.5



Source: Thomson Datastream.

The Ibex 35, which had risen to 9,500 points at the end of 2019, experienced several episodes of instability in the first months of 2020 as a result of the uncertainty surrounding the coronavirus. These episodes, which were similar to those seen in other international stock markets, gave rise to the first losses in January (approximately 2%) and, after some recovery in the following weeks (the Ibex 35 reached 10,000 points in the middle of February), there were even sharper falls as the spread of the pandemic became apparent in Europe and, particularly, in Spain. Thus, mid-March saw the start of an intense period of turbulence marked by sharp price falls and volatility spikes not seen since the 2008 global financial crisis (above 80%). On 12 March, the Ibex 35 experienced its largest ever daily fall, losing 14.1%. The accumulated balance sheet of the index[23] in the current year shows losses of 28.4%, which, together with those of the Italian MIB 30 index, are the largest among the European indices. This led the CNMV, as well as other European securities authorities, to implement measures to limit short-selling on shares.[24]

22 Data on trading subject to market rules (lit and dark).

23 Information to 15 April.

24 http://www.cnmv.es/Portal/verDoc.axd?t={031a482c-b537-469d-8c45-b131829d3647}
https://www.cnmv.es/portal/verDoc.axd?t=%7B5baf609e-ed4e-4dad-a697-80c55548e181%7D
https://www.cnmv.es/Portal/verDoc.axd?t={c65a96cd-6d0d-47b8-90fb-a77b82551349}

Performance of Spanish stock market indices and sectors TABLE 1.2.3

%

	2015	2016	2017	2018	2019
Indices					
Ibex 35	-7.2	-2.0	7.4	-15.0	11.8
Madrid	-7.4	-2.2	7.6	-15.0	10.2
Ibex Medium Cap	13.7	-6.6	4.0	-13.7	8.4
Ibex Small Cap	6.4	8.9	31.4	-7.5	11.9
FTSE Latibex All-Share	-39.2	71.0	9.0	10.3	16.3
FTSE Latibex Top	-34.6	67.8	7.3	14.8	15.3
Sectors[1]					
Energy	-21.0	32.7	-11.9	-1.5	16.8
Chemicals	56.7	198.2	55.4	8.8	-17.8
Basic materials	-8.5	24.0	26.1	-10.0	-4.8
Construction and construction materials	6.3	-4.3	15.8	0.2	29.1
Industrial goods and services	9.1	8.4	29.8	-12.8	13.4
Healthcare	23.9	-7.8	12.9	-3.6	35.5
Utilities	7.9	-0.7	3.1	12.0	18.3
Banks	-22.7	-1.1	11.9	-28.1	-4.9
Insurance	-5.1	15.5	0.1	-12.8	-0.5
Real estate	12.6	-5.0	15.6	-8.3	13.9
Financial services	-2.7	-1.3	7.3	-7.5	22.0
Technology	9.5	34.3	47.3	-5.6	17.9
Telecommunications	-8.6	-11.7	-4.1	-7.9	1.9
Consumer discretionary	28.2	2.7	-9.3	-25.1	33.2
Consumer staples	15.6	5.2	9.6	-10.4	-3.3

Source: Thomson Datastream. (1) Thomson Datastream classification.

1.2.3 Outlook and risks

According to IMF forecasts published in April 2020, which already factor in the repercussions of the spread of the coronavirus for the world economy, the GDP of the Spanish economy, which increased by 2% last year, should fall by 8.0% this year, to subsequently grow 4.3% in 2021 once the health crisis is over. The downward revision to Spanish economic growth (9.6 pp) has been one of the largest, as Spain was one of the countries most affected by the virus (at least, up to the date of preparation of the IMF report), although it should be noted that the negative impact on growth in other European economies has been equally significant, close to 8 pp on average. Based on these figures, the growth differential with the euro area as a whole would be negative, standing at -0.5 pp in 2020 and -0.4 pp in 2021.

The most significant risks observed for the Spanish economic outlook once the health crisis has been resolved – some of which are shared by other European economies – have to do with: i) the difficulties in resuming activity at a rate similar to that existing before the crisis (2%). Therefore, the reactivation measures for strategic sectors such as the automotive industry and tourism will be very important; ii) the challenge of combining a tailored fiscal policy to minimise the effects of the crisis at three levels: health, economic and social, with the need to preserve the sustainability of public finances in the medium and long term. In this regard, the recent agreement with Brussels grants greater flexibility for managing the deficit and short term public debt; iii) the high unemployment rate caused by the pandemic: as the IMF forecasts an unemployment rate of 20.8% in 2020 and 17.5% in 2021, with the risk of a significant part of this unemployed population becoming long-term unemployed; iv) the negative impact on the business of Spanish export companies exposed to global markets, aggravated by the collapse in the prices of some raw materials; v) variation in consumption patterns and foreseeable changes in the behaviour of the population (for example, avoiding the use of public transport or purchases in large consumer establishments); and vi) the prolongation of some sources of political uncertainty in the country.

The first year of work of the Macroprudential Authority Financial Stability Board (AMCESFI)

EXHIBIT 1

In March 2020, the Macroprudential Authority Financial Stability Board (AMCESFI) completed its first year of work. This authority was created under Royal Decree 102/2019[1] following the recommendations of the European Systemic Risk Board (ESRB)[2] and the International Monetary Fund (IMF)[3] in response to Spain's need for a systemic risk committee with macroprudential powers involving all national financial supervisors, as well as the Ministry of Economy.

AMCESFI, which held its first meeting in April 2019, seeks to improve the coordination of macroprudential supervision at the national level and help prevent or mitigate systemic risks, which should result in a more sustainable contribution by the financial system to economic growth. The Authority is made up of a Board, a Technical Financial Stability Committee as a support body, and the sub committees that the Board resolves to set up. These bodies are made up of representatives of the Ministry of the Economy and Digital Transformation, the Bank of Spain and the CNMV, with the possibility of inviting other public authorities, such as the Fund for Orderly Bank Restructuring (FROB) or the Independent Authority for Fiscal Responsibility. The Minister for Economic Affairs and Digital Transformation chairs the Board, of which the Governor of the Bank of Spain is deputy chairperson. Other members of the board include the Chairperson of the CNMV, the Deputy Governor of the Bank of Spain, the Deputy Chairperson of the CNMV, the Secretary of State for Economy and Business Support and the General Director of Insurance and Pension Funds.

The Deputy Governor of the Bank of Spain acts as chairperson and the Secretary-General for the Treasury and International Financing acts as deputy-chairperson of the Technical Committee.

AMCESFI, in compliance with its objective of monitoring and analysing factors that may affect systemic risk, has the capacity to issue opinions, warnings and recommendations. It may also make recommendations to supervisors for them to take specific measures. In addition, sector supervisors must inform the AMCESFI in advance about their intention to activate, recalibrate or deactivate any of their macroprudential tools.

The AMCESFI Board and Technical Committee held regular meetings throughout 2019 and so far in 2020, intensifying the frequency of their sessions starting in March 2020 during the COVID-19 crisis. The most relevant issues on which the CNMV has contributed to AMCESFI's work relate to monitoring portfolio liquidity and redemptions in investment funds and their leverage, as well as conducting stress tests at these institutions and, in general, the risks related to non-bank financial intermediation. Topics related to financial markets have also been discussed, such as fragmentation, stress levels and the analysis of short positions in Spanish securities. Recently, contributions have also been made on sustainable finances and on the risks to financial stability deriving from excessive reliance by financial institutions and their regulatory and supervisory authorities on the credit ratings granted by the rating agencies. In the context of the COVID-19 crisis, all these works have been updated, and detailed monitoring of the most relevant risk indicators carried out.

Furthermore, in order to contribute towards maintaining financial stability within the European Union, the requirement to cooperate with the macroprudential authorities of other Member States as well as with the competent European institutions is regulated. The AMCESFI will be accountable through the preparation of an annual report and the appearance of the Authority's chairperson before the corresponding committee of the Lower House of Parliament.

Following the creation of AMCESFI, the CNMV set up the Financial Stability Committee (CEF) within the institution in July 2019, headed up by the chairperson and deputy chairperson of the CNMV, the general manager of Entities, the general manager of Policy and International Affairs, the general manager of Markets, the manager of the Department of Research and Statistics, the deputy manager of Economic and Financial Stability and the deputy manager of the unit for resolution and specific tasks relating to financial stability. This committee, which meets prior to the meetings of the AMCESFI Board and Technical Committee, has the following objectives: i) to identify, analyse, prioritise and monitor factors that may cause systemic risk in the securities markets, ii) propose the adoption of appropriate measures for the management of risks that may affect financial stability, including the use of the macroprudential tools assigned to it by the CNMV and iii) serve as support for representatives of the CNMV in AMCESFI.

1 Royal Decree 102/2019 of 1 March creating the Macroprudential Authority Financial Stability Board, establishing its legal regime and implementing certain aspects relating to macroprudential tools.

2 *Recommendation of the European Systemic Risk Board of 22 December 2011 on the macroprudential mandate of national authorities* (ESRB/2011/3). Available at: https://www.esrb.europa.eu/pub/pdf/recommendations/ESRB_2011_3.en.pdf?da108dbb14efccdf98f4544534e2ef4e

3 *Spain Financial System Stability Assessment.* IMF Country Report No. 17/321. This assessment is part of the bilateral surveillance in accordance with Article IV of the IMF's Articles of Agreement.

2 Markets and issuers

2.1 Equity markets

Share prices on Spanish equity markets performed unevenly in 2019, with rises concentrated in the first and last quarters of the year, which allowed the Ibex 35 to close with a gain of close to 12%. Most sectors saw rises, with the exception of the financial sector, which was penalised mainly by the scenario of low interest rates. In this context, market capitalisation posted moderate growth as the amount raised through capital increases was discreet. Furthermore, despite the buoyant economy, existing uncertainties caused companies to cancel or delay their plans to go public.

Trading activity in Spanish securities fell once again to close to €800 billion, its lowest value in recent years, with trading increasingly shifting between Spanish markets and competing trading venues. Therefore, while trading decreased on both kinds of platforms, the decline was more significant in Spanish equity markets, while the market share of other regulated markets, multilateral trading facilities (MTFs) and competing trading venues continued to increase, reaching around 40% at the end of 2019 as a percentage of total trading (lit plus dark).[1]

2.1.1 General overview

Spanish equity markets started 2019 with significant gains, which partially made good the falls seen in 2018, as trade tensions between the United States and China eased. Subsequently, with the re-escalation of these tensions and the intensification of other economic and political uncertainties[2] in Europe, quoted prices barely changed in the second quarter. Thus, the Ibex 35 rose by 8.2% in the first quarter, and fell by 0.4% in the second.

The start of the second half saw gains following the package of new monetary stimulus measures announced by the European Central Bank (ECB),[3] as well as the successive rate cuts of the Federal Reserve, which were expanded and consolidated in the last quarter of the year. The positive effect of these measures, together with the resolution of most of the elements of uncertainty that had been in play for much of the year, allowed the Ibex 35 to gain 0.5% and 3.3% in the last two quarters

1 Both types of trading (lit plus dark) are subject to market rules but to different transparency regimes, less demanding for dark trading.

2 These include the slowdown in economic activity in the euro area and uncertainty over the outcome of Brexit.

3 The ECB lowered the rate of the deposit facility by 10 basis points (bp), to -0.50%, and announced that from November it would resume net purchases of debt for an amount of €20 billion per month, in addition to extending the term of the bank refinancing operations (TLTRO-III) from 2 to 3 years. For its part, the Federal Reserve lowered its interest rates by 25 bp in the second half of September and a further 25 bp in October, positioning them in the 1.5%-1.75% range.

respectively, to accumulate an annual gain of 11.8%, nonetheless underperforming other European benchmarks.[4]

As in the past two years, the implied volatility of the Ibex 35 remained low throughout the period, marking only temporary spikes associated with the worsening of trade tensions between the United States and China. Its performance mirrored that of other European exchanges and US markets, which also traded within narrow ranges for most of the year. Implied volatility ended the year at close to 10% – an all-time low –, far from the readings of over 20% in 2018, thanks to the easing of many of the international uncertainties affecting the markets and the accommodative monetary policy measures implemented by central banks. The annual average was 13.7%, which was lower than the figures reached in recent years[5] and similar to most European indices, with the exception of the Italian market which, as in 2018, registered somewhat higher volatility.[6]

Spanish stock market capitalisation rose to €666,943 million, its second highest value since the beginning of the financial crisis in 2007, although lower than the €701 billion reached in 2017 on the back of higher prices and funds raised through capital increases, which while small, offset the value of the delisted companies.

The volumes traded on the stock markets gradually reduced in the two halves of the year, in which trading in Spanish regulated markets saw an irregular trend, although the shift of trading to other regulated markets, multilateral trading facilities and competing trading venues continued. In the year as a whole, equity trading in official secondary markets fell by 20.6%, to just over €460 billion, its lowest level in recent years and less than half of the volume traded barely five years ago.[7] Domestic stock markets, as the main official regulated markets, continue to account for most of the trading in the Spanish securities listed on them, but they once again lost relative weight in favour of competing trading venues, which at year-end accounted for around 40% of total trading (5 percentage points (pp) more than in 2019).[8] Thus, albeit with a lag relative to other European markets that had already anticipated this phenomenon, the fragmentation of the Spanish market was consolidated and is now at a similar level to that of the main European markets.

As is the norm, non-resident investors once again played a very important role in the Spanish equity market, in terms of both trading and in ownership, once again reaching a record high at the end of 2018. According to the Bolsas y Mercados Españoles (BME) 2019 Annual Report on the Ownership of Listed Shares, foreign investors owned 48.1% of shares at the end of 2018,[9] a historical record (43.1% and 46% in 2016 and 2017, respectively), highlighting their fundamental role in

4 In 2018, the European Eurostoxx 50, Dax 30, Cac 40 and Mib 30 indices rose by 25.8%, 25.5%, 26.4 and 28.3%, respectively, while the US Dow Jones, S&P 500 and Nasdaq indices were up by 22.3%, 28.9% and 35.2%, respectively. The Japanese Nikkei 225 and Topix indices recorded annual gains of 18.2% and 15.2% respectively.

5 Ibex 35 average implied volatility stood at 15.1% and 15.5% in 2017 and 2018 respectively.

6 The average implied volatility of the European Eurostoxx 50, Dax 30, Cac 40 and Mib 30 indices was 12.5%, 14%, 12.6% and 17.1% respectively, while for the US Dow Jones, S&P 500 and Nasdaq indices, it stood at 15.9%, 12.9% and 16.8% respectively.

7 Trading volumes reached €925,978 million in 2015.

8 Includes trading subject to market rules (lit and dark).

9 Latest data available at the closing date of this edition.

maintaining market liquidity and trading. For their part, households continue to lose weight in share ownership, representing 17.2% in 2018 (23.4% and 19.7% in 2016 and 2017 respectively), the lowest value in the last 25 years. The value of shares held by households stood at €115,253 million in September 2019, 1.7% less than at the end of 2018.[10]

Table 2.1.1 compares the size of the main international equity markets by using capitalisation and trading to nominal GDP ratios. In 2019, the two ratios showed differing behaviour. The capitalisation to GDP ratio, which had decreased in all markets in 2018 as a result of the price falls on the leading exchanges, rose in all markets[11] due to the significant increase in prices on the main international stock markets in a context of a global slowdown in GDP. In Spain, this ratio showed more moderate growth, reflecting the more discreet performance of the Spanish market, which posted the smallest gains among all its large neighbouring peers. On the other hand, with the exception of China (where it increased), the trading to GDP ratio fell sharply in all main markets, although the reasons for this decline differed. In all markets, the continued low volatility levels (in many cases at historic lows) influenced trading by discouraging algorithmic and high-frequency trading,[12] but in regulated markets in both the United States and Europe, trading was also affected by competition from other regulated markets, MTFs and competing trading venues. Furthermore, in the Spanish market, the decline in this ratio was once again more pronounced compared with other European markets, as the regulated market's loss of market share continued to benefit its competitors.

Market capitalisation and trading on regulated markets as a percentage of nominal GDP TABLE 2.1.1

%

	Market capitalisation[1]		Trading volume	
	2018	2019	2018	2019
United States[2]	148.5	169.6	176.2	141.5
Canada	118.5	136.8	84.4	80.3
China[3]	75.4	91.1	114.5	144.3
Japan	106.6	122.4	126.9	100.5
London Stock Exchange[4]	107.8	114.5	68.9	53.6
Euronext[5]	86.4	98.8	49.4	39.8
Germany	45.3	51.9	45.4	38.5
Italy[4]	30.9	39.8	35.7	33.8
Spain	49.3	53.6	49.0	37.7

Source: World Federation of Exchanges; London Stock Exchange Group; Eurostat; statistical offices of the United States, Canada, China and Japan; Datastream and CNMV. (1) In local currency, the market capitalisation figures correspond to the last working session of the year. (2) The numerator is the combined total of the NYSE, Euronext US and Nasdaq. (3) Includes data from the Hong Kong, Shanghai and Shenzhen stock markets, as well as the GDP of the People's Republic of China and Hong Kong. (4) Although Borsa Italiana was integrated into the LSE Group, here the ratios of capitalisation and trading to GDP corresponding to each country are provided separately. (5) The denominator is the sum of the nominal GDP of France, the Netherlands, Belgium, Portugal and Ireland.

10 According to the Financial Accounts of the Bank of Spain.
11 Although in most markets, 2017 values of this ratio have not yet been recovered.
12 HFT.

2.1.2 Listed companies and capitalisation

Spanish stock markets closed 2019 with 141 listed companies, seven fewer than at year-end 2018. This total refers to the official equity markets. It does not include companies listed on the Latibex or on the MAB, which are MTFs, the numbers of which amounted to 19 and 2,709[13] respectively at the end of 2019. Three companies joined the electronic market from other markets, and there were no new listings. The companies joining the market were a renewable energy company (Grenergy Renovables), which was listed on the MAB, a real estate holding company (Cevasa), listed on the open outcry market, and an industrial company (Grupo Desa), which was traded on the secondary market. There were ten delistings: seven from the electronic market, two from the open outcry market and one from the secondary market.[14] Among the companies delisted from the electronic market, two were delisted following the settlement of the corresponding takeover bids (Natra and Papeles y Cartones de Europa), a further three were delisted for technical reasons following their merger by absorption after the corresponding takeover bids to take control (Parques Reunidos, Telepizza and Hispania Activos Inmobiliarios, SOCIMI), another was delisted following a resolution by the CNMV board (Adveo Group International, which was in liquidation following a bankruptcy procedure), and one other at the request of the issuing entity itself (Bayer, whose main listed market is the Frankfurt Stock Exchange). Also, Bodegas Bilbaínas was delisted from the Bilbao Stock Exchange open outcry market following the settlement of the corresponding takeover bid.

Number of companies listed on the Spanish stock markets[1] TABLE 2.1.2

		Electronic market				
	All markets	Total	National	Foreign	Open outcry	Secondary market
Listed at 31/12/18	148	133	125	8	11	4
Listed at 31/12/2019	141	129	122	7	9	3
New listings in 2019	**3**	**3**	**3**	**0**	**0**	**0**
New listings	0	0	0	0	0	0
Listed due to merger	0	0	0	0	0	0
Change of market	3	3	3	0	0	0
Delistings in 2019	**10**	**7**	**6**	**1**	**2**	**1**
Delistings	5	4	3	1	1	0
Delistings due to merger	3	3	3	0	0	0
Change of market	2	0	0	0	1	1
Net change in 2019	**-7**	**-4**	**-3**	**-1**	**-2**	**-1**

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

Spanish stock market capitalisation increased by 12.5% in 2019, reaching a value of over €666.9 billion, the second highest since the start of the financial crisis in 2007,[15] but still below the €701 billion registered in 2017. This rise was due to increases in

13 2,574 of these were SICAVs.
14 For more details on delisted companies, see Annex I.3.
15 Capitalisation was €764,751 million at year-end 2007.

companies' share prices[16] and the funds raised through capital increases, which offset the value of the companies delisted from the markets.

Capitalisation[1] of equity on Spanish stock markets TABLE 2.1.3

Amounts in millions of euros

	2016	2017	2018	2019	% change 19/18
All markets	**630,995.3**	**701,029.6**	**592,662.6**	**666,943.15**	**12.53**
Electronic market	629,589.7	699,691.2	591,166.2	665,757.82	12.62
National	628,080.6	697,909.0	590,057.8	664,393.35	12.60
Foreign[2]	1,509.1	1,782.3	1,108.4	1,364.48	23.10
Open outcry[3]	1,291.6	1,288.5	1,459.1	1,154.20	-20.89
Madrid	289.9	165.9	219.4	0.00	–
Barcelona	1,136.6	1,134.3	1,318.4	69.78	-68.19
Bilbao	54.0	54.0	56.5	1,036.46	-21.38
Valencia	349.2	211.3	257.0	32.89	-41.75
Secondary market	114.1	49.9	37.4	80.41	-68.71

Source: CNMV. (1) Includes only 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 markets 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, but only once in the total for all markets.

The performance of quoted prices in the sectors represented in the Spanish stock market was positive in most cases, although the rises were not uniform in terms of either sectors or individual stocks. In percentage terms, the largest rises corresponded to companies in the textile and paper sectors, followed by chemical and pharmaceutical companies, as well as those belonging to the construction and energy sectors. In terms of market capitalisation, the largest increases were seen in the textile, energy, communications and construction sectors. Declines in capitalisation almost entirely concerned banks, which saw their capitalisation fall for the second consecutive year, while valuations of oil, insurance and food companies saw only slight decreases (see Table 2.1.4. and Annexes I.5 and I.7). The substantial weight of financial sector companies in the index has a decisive influence on its performance. It should be noted, however, that the greater relative fall in these companies' share prices means that their weight in the index decreases, while that of other companies that have performed better (e.g. technology and communications companies) increases.

Gains, which were notably greater than losses, were largely concentrated in the textile sector, which was boosted by the good performance of the main company in the sector and its ability to tap into growth and adapt to the new competitive environment of the markets and their increasingly technological nature, which also favoured companies in the energy (electricity) sector, through the growth in energy from renewable sources. The market capitalisation of the construction sectors also increased, while real estate and SOCIMIs (Spanish REITs) showed little change in value.

16 The most representative indices of the Spanish markets, the Ibex 35 and the IGMB, gained 11.8% and 10.2% in 2019 respectively.

Market concentration in terms of capitalisation remained high, unchanged from the previous year. As in 2018, a total of seven stocks accounted for around half the market capitalisation, and just three stocks represented almost a third of the total. And once again the number of stocks needed to reach 75% of total market capitalisation was 17 (Ibex 35 stocks). The weight of the five Spanish stocks included in the Eurostoxx 50 index in the total capitalisation of the Spanish stock market remained unchanged at 42%, the lowest value in recent years (compared with 44%, 47% and 55% in 2017, 2016 and 2015 respectively), which once again reflects the growing weight of mid-cap companies compared with the traditional large companies and leading banks.

Number of listed companies and capitalisation by sector[1] TABLE 2.1.4

Amounts in millions of euros

Sector	2018	2019	2018	2019	% change 19/18
Oil	1	1	21,505.7	21,276.63	-1.1
Energy	9	10	105,712.9	123,936.27	17.2
Mining & basic metals	8	8	5,891.8	6,178.20	4.9
Cement and construction materials	3	3	3,060.5	3,576.99	16.9
Chemicals and pharmaceuticals	8	7	18,774.1	25,335.94	35.0
Textiles and paper	10	8	73,879.3	100,103.11	35.5
Metal-mechanical	15	15	11,213.2	11,665.07	4.0
Food	14	11	8,708.8	8,265.81	-5.1
Construction	8	8	33,827.2	42,682.75	26.2
Real estate companies and SOCIMIs (Spanish REITs)	19	18	17,197.6	17,581.58	2.2
Transport and communication	7	7	83,934.6	94,023.66	12.0
Other non-financial	29	28	57,173.8	65,502.09	14.6
Total non-financial sector	**131**	**124**	**440,879.5**	**520,128.10**	**18.0**
Banks	10	10	137,697.9	132,373.19	-3.9
Insurance	2	2	11,056.6	11,005.75	-0.5
Portfolio companies	5	5	3,028.7	3,436.11	13.5
Total financial sector	**17**	**17**	**151,783.2**	**146,815.05**	**-3.3**
Total	**148**	**141**	**592,662.6**	**666,943.15**	**12.5**

Source: CNMV. (1) Includes only capitalisation of companies that were traded at some time during the year. Excludes Latibex, MAB and ETFs.

2.1.3 Listings, issues and public offerings (IPOs)

There were 52 capital increases in 2019, 28 fewer than in the previous year, corresponding to a total of 33 companies listed on Spanish stock markets, 12 fewer than in 2018 (see Annexes I.1 and I.2 for further details). The decrease in the number of transactions of this type led in turn to a slight decrease in their total amount, which fell to €9,806 million, a decline of 13.4% compared with the previous year and the lowest amount in recent years, although the value of cash capital increases was higher.

84% of the capital increases were aimed at raising funds, compared with 65% the previous year, while the remaining 16% were bonus issues. The amount of cash capital increases grew slightly to over €8.20 billion, an increase of 11.5% (€850 million more than in 2018). These capital increases mainly corresponded to non-financial companies, which in most cases allocated the funds to new projects. Thus, as observed in 2018, the capital needs of the financial sector and of large industrial companies continued to decrease, since both banks and most companies with financial problems have already completed their recapitalisation and restructuring processes.

Traditional capital increases with pre-emptive subscription rights accounted for a significant portion of capital increases aimed at raising funds, increasing to over €4.70 billion (compared with €888 million in 2018). Prominent among them were two Celeriac Telecom transactions for a total amount of over €3.68 billion. In addition, despite the lower amount than in previous years, capital increases with non-monetary consideration also stood out for their volume, particularly a transaction of Banco Santander for over €1.60 billion involving a share exchange to acquire its subsidiary Santander Mexico. The volume of other capital increases aimed at raising funds was low, although an accelerated book build made by Enagás stands out, for an amount of €500 million.

All capital increases against reserves (14 transactions) were associated with scrip dividend transactions. While almost the same in number as in the previous year (one less), their amount fell to less than half (see Table 2.1.5). This decrease reflects the general shift in corporate dividend policy towards cash remuneration, which is a booming practice and preferred by many shareholders. In this regard it should be noted that senior executives of many companies have come out in favour of either eliminating this format or reducing the amounts paid in the form of shares. Even so, in a scenario of low expected growth, companies may have chosen to retain the share payment option, albeit reducing the amount, in case they need to use it again in the future to keep more financial resources on their balance sheets.

Capital increases and public offerings[1] TABLE 2.1.5

Amounts in millions of euros

	2016	2017	2018	2019	% change 19/18
Cash capital increases	**13,846.7**	**25,786.2**	**7,389.8**	**8,240.6**	**11.5**
With pre-emptive rights	6,513.3	7,831.4	888.4	4,729.8	432.4
Without pre-emptive rights (OPS)[2]	807.6	956.2	200.1	10.0	-95.0
Of which, increases	14.1	68.8	0.0	10.0	–
Accelerated book builds	0.0	821.8	1,999.1	500.0	-100.0
Capital increases with non-monetary considerations[3]	1,791.7	8,469.3	2,999.7	2,034.2	-32.2
Capital increases via debt conversion	2,343.9	1,648.8	388.7	354.9	-8.7
Other	2,390.2	6,060.2	913.8	611.8	21.7
Bonus issues	**5,898.3**	**3,807.3**	**3,939.7**	**1,565.4**	**-60.3**
Of which, scrip dividends	5,898.3	3,807.3	3,915.2	1,564.1	-60.1
Total capital increases	**19,745.1**	**29,593.6**	**11,329.5**	**9,806.0**	**-13.4**
Initial Public Offerings (IPOs)	**500.6**	**2,944.5**	**733.7**	**0.0**	**-100.0**
Of which, increases	0.0	147.8	0.0	0.0	–

Source: CNMV. (1) Does not include data from the MAB, ETFs or Latibex. (2) Primary offerings. (3) Capital increases for non-monetary consideration have been stated at market value.

As in 2018, despite the growth of the economy and the fact that several companies were preparing to go public during the year, there were no initial public offerings (IPOs) as the existing uncertainties led them to cancel or postpone their plans. One notable cancellation was that of the Balboa Ventures transaction in the last quarter of year, the prospectus for which was registered with the CNMV.

Very few new listings

EXHIBIT 2

2019 was a year of very few IPOs. This is cause for concern, because an equity market with critical mass that encourages investors to invest in companies and enables companies to raise capital is important for the financial system to play its role effectively. It leads to companies obtaining more of their financing through the market and being less dependent on bank financing, as well as a more resilient model for financing the economy in terms of financial stability. In the United States, where the economy recovered relatively rapidly and easily after the financial crisis, companies obtain around half of their financing directly from the market, raising capital or issuing debt instruments, while in Europe, and particularly Spain, financing received through these channels is much lower. More listed companies also means more companies with greater transparency and more companies available, directly or through funds, to any investor.

In addition, in times such as the present in which passive investment and institutional investment in general – from large fund managers, including pension funds, and sovereign wealth funds – is increasing in importance, the most securitised countries, with the most listed companies, in which these have a greater weight, naturally receive higher investment flows.

In Europe, and particularly in Spain, there were very few IPOs in 2018 and 2019 for various reasons. These include low interest rates, which make it easy to access other sources of financing, and a somewhat pessimistic, end-of-cycle, uncertain environment, aggravated by factors such as trade disputes and Brexit. The last months of 2018 were very negative for equities and a large part of 2019 was dominated by a feeling of insecurity, although overall it turned out to be a good year for investing in shares. There is also a structural factor in play: the general increase in venture capital and private equity (also in Spain), which have positive elements but compete with the option of tapping the markets, as an alternative or delaying such actions, in terms of both price and process. IPO processes are complex, relatively visible and take time (at least six or eight months), and consequently raise uncertainty about the attitudes of potential investors when the offer is launched. The acquisition of an equity interest by a venture capital fund – and there are some very large ones, capable of taking controlling or significant stakes in large companies – can generally be carried out quickly and discreetly. In addition, venture capital has been paying particularly well, among other reasons because it more easily values expectations of improvement in management, which the venture capital funds themselves promote.

In any case, stock market listing – on the primary market or on alternative markets such as MAB – remains an attractive option for many reasons and will continue to be the preferred choice in many cases. Being on the stock market broadens the possibilities of financing, fosters professionalism and rigour in management, is an incentive to grow –an important point in a country with a large number of companies that are too small –, gives prestige, reinforces the brand, helps attract and retain talent and, as it allows control to be maintained, is a natural solution for successful family businesses that reach a certain size.

At the moment there is a broad debate in Europe about the need, after Brexit, to progress with the project to achieve Capital Markets Union and there is agreement that this project will need to include the promotion of IPOs. There are many options available: easing certain requirements and obligations relating to listing without detriment to the necessary rigour; supporting market entry methods that are simpler than the standard one to date, such as direct listing with subsequent publication; not applying reporting or other obligations to listed companies only where it could make sense to require them from all companies; expanding the range of options available to interested companies, with concepts such as loyalty shares; extending some areas of the corporate regime for primary market companies to SMEs that decide to list; correcting the bias in tax regulations in favour of debt vs capital financing, etc. More companies must be encouraged to list on the stock markets.

2.1.4 Trading

Spot trading

After two years of some recovery in volumes, trading in Spanish securities admitted to trading on the Spanish stock markets declined once again in 2019 to €806,217 million, 13.4% less than in 2018 and its lowest value since 2013. For several years now trading in these securities has followed a downward trend, which was temporarily slowed in 2017, but which picked up pace again in the past two years, falling to just over €460 billion. This is the lowest figure since the implementation of MiFID I in 2007, which was subsequently consolidated with the implementation of MiFID II and MiFIR in 2018. The regulations encourage new competitors by allowing new trading venues to operate.

These regulatory changes, which enhance competition since they allow securities to be traded in different venues outside their home regulated markets, have led to a fragmentation of the main European markets, where part of the securities traded have shifted to these venues.[17] The fragmentation began earlier in other European countries and although Spain joined this trend subsequently, the market shares of competing markets in the trading of Spanish securities has now reached levels similar to those of other European countries.

In this context, as mentioned above, the trading of securities in Spanish stock markets fell by 20.6% in 2019 to €460,267 million, while trading of these securities in other trading venue barely decreased. Consequently, trading on the Spanish stock markets accounted for just over 57% of the total, compared with 62% in 2018 and 68% in 2017.[18] At the same time, the amount traded through BME's competing trading venues has increased continuously since 2009[19] standing at €345,559 million in 2019 (see Table 2.1.6), the first year in which it decreased slightly (-1.5%). This slight drop did not prevent the share of these markets from increasing, and it almost tripled in the last five years. The increase in trading in these venues also took place in a context of

17 This process of relocation from traditional regulated markets to competing trading venues has spread across Europe, affecting an increasing number of markets, including smaller ones. One of the leading trading venue operators – Cboe Global Markets (Cboe) – performs this activity in a total of 15 European markets, including smaller markets such as Helsinki and Copenhagen.

18 This figure was 85%, 80% and 72% in 2014, 2015 and 2016, respectively.

19 The trading of Spanish securities outside the regulated market barely represented 0.2% this year.

low volatility that does not favour some types of trading such as algorithmic and high-frequency trading (HFT), which are traditionally executed to a greater extent in such centres. It should also be noted that the Spanish market operator, BME, was the subject of a voluntary takeover bid[20] launched by the Swiss market operator SIX Group, which was authorised by the CNMV following approval by the government by agreement of the Council of Ministers, and is pending resolution.

Regarding the distribution of trading among competing venues, the regulated market Cboe Global Markets (Cboe) – which operates through two different order books, Chi-X and BATS – continued to stand out for its high volume, although it has lost weight to other trading venues. Nonetheless, its aggregate trading volume exceeded €256 billion, representing 74% of the market share of alternative trading venues and 32%[21] of total trading in Spanish equities admitted to trading on the official Spanish markets. Cboe thus consolidates its position as BME's main competitor as its volume of trading is almost 56% of the size of the latter, compared with 48% and 30% in 2018 and 2017, respectively. Cboe continues to change the composition of the trading between its two order books in favour of BATS, which now accounts for more than two thirds of the total. Among other competitors, the most prominent, Turquoise, continued to lose weight (to 9%), while the remainder, which had shown a somewhat erratic performance in recent years, once again grew significantly, practically doubling both their traded volumes and market share (17%), and were the only venues to report growth during the year.

Total trading in Spanish equity listed on official Spanish stock markets[1] TABLE 2.1.6

Amounts in millions of euros

	2015	2016	2017	2018	2019	% change 19/18
Total	**1,162,979.7**	**878,329.9**	**933,416.3**	**931,019.3**	**806,217.3**	**-13.40**
Admitted to SIBE electronic platform	**1,161,222.9**	**877,408.4**	**932,763.1**	**930,607.1**	**805,826.6**	**-13.41**
BME	925,978.7	634,914.5	633,385.7	579,810.4	460,267.4	-20.62
Chi-X	150,139.9	117,419.4	117,899.2	106,869.7	80,678.9	-24.51
Turquoise	35,680.5	51,051.8	44,720.1	42,883.4	30,550.6	-28.76
BATS	35,857.6	44,839.8	75,411.6	171,491.3	176,093.6	2.68
Other[2]	13,566.2	29,182.9	61,346.5	29,552.2	58,236.1	97.06
Open outcry	**246.1**	**7.9**	**8.1**	**8.2**	**6.2**	**-23.95**
Secondary market	**13.8**	**3.2**	**0.7**	**0.8**	**0.1**	**-82.14**
ETFs[3]	**1,496.8**	**910.4**	**644.5**	**403.2**	**384.3**	**-4.69**

Source: Bloomberg and CNMV. (1) Includes trading subject to market or MTF rules (lit plus dark) of equity instruments admitted to trading on Spanish official secondary markets and identified by means of an ISIN issued in Spain; therefore, foreign securities admitted to trading in these markets whose ISIN is not issued in Spain are not included. (2) Calculated as the difference between the amount traded of the EU Composite calculated by Bloomberg for each share and the amount traded for the markets and MTFs included in the table, and hence includes trading on other regulated markets and MTFs, as well as OTC trading. (3) Only ETFs with Spanish ISIN.

20 On 18 November, SIX Group presented a voluntary takeover bid to acquire BME shares at a price of €34 per share, which after the corresponding dividend adjustments stood at €32.98 in cash. The acceptance period for the takeover bid was extended to 5 June.

21 In 2018, trading accounted for almost 80% of the market share of alternative trading venues and 30% of the total traded.

Furthermore, even though one of the basic aims of the new regulatory framework established by MiFID II and MiFIR was to increase transparency levels in the market and redirect OTC trading to regulated environments, reported OTC trading across Europe after the entry into force of these regulations decreased by very little, to around one third of the total, which would have been more than offset by an increase in trading carried out through systematic internalisers. The latter, which is not subject to market rules, was consolidated in 2019 and, according to preliminary estimates, would account for over 15% of the total traded in the year. This seems to indicate the continued reluctance of operators to redirect trading to environments subject to greater transparency.

Trading on official markets operated by BME

Equity trading on the markets operated by BME continued to take place predominantly on the Spanish Stock Market Interconnection System (SIBE) platform – known as the electronic market (see Table 2.1.7), with a reduction in trading on the open outcry market and on the secondary market to insignificant levels. Aggregate trading of the two MTFs – MAB and Latibex – barely amounted to 1% of the volume traded on the SIBE. The amount traded on the SIBE fell by 20.6% to just over €465 billion,[22] while the number of trades fell by15.9% to just over 37 million, the lowest since 2009. The number of trades has fallen for five years running as a result of both greater competition from other trading venues, as seen above, and the drop in market volatility, which discourages trading in general and the number of high-frequency trades in particular. Due to these circumstances, the average cash amount per trade decreased to €12,629, almost 5% less than in 2018, reaching levels of 2017. The opening of new competing trading venues has led the average cash amount per trade to fall in most years over the past decade; it has fallen from €28,386 in 2009 to less than half that figure in 2019.

Equity trading on markets operated by BME

TABLE 2.1.7

Amounts in millions of euros

	2016	2017	2018	2019	% change 19/18
Total	**652,226.2**	**649,883.3**	**590,852.6**	**469,621.2**	**-20.5**
Official markets	**647,003.2**	**644,766.7**	**586,364.1**	**465,470.4**	**-20.6**
SIBE	**646,992.6**	**644,757.8**	**586,355.1**	**465,464.0**	**-20.6**
of which ETFs	6,045.2	4,464.1	3,027.6	1,718.8	-43.2
Open outcry	**7.5**	**8.1**	**8.2**	**6.2**	**-23.9**
Madrid	3.2	1.8	0.8	0.8	9.9
Bilbao	0.0	0.1	0.0	2.1	5,148.5
Barcelona	4.2	6.3	7.4	3.2	-56.2
Valencia	0.0	0.0	0.0	0.1	409.2
Secondary market	**3.2**	**0.7**	**0.8**	**0.1**	**-82.1**
MAB	**5,066.2**	**4,985.8**	**4,336.9**	**4,014.4**	**-7.4**
Latibex	**156.7**	**130.8**	**151.6**	**136.4**	**-10.0**

Source: CNMV.

22 This figure includes trading of exchange traded funds (ETFs), which amounted to €1,719 million.

Similarly, the number of orders fell by 9% compared with 2018, to 373 million, the lowest number since 2014.[23]

The order-to-trade ratio (OTR) increased slightly, to 10 (9.3 and 8.3 in 2018 and 2017 respectively), which could be attributed to the aforementioned decrease in algorithmic and high-frequency trading, since many orders are not executed or are cancelled as a result of the scenario of low market volatility. Algorithmic trading is characterised by a high number of orders sent to the market, usually of small size, which reduces the average size of the trades, but requires a certain market price volatility in order to be successful.

With regard to the types of trading on the electronic market, Table 2.1.8 shows the fall in all types of "session trading", although the greatest decreases (more than 20%) were concentrated in block trading (34% of the total) and application-based trading (8.6%). While order-based trading represented more than 57% of the total, the volume of order-based trades fell by nearly €42 billion, while block trading fell by more than €50 billion, showing that it is in this latter area that BME is losing much of its trading to other competing trading venues. The volume attributed to other types of trading fell by 65% due to the lower volumes traded in connection with the settlement of takeover bids during the year, which was lower than in 2018.

Trading on BME by type[1] TABLE 2.1.8

Amounts in millions of euros

	2015	2016	2017	2018	2019	% change 19/18
In session	903,397.2	618,600.9	619,108.6	552,716.8	450,575.7	-18.5
Orders	475,210.0	350,783.5	335,917.3	300,107.8	258,242.2	-14.0
Applications	96,187.7	68,631.6	51,316.0	48,644.1	38,888.0	-20.1
Block trades	331,999.5	199,185.8	231,875.3	203,965.0	153,445.5	-24.8
Off-hours	3,137.9	2,196.1	2,373.8	1,667.3	3,098.1	85.8
Other types	31,861.5	20,150.4	18,811.3	28,833.5	10,071.5	-65.1

Source: CNMV. (1) Does not include data for Latibex, MAB or ETFs.

Stock market trading continued to be concentrated in a small number of shares. In 2019, five stocks were needed to account for 50% of the amount traded on SIBE and 13 were needed to account for 75% (six and 14 stocks respectively in 2018). Thus trading remains concentrated in large companies and just 24 stocks accounted for more than 90% of market trading. The shares with the highest level of trading were the same as in the preceding three years – Banco Santander, Inditex, Telefónica, BBVA and Iberdrola – all of which are in the Spanish Ibex 35 index and the European Eurostoxx 50 (see Annexes I.6 and I.8 for further details regarding trading and its breakdown).

Short positions

The aggregate position of short sales according to information received by the CNMV fell significantly in 2019 to a year-end 0.64% of total share capitalisation of the electronic market, below the 0.84% seen at year-end 2018. At the end of the year,

23 In 2015, 2016, 2017 and 2018 orders reached 645, 611, 422 and 409 million respectively.

only one security had a short position greater than 5% (compared with five at the end of 2018) and there were net short positions on 14 securities greater than 2% of their individual capitalisation (12 securities at the end of 2018). Among the individual shares with the highest short positions were several companies in the industrial, technological and energy sectors.

Short positions TABLE 2.1.9

	% short positions / capitalisation[1]	No. of companies with short positions > 2%[2]	No. of companies with short positions > 5%[2]
2015	0.86	20	7
2016	0.97	18	6
2017	0.70	16	5
2018	0.84	12	5
2019	0.64	14	1

Source: CNMV. (1) The figure for aggregate net short positions consists of the sum at the end of each reference year of the individual positions declared equal to or greater than 0.5% plus the sum of all positions equal to or greater than 0.2% and less than 0.5% for all securities included in the SIBE. (2) Number of companies whose aggregate net short positions at the end of each reference year were greater than 2% and 5%, respectively, of their capital (the sum of the individual positions declared equal to or greater than 0.5% plus the sum of all positions equal to or greater than 0.2% and less than 0.5%).

The information on aggregate short positions provided in this section comes from communications made in compliance with the rules set out in Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012, and its delegated regulations, which make it obligatory to report short positions if they equal 0.2% of the share capital and therefore does not include short positions representing smaller percentages.

The CNMV decided to stop publishing aggregate biweekly information on net short positions of at least 0.2% from 2019. This publication was an exception in the European Union because other supervisors did not issue similar publications and this asymmetry could lead to confusion among the investment community, since net short positions above 0.2% were only published by the competent authority in respect of issuers domiciled in Spain. In addition, the fact the European regulations in force on short positions oblige the same percentage thresholds to be applied for reporting, regardless of the capitalisation of the company, means that information on short positions of companies with low market capitalisation may be wrongly interpreted and give rise to a perception of a greater accumulation of these positions compared with those of larger companies, with the consequent generation of distorted signals to the market.

2.1.5 Takeover bids

In 2019, seven takeover bids were authorised for a potential amount of €1,571 million, much lower than the figures recorded in the previous two years and the lowest value seen in recent years (see Table 2.1.10). A list of the takeover bids authorised during the last year can be found in Annex I.9.

By volume, the largest transactions were the voluntary bids launched by Piolín BidCo, SAU (EQT investment group) and Tasty Bidco, S.L.U. (KKR investment group) on Parques Reunidos Servicios Centrales, S.A. (Parques Reunidos) and Telepizza Group, S.A. (Telepizza), respectively, for a total value of €962 million, which accounted for 61.23% of the total amount.

Of the five remaining takeover bids, two were voluntary: World Confectionery Group, S.à r.l (Investindustrial investment group) on Natra, S.A. and L1R Invest1 Holdings S.à r.l (Letterone group) on Distribuidora Internacional de Alimentación, S.A. (DIA). The other three were mandatory takeover bids: a transaction resulting from Carlyle's taking control of the Codorníu group (of which Bodegas Bilbaínas, S.A. was part), another bid to obtain more than 50% of the capital of Barón de Ley, S.A. by its controlling shareholder through Mazuelo Holding, S.L. and a takeover bid on General de Alquiler de Maquinaria, S.A. (GAM), after control had been taken by an investor through Gestora de Activos y Maquinaria Industrial, S.L.

In all the bids the consideration consisted of payment of a cash amount. Except in the Barón de Ley bid, where the fair price was evidenced solely by reference to the highest price paid by the bidder in the previous 12 months, valuation reports were provided in support of the price in order to either: i) opt for delisting without a further takeover bid, as in the cases of Bodegas Bilbaínas, Telepizza, Parques Reunidos and Natra; ii) justify a possible adjustment to the fair price due to serious financial difficulties, as was the case with DIA, or iii) try to get the offered price accepted, even though it was lower than the established price range, as was the case with GAM.

As a result of the CNMV review of the valuations provided, the respective bidders had to raise the prices offered in the bids for Bodegas Bilbainas, GAM and Natra.

The outcome of the Natra bid allowed the forced sale to be carried out, with the bidder acquiring all the shares and convertible bonds, which meant that both types of securities were delisted. The transactions on Bodegas Bilbainas, Telepizza and Parques Reunidos also ended with their delisting with no new takeover bid, as the requirements for this exception were met (Article 11, d) of Royal Decree 1066/2007).

Apart from this, at the date of this report, the voluntary takeover bid for the shares of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME) presented by SIX Group AG on 18 November 2019 and accepted for processing on 29 November was being processed. The bid was authorised by the Council of Ministers on 24 March and later by the board of the CNMV on 25 March.

Takeover bids TABLE 2.1.10

Amounts in millions of euros

	2015	2016	2017	2018	2019
Authorised[1]					
Number	9	5	5	6	7
Potential amount	5,049	1,682	18,183	23,842	1,571
Potential amount plus agreements prior to acquisition[2]	7,360	1,743	19,902	25,298	1,589
Completed[3]					
Number	8	5	4	6	7
Amount	4,394	853	1,309	19,582	840
Amount plus agreements prior to acquisition[2]	6,705	914	1,502	21,038	858

Source: CNMV. (1) Authorised during the year. (2) Potential amount of takeover bids plus cash volume of acquisitions agreed prior to each bid. (3) All bids authorised during the year, even if completed in the following year, except where the bid was unsuccessful or was withdrawn. Does not include the amounts for squeeze outs.

2.1.6 Multilateral trading facilities

Latibex

Securities traded on Latibex performed positively for most of the year, which ended with significant overall gains in a context of relatively stable exchange rates against the euro,[24] falling oil prices[25] and greater volatility and falls in commodity prices.[26] Growth in the Latin American economies continued to slow,[27] with the problems facing the Argentinian economy worsening, but the outlook for the region improved thanks to more positive expectations for the Brazilian economy, which will offset the weakness of Mexico and Chile.[28] Thus the improved 2020 outlook for Brazil, which has many companies on this market, led to significant rises in quoted prices in the latter part of the year, in a context of international market gains. In this context, the two indices representative of Latin American securities included in this MTF – FTSE Latibex All-Share and FTSE Latibex Top – gained 16.3% and 15.3% in 2019, respectively, compared with 10.3% and 14.8% in 2018.

The market value of the shares traded on the Latibex[29] reached €199 million, representing less than 0.1% of the market capitalisation of the companies traded on it and a very small part of the total number of shares admitted to trading for the various companies in their main trading markets in Latin America. As in previous years, most of the balance registered in Iberclear corresponded to Brazilian companies, although their relative weight dropped below 70% to the benefit of Mexican companies, whose share rose to almost one third. The total number of companies traded in this market was unchanged at 19.

As with the market value of the companies traded on the Latibex, the trading of these shares fell by 9.8% to €136.8 million, of which close to 70% corresponded to Brazilian companies and 30% to Mexican companies. The trading of shares of Peruvian companies once again stood at very low levels while there were hardly any transactions with the shares of Argentinian companies.

24 In 2019, the Brazilian real depreciated by 1.5% against the euro, while the Mexican peso appreciated by 6%. Meanwhile, the Argentinian peso depreciated by almost 36%, in a context of economic crisis.

25 Oil prices fell from an average of US$71.67 per barrel in 2018 to US$64.16 in 2019.

26 The CRB industrial raw materials index in euros fell by 4.1% in 2019 (-2% in 2018).

27 The IMF expects growth of 0.1% in Latin America in 2019, but it has improved its outlook for 2020 to 1.6%.

28 The IMF expects growth in 2019 to reach 1.2% and 0% in Brazil and Mexico, but improves its outlook for 2020 to 2.2% and 1%, respectively.

29 Securities traded on the Latibex must be previously registered with Iberclear.

Companies listed on the Latibex, by country TABLE 2.1.11

Amounts in millions of euros

	Number of companies		Negotiable securities at market price[1]			Trading volume		
Country	2018	2019	2018	2019	% change 19/18	2018	2019	% change 19/18
Argentina	2	2	2.4	1.1	-54.4	0.0	0.0	-49.9
Brazil	10	10	155.4	134.7	-13.3	98.2	41.3	-57.9
Mexico	6	6	64.8	63.2	-2.6	53.1	95.4	79.6
Peru	1	1	0.0	0.0	-100.0	0.3	0.1	-77.1
Total	**19**	**19**	**222.7**	**199.0**	**-10.9**	**151.6**	**136.8**	**-9.8**

Source: CNMV. (1) Securities deposited in Iberclear.

The Alternative Stock Market (MAB)

As in recent years, the various segments traded on the MAB multilateral trading facility once again saw uneven growth, with an increase in the number of SOCIMI (Spanish REITs) to the detriment of SICAVs, which declined in number for the fourth consecutive year. In the rest of the segments, as shown in Table 2.1.12, there were small variations in the number of listed companies. The market capitalisation of all segments increased, although the most notable change in terms of both volume and percentage took place in the SOCIMI segment, where capitalisation surpassed €13 billion. Trading on this MTF remained concentrated in the SICAV segment, which accounted for close to 90% of the total traded.

Companies listed on the MAB, by segment TABLE 2.1.12

Amounts in millions of euros

	Number of companies		Market capitalisation[1]			Trading volume		
	2018	2019	2018	2019	% change 19/18	2018	2019	% change 19/18
Growth stocks	41	39	1,318.2	1,930.5	45.3	157.1	311.8	98.5
SICAVs	2,722	2,574	27,720.1	29,033.2	4.7	3,973.9	3,509.9	-11.8
Hedge funds	15	19	458.9	515.0	12.2	15.4	69.1	348.5
SOCIMIs	64	77	10,513.4	13,227.7	25.8	69.9	133.6	91.2
Total	**2,842**	**2,709**	**40,020.7**	**44,706.4**	**11.7**	**4,216.3**	**4,020.5**	**-4.6**

Source: CNMV. (1) Includes only the value of those entities for which there was trading during the year.

SOCIMIs were once again the MAB's most strongly expanding segment, marking five consecutive years of growth since joining this market in late 2013, making a total of 77 companies on the back of favourable tax legislation and investors' interest in the real estate market. In 2019, a total of 17 SOCIMIs joined the MAB and four were delisted, increasing the market capitalisation of this segment by more than €2.7 billion, almost 26% more than in the previous year. SOCIMIs are the Spanish adaptation of the real estate investment trusts (REITs) that exist in other countries[30] and are characterised by having a favourable tax treatment which exempts them

30 Law 11/2009 of 26 October regulating SOCIMIs.

from paying corporate income tax and allows them to enjoy a 95% credit on transfer tax and stamp duty. In return, they are required to distribute 80% of the profits obtained from rental income and 50% of the gains generated by the sale of assets. Their activities focus on the promotion, refurbishment and transaction of leased real estate, holdings in other SOCIMI and the performance of ancillary real estate activities. They are also required to have a minimum capital of €5 million and be listed on a regulated market or multilateral trading facility, such as the MAB. The main attraction of this type of company is that it allows investors to diversify their investment and access a real estate portfolio with greater ease and liquidity than in the case of direct investment in real estate assets.

In the growth stock segment, despite the addition of four new companies to the market (Proeduca Altus, Kompuestos, Ezertis and Holaluz), the total number of listed companies decreased to 39 as a result of seven companies being delisted (Zinkia Entertainment, Thinsmart, Cerbium, Ab-Biotics, Grenergy Renovables, Neuron Bio and Neol Biosolutions). Grenergy Renovables was listed on the electronic market, while Iffe Futura transferred to the growth stock segment from the SOCIMI segment. The amount traded in this segment almost doubled to €312 million, while its capitalisation increased by more than 45%, to €1.93 billion, its highest level since 2016. This increase was largely due to the gains made by very small companies, which were significantly higher than those of small and mid caps.

Lastly, the number of SICAVs continued to fall in 2019, with 148 companies being delisted, bringing their number to 2,574 at the end of the year, almost 700 fewer than those existing four years ago. Nonetheless, capitalisation increased by 4.7% to over €29 billion, as the gains made by the existing vehicles, which tracked the positive market trend, offset the loss in value caused by the delistings.

Additionally, both BME and the investor association Big Ban Angels continued to work on their joint Pre-Market Environment (EpM) initiative[31] to allow companies with great growth potential to discover the investment and financing capabilities of stock markets and access new investors. The project currently has 12 companies in the start-ups segment belonging to different sectors.

2.1.7 Exchange Traded Funds (ETFs)

Trading volumes and assets in the ETF segment continued to decline in 2019, almost to the point of disappearing, reaching the lowest levels seen since it was first introduced in 2006. Although this product was originally well received by investors (with 70 listed funds in 2011), trading volumes have been declining progressively from the highs reached in 2015 due, among other factors, to an asymmetrical tax treatment that penalises them relative to traditional investment funds, as well as a certain lack of interest on the part of financial institutions when it comes to marketing these products. Although they are simple, transparent products with low management costs, which allow, due to their flexibility, investors to diversify positions by type of asset, market, sector, geographical area and even strategy, they have not expanded in the Spanish market, in contrast with many other European markets, where they are well-established.

31 The initiative was launched in late 2016.

Therefore, ETFs listed on Spanish markets have lost a great deal of the interest of both investors and fund managers present in the Spanish stock market, which have gradually delisted their less liquid issues in favour of ETFs listed on other European markets.

In 2019, trading volumes of ETFs fell for the fourth consecutive year to €1,719 million, while their assets declined to €725 million, 43% and 38% respectively less than in 2018. There were five funds traded at the end of the year, one fewer than in 2018, with one single fund accounting for more than half of all assets. Of these five funds traded, three correspond to a French entity and two to a Spanish entity, whose references are linked to the performance of the Ibex 35 and Eurostoxx 50 indices, although those linked to the former continue to account for around 90% of the total traded. Further, despite the limited popularity of this product (its assets account for less than 0.3% of those of traditional investment funds), its flexibility should be highlighted, since despite the low number of product references, three follow passive investment strategies while the others are inverse and leveraged funds linked to the Spanish index. In Europe investment in ETFs was around €700 billion in 2019, an amount that could double in the next five years according to some estimates.

2.2 Fixed income

In 2019, activity in the primary fixed-income markets by Spanish issuers remained underpinned by a context of low interest rates, favoured by the extension of the ECB's ultra-accommodative monetary policy. This environment, in which financing costs were still very attractive for debt issuers, led some to increase their primary market issues, although in other cases lower financing needs (for a variety of reasons) or the existence of alternative sources of funding were more relevant factors.

Total gross debt issues by all Spanish issuers were slightly over €400 billion in 2019, 3.5% less than in 2018, a trend that contrasts with the increase in the euro area as a whole (up 6.6%). The decrease was due to issues made by financial institutions (-10.3%) and public authorities (-8.3%), while those made by non-financial companies doubled between 2018 and 2019. Financial institutions saw both a reduction in their financing needs, in a sluggish credit context, and the prolongation of alternative sources of financing, which are very attractive for these entities, particularly, financing obtained from the Eurosystem. In the case of public authorities, the decline is part of a process of budgetary consolidation whereby priority is given to increasing the average term of outstanding debt in order to take advantage of the favourable market conditions. Gross and net debt issues of private non-financial companies increased sharply, making for a rise of close to 14% in the outstanding debt balance.

Looking at the volume of private fixed income issues made by Spanish issuers in 2019, including those registered in Spain (CNMV and the Alternative Fixed Income Market (MARF)) and abroad, an increase of 1.8% is observed compared with 2018, for an amount of €200,881 million. The volume of debt repayments decreased in 2019, so the balance of outstanding debt grew by 3.8% to close to €710 billion. The trend observed in previous years continued with fewer issues registered with the CNMV and an increase in the number of those carried out abroad. The former, with a volume of €90,161 million in 2019, fell by 11%, while the latter increased by 14.2% to €100,321 million, an annual figure that for the first time was higher than the amount registered with the CNMV. Among the issues registered in Spain, we note the dynamism of those made on the MARF, which saw an increase of 63% in 2019, to €10.3 billion.

In 2019, debt assets were traded in a new context resulting from the entry into force of MiFID II and MiFIR on 3 January 2018, which introduced greater competition by allowing these assets to be traded on regulated markets, MTFs, OTFs and Sis.

The volume of Spanish public debt traded through the Spanish trading venues; AIAF (regulated market), SENAF (MTF) and the two OTFs authorised in Spain to date (CIMD OTF and CAPI OTF) increased significantly in 2019 compared with 2018. Even so, their combined volume continued to represent a small proportion of the total.

As regards trading of Spanish corporate fixed income, there was a decline in the proportion of strictly OTC transactions, which went from accounting for 52.2% of the total in 2018 to 41.5% in 2019. Most transactions were carried out through MTFs and SIs.

2.2.1 General overview

The general overview of the performance of fixed income assets was marked by the ECB monetary policy guidelines. Therefore, although the year started with the expectation that interest rates would increase at some point during the year, the growing uncertainties, the sharp slowdown in economic activity and low inflation rates eventually led the ECB to decide to extend its expansive monetary policy. Firstly, within the framework of its debt purchase programme, the bank resolved to reinvest the amounts falling due up until October and from 1 November to re-establish its net asset purchase programme, for a monthly amount of €20 billion. Additionally, the ECB reduced the interest rate of its deposit facility by 10 bp to -0.5%, although it kept the official (MRO) interest rate and that of the marginal lending facility unchanged at 0% and 0.25% respectively.

The prolongation of low interest rates, which once again hit new historic lows, prompted an increase in debt issues in the euro area (+6.6%, gross), which translated into a 3.6% increase in the total outstanding balance of public and private debt. Issues made by Spanish issuers fell by 3.5%, which did not prevent the outstanding debt balance from increasing (2.6%), since debt repayments decreased significantly. In recent years, Spanish debt issuers have taken advantage of low interest rates to arrange longer-term financing, which has tended to reduce the redemption volumes recorded in these years and has led to increases in net issues and the outstanding debt balance (despite the lower volume of gross issues).

By type of issuer, public sector issues were more moderate in both Spain and the euro area as a whole, with an increase in the outstanding debt balance of 1.8% and 1.5% respectively, while private sectors issuers, especially non-financial companies, had a more ebullient approach to raising funds in the capital markets. Thus, the volume of outstanding debt of Spanish non-financial companies rose by 13.9% in 2019, compared with 6.5% in the euro area as a whole.

Spanish financial institutions saw a more moderate increase in outstanding debt compared with the euro area: 2% vs. 5.4% in Europe, thus maintaining the difference observed in 2018. The lacklustre growth in financing granted to non-financial companies and households, together with the increase in deposits, would explain the lower financing needs of Spanish financial institutions in the capital markets. Furthermore, these entities continue to make greater use of the long-term financing facilities offered by the ECB, with an amount of €132,611 million at the end of 2019 (21% of the total long-term financing granted by the Eurosystem). This percentage is double the Bank of Spain's share in the capital of the ECB (8.34%), which suggests that Spanish entities use this type of financing to a greater extent than their European peers.

Issues and outstanding balances: Breakdown by issuers TABLE 2.2.1

Nominal amounts in millions of euros

	Amount[1]			*Pro memoria:* Euro area		
	2018	2019	% change 19/18	2018	2019	% change 19/18
Gross issues[2]	**416,664**	**401,998**	**-3.5**	**7,406,950**	**7,894,718.8**	**6.6**
Public authorities	219,420	201,117	-8.3	2,304,333	2,352,259.3	2.1
Financial institutions	176,356	158,254	-10.3	4,430,408	4,738,918.4	7.0
Non-financial companies	20,888	42,627	104.1	672,210	803,541.1	19.5
Net issues[2]	**31,690**	**43,676**	**37.8**	**317,754**	**520,850.7**	**63.9**
Public authorities	37,929	18,712	-50.7	111,071	123,322.0	11.0
Financial institutions	-11,943	11,176	–	164,286	323,923.1	97.2
Non-financial companies	5,704	13,788	141.7	42,397	73,605.6	73.6
Outstanding balances[3, 4]	**1,710,434**	**1,755,288**	**2.6**	**16,960,608**	**17,575,159.6**	**3.6**
Public authorities	1,026,951	1,045,693	1.8	8,119,226	8,244,547.6	1.5
Financial institutions	580,755	592,616	2.0	7,522,648	7,926,146.4	5.4
Non-financial companies	102,728	116,979	13.9	1,318,735	1,404,465.5	6.5

Source: Bank of Spain, CNMV and ECB. The data for the debt of public authorities in this table are not directly comparable with the data drawn up according to the Excessive Deficit Protocol, mainly due to the fact that the latter methodology excludes securities held in the portfolios of public authorities and includes currency swaps (1) Includes issues made by Spanish companies in Spain and abroad. (2) For currency issues made by public authorities, the equivalent value in euros is considered applying the average exchange rate of the month published by the ECB. For currency issues of financial institutions and non-financial companies, the value in euros is obtained by applying the exchange rate of the last day of the month published by the ECB. (3) For the outstanding balances of currency issues, the value in euros is obtained by 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.

Lastly, gross issues made by the foreign subsidiaries of Spanish entities increased by 2.3% in 2019, to €92.28 billion. Issues were made mainly by financial institutions, where the volume increased by 31.8%, to €57,387 million. It is possible that these subsidiaries are providing financing to the group of the Spanish parent entity, which would contribute to offsetting the decline in issues by Spanish financial entities. However, the issues of foreign subsidiaries of non-financial companies decreased to €34,893 million, 28.9% less than in 2018.

2.2.2 Public debt

Interest rates on public debt in 2019 were marked by the continuation of the ECB's accommodative monetary policy. Although the asset purchase programme had ended in December 2018 and this was intended to be the start of a change in monetary policy, this change did not come about. Having maintained its accommodative policy for much of 2019, in November the ECB resumed an expansive approach, restarting the asset purchase programme, which had been suspended in December 2018.

In this context, short-term government bond yields remained in negative terrain all along the curve for the fifth consecutive year and closed 2019 at historic lows for the 6- and 12-month terms and close to lows for the 3-month term. Consequently, the yield in the secondary market of 3-month, 6-month and 12-month treasury bills on the secondary market at the end of December (monthly average) stood at -0.58%, -0.47% and -0.48%, respectively. These values are in line with the minimum annual yield of -0.50% established for the deposit facility rate.

Interest rates on public debt[1] TABLE 2.2.2

%

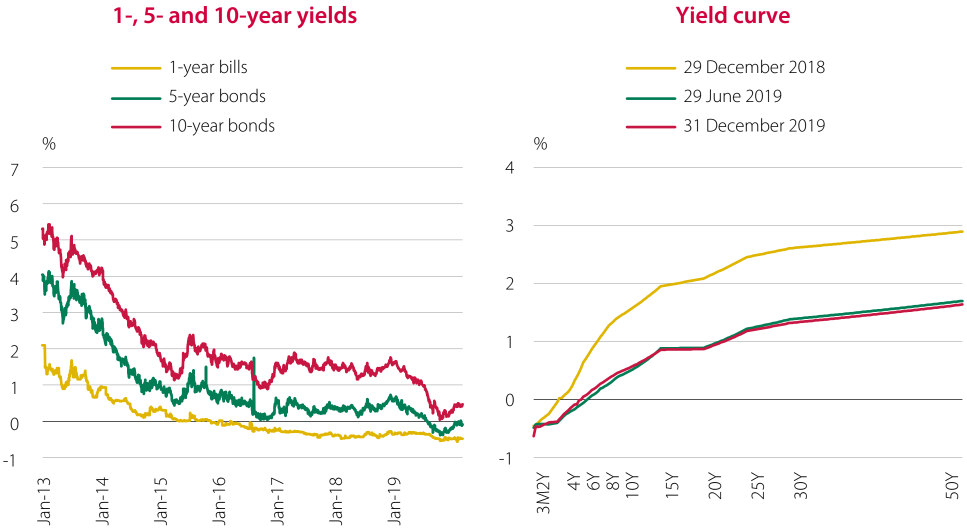
	Dec-16	Dec-17	Dec-18	Dec-19
Treasury bills				
3 months	-0.47	-0.62	-0.50	-0.58
6 months	-0.34	-0.45	-0.41	-0.47
12 months	-0.25	-0.42	-0.33	-0.48
Medium and long-term government bonds				
3 years	0.04	-0.09	-0.04	-0.29
5 years	0.35	0.31	0.43	-0.06
10 years	1.44	1.46	1.43	0.45

Source: Thomson Datastream. (1) Monthly average of daily data.

Similarly, the yield on longer-term public debt returned to record lows in December 2019, standing at0.29% (3Y), -0.06% (5Y) and 0.45% (10Y). The interest rates on these terms fell at the fastest pace seen in recent years: 24 bp, 51 bp and 98 bp, respectively, which brought the yield on the 5-year bond into negative territory for the first time, while the 10-year bond yield several times came close to the threshold of 0%.

This fall in interest rates all along the curve is reflected in the shift of the public debt yield curve (Figure 2.2.1), mainly in the first half of the year. At the end of June 2019, this curve showed a significant downward trend compared with December 2018, although in subsequent months the interest rates of the different terms underwent little change, as reflected in the overlap of the yield curves in June and December last year.

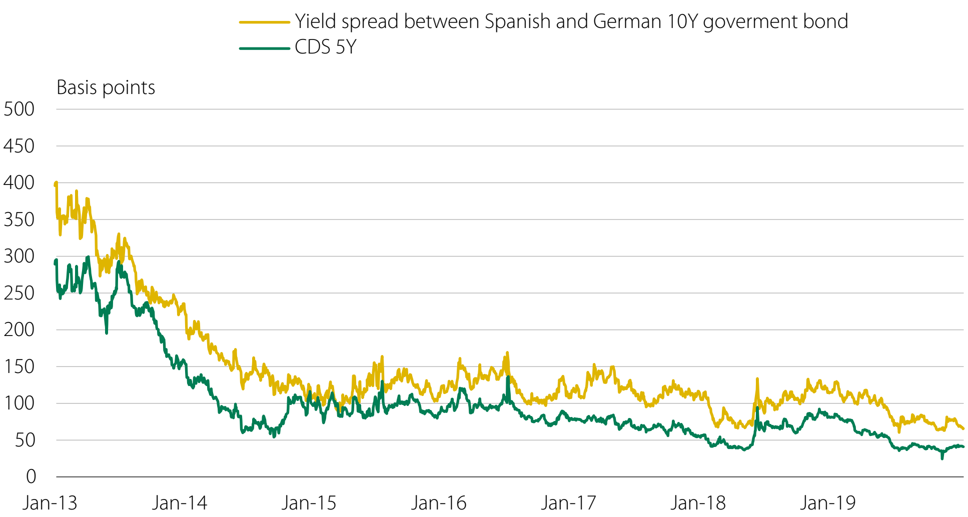
Spanish government debt yields FIGURE 2.2.1



Source: Thomson Datastream and Bloomberg.

The risk premium, measured as the spread between the yields on the Spanish 10-year sovereign bond and the 10-year German bond, decreased considerably throughout the first half of the year, with slight fluctuations in the second half and closing at 66 bp, compared with 118 bp at the end of 2018. The reduction of this premium is a consequence of the announcements made and stimulus measures adopted by the ECB, as well as the better relative performance of the Spanish economy compared with the rest of the major European economies. Likewise, the risk premium estimated using the CDS (credit default swap) of the Spanish sovereign bond (the market for which is less liquid than that of the German bond) fell by a similar amount, standing at 41 bp at the end of 2019, compared with 80 bp at the end of the previous year (see Figure 2.2.2).

Risk premium paid by Spanish issuers: Public sector FIGURE 2.2.2



Source: Thomson Datastream and CNMV.

2.2.2.1 Primary market

The volume of gross debt issues registered by the public authorities stood at €201,117 million in 2019, 8.3% less than in 2018. The breakdown by type of issuer shows that the central government accounted for 97% of all issues (€194,322 million), while the amount issued by the regional governments (€6,795 million) was a very small percentage of the total (3%), despite having doubled compared with the previous year. The state provides financing for both regional governments and local authorities through different mechanisms, such as the Fund for the Financing of the Autonomous Regions and the Fund for the Financing of Local Authorities, which explains their extremely low need to obtain financing directly from the markets.

Gross issues by public authorities TABLE 2.2.3

Nominal amounts in millions of euros

	2016	2017	2018	2019	% change 19/18
Central government	**223,067**	**236,506**	**215,702**	**194,322**	**-9.9**
Short term	100,996	94,439	80,984	71,897	-11.2
Long term	122,071	142,067	134,717	122,425	-9.1
Autonomous regions	**4,866**	**5,305**	**3,718**	**6,795**	**82.8**
Short term	482	532	458	541	19.7
Long term	4,384	4,774	3,260	6,254	91.5
Local authorities	**0**	**56**	**0**	**0**	**–**
Short term	0	0	0	0	–
Long term	0	56	0	0	–
Total public authorities	**227,933**	**241,868**	**219,420**	**201,117**	**-8.3**

Source: Bank of Spain and CNMV.

Total net issues carried out by public authorities stood at €18,712 million in 2019, half the number carried out in 2018, contributing to an increase of 1.8% in the balance of outstanding debt in 2019, compared with 3.8% the previous year. Net issues of the central government stood at €17,117 million, while net issues by autonomous regions were €1,648 million and those of local authorities were negative (-€53 million).

Long-term net issues of the central government totalled €26,141 million, while short-term issues were negative (-€9,024 million), as the redeemed volume was higher than the issued volume. This made it possible once again to increase the average life of outstanding debt, which stood at a historic high of 7.55 years at the end of 2019. The aim of extending the average life is to take advantage of the current context of interest rates at historic lows, in other words to reduce the refinancing risk of the debt and the degree of vulnerability relating to the financial burden in the event of a period of interest rate hikes.

2.2.2.2 Secondary market

As a result of the changes introduced by incorporation into Spanish law of the new European legislation on securities markets (MiFID II and MiFIR), which entered into force on 3 January 2018, new issues by the Spanish Treasury were registered and admitted to trading on the regulated AIAF Spanish fixed income market. These changes led to the suspension, on 16 April 2018, of publication of the Bank of Spain's Public Debt Market Bulletin.

Once admitted, public debt instruments can be traded on a multilateral or bilateral facility. The MiFID regulation includes three types of multilateral facilities: regulated markets (AIAF in Spain), MTFs and OTFs. Bilateral trading can be channelled through SIs or can be strictly OTC.

The following table shows information on Spanish public debt trading, distinguishing between long-term securities (bonds and unstripped bonds) and short-term securities (bills), and also broken down by market: regulated market (AIAF) and the three MTFs (SENAF, MTS Spain and MTS Markets). Lastly, the volume traded both through MTFs other than the above three or OTFs and all bilateral trades carried out through both SIs and OTC are grouped under the heading "Other platforms and OTC".

As shown in Table 2.2.4, trading volumes of bonds on both the AIAF and the SENAF, the Spanish MTF, grew significantly in 2019, by 64.9% and 57.7% respectively. Trading in Spanish treasury bonds on the AIAF went from €56.12 billion in 2018 to €92.53 billion in 2019. Trading of bonds on the SENAF increased from €26,242 million in 2018 to €41,385 million in 2019. Trading in bills on the SENAF also rose notably compared with 2018 (64.4%), reaching a volume of €73,482 million. Lastly, the trading volume of treasury bills on the AIAF marked a more moderate increase, up by 4.4% to €25,858 million.

Trading volume on MTS Spain, the London Stock Exchange group's public debt trading venue authorised as an MTF by the Financial Conduct Authority (FCA), registered a decrease of 17.8% in the volume of trades in bonds, to €111,927 million, while trading in treasury bills doubled, with a total trading volume of €290,823 million in 2019.

EuroMTS is a trading venue also authorised as an MTF by the FCA, belonging to the same group. The volume traded through this platform decreased considerably in 2019, especially in bonds. The total amount of trades executed through this platform is insignificant compared with the total.

Public debt trading by trading platform

TABLE 2.2.4

Amounts in millions of euros

	2016	2017	2018	2019	% change 19/18
Unstripped bonds					
AIAF	112	120	56,121	92,534	64.9
SENAF	14,580	37,818	26,242	41,385	57.7
MTS Spain	164,814	164,722	136,132	111,927	-17.8
EuroMTS	11,648	6,051	7,083	2,163	-69.5
Other platforms and OTC	8,047,692	9,080,255	13,880,941	15,865,042	14.3
Total	**8,238,845**	**9,288,965**	**14,106,518**	**16,113,050**	**14.2**
Treasury bills					
AIAF	8	4	24,767	25,858	4.4
SENAF	100,883	70,905	44,676	73,482	64.5
MTS Spain	247,257	189,080	136,828	290,823	112.5
EuroMTS	6,604	2,903	1,294	1,239	-4.3
Other platforms and OTC	1,710,623	1,504,502	1,975,475	2,657,219	34.5
Total	**2,065,376**	**1,767,394**	**2,183,040**	**3,048,620**	**39.6**

Source: General Secretariat of the Treasury and International Financing and AIAF.

As shown in Table 2.2.5, the bulk of public debt trading (98.5% in bonds and 87.2% in treasury bills) was recorded under the heading "Other platforms and OTC". This heading includes both volumes traded through MTFs other than the three market operators shown in the Table (SENAF, MTS and EuroMTS), as well as the amount traded through other OTFs, Sis and pure OTC trades.

The volume of government bonds and treasury bills traded on other platforms and OTC transactions rose sharply in 2019 (by 14.5% and 34.5% respectively), with volumes of €15.86 and €2.66 trillion. Sustained growth in the volume of public debt traded through other platforms and OTC has been observed over the last few years, although the comparability of figures up until 2017 with subsequent figures may be subject to statistical effects.[32]

Trading trends in debt channelled through Spanish trading venues and not exclusively related to Spanish debt (see Table 2.2.4) are also worth noting. This shows that trading on the AIAF stood at €118,503 million, which accounts for around 20% of the volume traded on all Spanish MTFs.

SENAF (the Electronic System for Trading Financial Assets) is a MTF for Spanish sovereign debt run by Bolsas y Mercados Españoles Renta Fija (BME RF), aimed at market makers, enabling them to meet their liquidity commitments. In 2019, this platform, which has the legal status of an MTF, channelled Spanish and foreign public debt trades totalling €150,523 million.

32 Until 2017, trading data came from the Bank of Spain, while for 2018 the data were obtained from the General Secretariat of the Treasury, using data from Iberclear on the settlement of both own-account transactions and transactions on behalf of third parties, and therefore the statistics may not be fully comparable.

Total public debt trading in Spanish trading venues. 2019 TABLE 2.2.5

Nominal (millions of euros)

Venue	Type of debt	2019
AIAF		
	National	118,503
	Foreign	40,028
SENAF		
	Sovereign (Spanish and foreign)	150,623
OTF[1]		
CAPI		
	National	120,900
	Foreign	18,648
CIMD		
	National	265,014
	Foreign	75,913

Source: CNMV.

Lastly, through the two OTFs currently authorised in Spain: in 2019, CAPI OTF and CIMD OTF traded a volume of Spanish public debt in excess of the total debt traded on AIAF and SENAF. In total €385,914 million, which represents a significant increase compared with 2018, the year in which they were authorised.

2.2.3 Private fixed income

Private fixed income assets posted a somewhat uneven performance in 2019 depending on the terms. Medium- and long-term yields were in line with public debt yields, with the 3-, 5- and 10-year rates hitting new historic lows (0.20%, 0.23% and 0.79% respectively). In contrast, the yields on commercial paper at the time of issue rose at certain maturities. Commercial paper issued in December 2019 at 6 and 12 months had interest rates of 0.52% and 0.71%, respectively, compared with 0.19% and 0.07% for commercial paper issued in December 2018. These increases are partly a result of the small size of the sample of issues, which is highly dispersed in terms of company characteristics, size and credit quality, with a large number of companies rated below investment grade. The 3-month yield on commercial paper was largely unchanged compared with the previous year (see Table 2.2.6).

Yields on private fixed income[1] TABLE 2.2.6

%

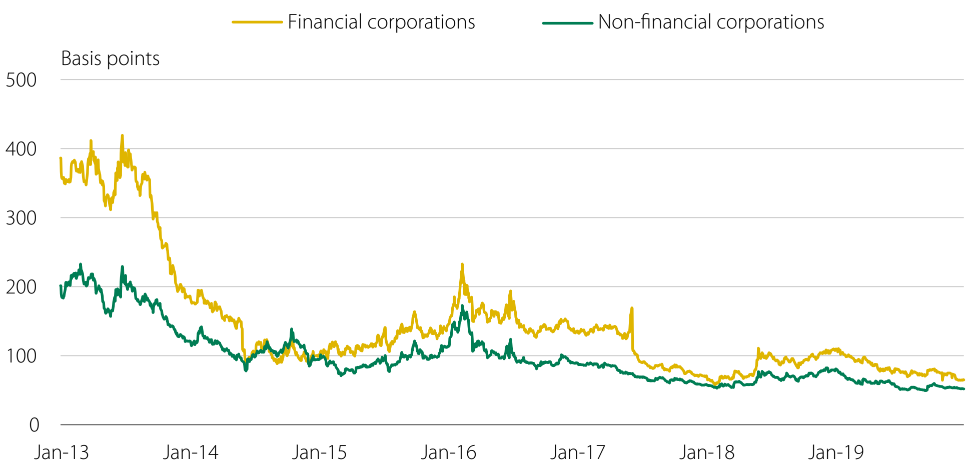
	Dec-16	Dec-17	Dec-18	Dec-19
Short term (commercial paper)[2]				
3 months	0.18	0.39	0.24	0.20
6 months	0.20	0.26	0.19	0.52
12 months	0.15	0.19	0.07	0.71
Medium- and long-term				
3 years	0.69	0.44	0.67	0.20
5 years	1.43	0.41	0.55	0.23
10 years	2.14	1.16	1.52	0.79

Source: Thomson Datastream and CNMV. (1) Monthly average of daily data. (2) Interest rate at issue.

In the same way as public sector instruments, the risk premiums of the private sub-sectors of the economy, obtained from the market average of the 5-year CDS of a sample of entities, closed 2019 at lows for recent years, with declines for both financial and non-financial companies. With regard to financial institutions, despite the uncertainties in play (decreasing net interest income due to low interest rates), the average premium of banks' CDS fell from 108 bp at the beginning of the year to 65 bp at the end, favoured by the launch of the third round of ECB financing, which provided access to long-term, low-cost financing, and also because the low rates help bring down their NPL ratios.

The risk premium for non-financial companies went from an average of 78 bp to 52 bp. Despite the smaller decline, the risk premium for non-financial companies remained below that of financial institutions throughout the year (see Figure 2.2.3). Non-financial companies benefited from the relative buoyancy of Spanish economic activity and also from the reactivation of the ECB's purchase programme, which was extended to the corporate debt of Spanish issuers with a minimum BBB rating, maintaining the cost of financing at very low levels.

Risk premium paid by Spanish issuers: Private sector[1] FIGURE 2.2.3



Source: Thomson Datastream and CNMV. (1) Simple average of the 5-year CDS of a sample of issuers.

2.2.3.1 Primary market

Debt issues registered with the CNMV in 2019 followed the downward trend of recent years and recorded the lowest volume of the decade, standing at €90,161 million, 11% down on 2018. The drop is largely explained by the lower volume of issues by SAREB,[33] which, despite being the largest issuer of non-convertible bonds, reduced its gross issues from €29,751 million in 2018 to €20,505 million in 2019. In contrast, debt issues made abroad grew by 12% in 2019 to over €100 billion, exceeding the amount of issues registered with the CNMV for the first time.

The breakdown of debt issues registered with the CNMV notably shows falls in all the major debt categories except securitisation bonds, which marked a slight increase of 3.3%, to €18,741 million. As in recent years, the amount of securitisation bonds subscribed by the issuer or assignor of the receivables was very high (71.2%), practically unchanged compared with the previous year. Since the start of the financial crisis, financial institutions have mainly used this way of issuing debt in order to provide these assets as collateral to the ECB and obtain funding from the Eurosystem.

By type of securitised assets, highlights were mortgage loans, which increased considerably as issues had decreased substantially in 2018 and partially recovered this drop in 2019, moving from €683 million in 2018 to €3,025 million in 2019 and, to a lesser extent, securitisations of consumer loans (included under "Other"), which went from €2,554 million to €3,097 million. In contrast, securitisations of loans to SMEs fell from €10,442 million to €7.43 billion.

It should also be noted that in 2019 the first securitisations made by Spanish issuers that comply with STS recognition took place in accordance with the criteria established in European regulations. For a securitisation to be considered STS, it must meet certain requirements of simplicity (the ownership of the credit exposures must be transferred by means of a real sale to the vehicle that securitises them), transparency (potential investors must have information on the historical behaviour of defaults and losses) and standardisation (compliance with risk retention requirements and prohibition on contracting derivatives except for hedging purposes). Verification of these requirements is carried out by an independent third party and the list of STS securitisations is published on the ESMA website. In total, four such issues were made in 2019, in which consumer and auto loans were securitised, for a total amount of €4,573 million.

33 Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (Asset Management Company for Assets Arising from Bank Restructuring).

Gross issues registered with the CNMV: Breakdown by instrument TABLE 2.2.7

Nominal amounts in millions of euros

	2015	2016	2017	2018	2019
Long term	**109,298**	**116,068**	**91,576**	**85,987**	**75,076**
Non-convertible bonds	39,100	40,170	30,006	35,836	29,602
Subordinated debt	500	512	1,550	500	950
Convertible bonds	53	0	0	0	0
Mortgage-backed securities	31,375	31,643	29,824	26,575	22,933
Public sector covered bonds	10,400	7,250	350	2,800	1,300
Asset-backed securities (ABS)	28,370	35,505	29,415	18,145	18,741
Mortgage loans[1]	9,458	19,621	14,885	683	3,025
Companies (SMEs)	14,124	7,500	4,850	10,442	7,430
Other	4,788	8,384	9,680	7,020	8,286
Preferred shares	0	0	1,000	2,850	1,000
Other issues	0	1,500	981	0	1,500
Short term[2]	**27,310**	**22,960**	**17,911**	**15,089**	**15,085**
Commercial paper	27,310	22,960	17,911	15,089	15,085
Asset securitisation	2,420	1,880	1,800	240	0
Total	**136,607**	**139,028**	**109,487**	**101,295**	**90,161**

Source: CNMV. (1) Issued by mortgage securitisation funds. (2) The figures for commercial paper issues correspond to the amounts placed.

In absolute terms, the largest decreases were seen in non-convertible bonds, where issues were less than €30 billion in 2019 (€35,836 million in 2018). As indicated above, much of this decline is explained by the activity of SAREB, which reduced its issues by 31%. Stripping out debt issues made by this company, the drop in total fixed income issues would have been lower (-2.8%). Other significant decreases occurred in issues of mortgage-backed securities (down 14% to just under €23 billion), which continued the trend observed in recent years, marked by the renewal of past due issues and the fall in the balance of outstanding mortgage loans, which limits these types of issues. Lastly, issue of commercial paper was virtually unchanged compared with 2018 at €15,085 million (€15,089 million in the previous year).

In contrast, to issues registered with the CNMV, issues made abroad by Spanish issuers increased by 12.27%, to €100,321 million, exceeding the former for the first time. However, as a whole, Spanish issues registered with the CNMV and MARF totalled €100,508 million, slightly above the volume registered abroad.

Among issues made abroad, long-term issues – specifically bonds – rose significantly (+41.5%, to stand at €48,409 million) and made up much of the fall suffered in 2018, although they did not reach 2017 levels. This increase contrasts with the drop in long-term issues of bonds and obligations in Spain, which, as mentioned above, stripping out SAREB issues, barely reached €9 billion.

The issue of commercial paper abroad by Spanish issuers decreased by 7.7%, to €47,087 million, of which around €34 billion corresponded to non-financial issuers. Despite this decrease, the amount is practically double that of commercial paper issued in Spain: €24.684 million in total, of which €15,085 million corresponded to commercial paper registered with the CNMV and admitted to trading on the AIAF, while the remaining €9,599 million were registered with the MARF.

Lastly, subsidiaries of Spanish entities abroad issued €92,28 billion in 2019, a slight increase (2.3%) compared with 2018. In this segment, a different performance was observed between financial and non-financial companies. Issues by foreign subsidiaries of Spanish financial institutions increased significantly (36.7%), with gross issues of €57,387 million, while non-financial companies substantially reduced their issues: down 27.6% compared with 2018, at €34,892 million. The performance of subsidiaries abroad contrasts with the performance of the Spanish parent entities, which registered decreases in the case of financial institutions and increases in non-financial companies.

Gross private fixed income issued by Spanish issuers in foreign markets

TABLE 2.2.8

Nominal amounts in millions of euros

	2015	2016	2017	2018	2019
Long term	**33,362**	**31,655**	**61,125**	**38,425**	**53,234**
Preferred shares	2,250	1,200	5,844	2,000	3,070
Subordinated bonds	2,918	2,333	5,399	2,250	1,755
Bonds	28,194	28,122	49,882	34,175	48,409
Short term	**32,984**	**26,932**	**23,646**	**50,933**	**47,087**
Commercial paper	32,984	26,932	23,646	50,933	47,087
Total	**66,347**	**58,587**	**84,771**	**89,358**	**100,321**
***Pro memoria:* Gross issues of subsidiaries of Spanish companies in ROW**					
Financial institutions	14,875	11,427	19,459	41,966	57,387
Non-financial companies	40,411	45,247	45,361	48,212	34,893
Total	**55,286**	**56,674**	**64,820**	**90,178**	**92,280**

Source: Bank of Spain.

There was a noteworthy increase recorded by the MARF. Designed in 2013 as an MTF, it provides access to fixed income markets for issues by smaller companies, many of which were not present in capital markets. This market has grown continuously since its creation, with a sharp rise in issuers, which have increased nearly fivefold since 2015, to 58 in 2019. In 2019, issues were concentrated in the short term segment, with commercial paper accounting for 93% of the total for a nominal amount of €9,599 million, similar to the figure for commercial paper registered with the CNMV and admitted to trading on the AIAF (€15,085 million). As we have already seen, the issue of commercial paper abroad by Spanish issuers, which amounted to €47.087 million, was practically double the total amount of commercial paper issued in Spain.

Admission to the MARF

TABLE 2.2.9

Nominal amounts in millions of euros

	2015	2016	2017	2018	2019
Number of issuers	13	19	31	40	58
Non-convertible bonds	355.5	398.6	75.8	365.0	303.1
Securitisation bonds	0.0	1,782.5	242.5	234.1	363.5
Preferred shares	0.0	0.0	0	0	82
Commercial paper	431.7	23.5	3,651.6	5,759.6	9,599.0
Total	**787.2**	**2,204.6**	**3,969.9**	**6,358.7**	**10,347.6**

Source: CNMV.

2.2.3.2 Secondary market

As with the trading of public debt, the information relating to the trading of private fixed income instruments has been affected by the entry into force of MiFID II on 3 January 2018. The objectives of this Directive include attracting more trading towards multilateral trading environments subject to organised and transparent trading rules, to the detriment of bilateral OTC trading. As we have seen, multilateral facilities operate according to three possibilities: regulated markets, MTFs and OTFs. Bilateral trading can be channelled through Sis or be strictly OTC.

As shown in Table 2.2.10, throughout 2019 a certain amount of progress was made towards meeting this objective, as the weight of strictly OTC trades was reduced (volumes remained at similar levels to 2018), while the volume of trading through the various multilateral systems and bilateral systems with Sis increased by 55%. This caused the strictly OTC trading of Spanish private fixed income to decline from 52.2% of the total in 2018 to 41.5% in 2019.

Table 2.2.10 identifies the four platforms that have attracted the highest volume of private fixed income trading in the last two years. Bloomberg accounted for the highest trading volume, at €96.873 million, registering an increase of 19.3% in 2019, giving it a share of around 25% of the total. Bloomberg is considered an MTF, as are Tradeweb and MarketAxees, although the latter fall short of the former in terms of traded volumes.

Lastly, JP Morgan Securities Services, a platform that offers bilateral trading and is considered an Sis, tripled its trading volumes in 2019, for a total of €13,709 million, although this accounted for a mere 3.3% of the market.

The rest of the platforms, whether regulated markets, multilateral or bilateral trading systems, each channelled an individual volume of less than 3% and have been grouped in the last section of the table under the heading "Other trading venues". As a whole, trading through other trading venues doubled, reaching €103,617 million in 2019. This figure includes trading through the AIAF regulated market (€262 million) and the Spanish OTFs authorised by the CNMV (€55 million through CAPI OTF), as well as bilateral trading through the two Spanish Sis: BBVA and Banco Santander.

Total trading of private fixed income instruments issued by Spanish companies[1] TABLE 2.2.10

Amounts in millions of euros

	2018	2019	% change 19/18
Bilateral trading (OTC)	171,648	172,581	0.5
Bloomberg (MTF)	81,205	96,873	19.3
Tradeweb (MTF)	17,838	16,973	-4.9
MarketAxees (MTF)	8,711	12,342	41.7
JP Morgan Securities PLC (SIs)	4,721	13,709	190.4
Other trading venues[2]	44,725	103,617	131.7
Total	**328,848**	**416,095**	**26.5**

Source: CNMV. (1) Data estimated from information contained in TR (Transaction Reporting). (2) This heading comprises the sum of the volumes traded on MTFs other than those indicated above, whether regulated markets (including AIAF in Spain), other MTFs (including MARF), OTFs (including CAPIOTF and CIMD OTF, registered in Spain) or other SIs (Banco Santander and BBVA are SIs authorised in Spain).

2.3 Derivatives markets

The activity of Spanish organised derivatives markets (the MEFF Exchange, where financial derivatives are traded, and the MEFF Power segment, where electrical power contracts are traded) posted a slight advance, which was larger for energy derivatives, although lower in aggregate terms than the growth seen by the markets overall. Also, the only two OTFs created in 2018 on which derivatives are traded were maintained and their volumes remained relatively stable. In addition, as in recent years, the trading of warrants on the secondary stock market continued to fall, although the volume of instruments issued in the primary market grew compared with the previous year for the first time in recent years.

The aggregate volume of derivative contracts traded on international financial markets hit another record high in 2019, with a total of 34,474 million contracts (up 13.7%). This growth was once again spread over the two segments existing in the market, which in both cases set new records, with 19.24 billion futures contracts (15.6%) and 15.23 billion options contracts (16%).

By geographical area, the main regions performed differently, with slight falls in North America (-2.8%) and Europe (-4.4%) and significant increases in the rest of the world, where growth was led by Latin America (47.6%) and the Asia-Pacific region (29.1%), although the latter and North America remained the regions with the largest market shares (42% and 29.8%, respectively, compared with 37% and 34.9% in 2018). In Europe, trading dropped by 4.4% (from a record high in 2018), with 5,033 million contracts (of which 3,964 million corresponded to futures and 1,069 million to options), accounting for 14.6% of the world market, almost 3 pp less than in 2018. Particularly important among the European markets due to their size were once again the Eurex and ICE Futures Europe markets, which recorded the highest contract volumes but marked uneven losses.

Trading on European financial derivatives markets TABLE 2.3.1

Thousands of contracts

	2017	2018	2019	% change 19/18
Eurex	1,675,898	1,951,763	1,947,144	-0.2
ICE Futures Europe	1,166,947	1,276,090	1,126,515	-11.7
Euronext	140,276	149,254	144,081	-3.5
Nasdaq Exchange Nordic Markets	86,420	87,272	79,252	-9.2
London Stock Exchange Group	42,538	46,105	38,884	-15.7
MEFF	39,246	38,396	40,776	6.2

Source: Eurex, Futures Industry Association, Intercontinental Exchange and CNMV.

2.3.1 MEFF Exchange

Financial derivatives

Trading of derivative contracts on the MEFF grew by 6.2% due to increased activity in contracts on indices (up 13.6%) and, to a lesser extent, in contracts on shares (+4.5%). Furthermore, as occurred in 2017 and 2018, despite this market having a futures contract on the Spanish 10-year sovereign bond, there was no recorded activity due to competition from a similar contract on the German Eurex market,[34] which accounted for all trades with this underlying.

Trading on MEFF Exchange[1] TABLE 2.3.2

Number of contracts

	2016	2017	2018	2019	% change 19/18
Contracts on debt	**360**	**0**	**0**	**0**	**–**
Future on 10-year bond	360	0	0	0	–
Contracts on Ibex 35	**7,468,299**	**6,911,671**	**6,983,287**	**7,935,425**	**13.6**
Futures on Ibex 35[2]	7,146,060	6,481,301	6,564,971	7,565,663	15.2
Plus	6,836,500	6,268,290	6,342,478	5,965,905	-5.9
Mini[2]	249,897	161,886	149,023	1,454,885	876.3
Micro	–	–	–	36	–
Dividend impact	58,044	43,372	70,725	144,831	104.8
Sector	1,619	7,753	2,745	6	-99.8
Options on Ibex 35[2]	322,239	430,370	418,315	369,762	-11.6
Contracts on shares	**32,736,458**	**32,335,004**	**31,412,879**	**32,841,027**	**4.5**
Futures on shares	9,467,294	11,671,215	10.703.191	15,298,027	42.9
Futures on dividends	367,785	346,555	471,614	758,700	60.9
Futures on dividends plus	760	880	200	–	-100.0
Options on shares	22,900,619	20,316,354	20,237,873	16,784,300	-17.1
Total	**40,205,117**	**39,246,675**	**38,396,166**	**40,776,452**	**6.2**

Source: CNMV. (1) The differences in the nominal value of the various products make it impossible to compare them based on the number of contracts traded. However, the trends in trading over time in each type of product can be tracked. (2) In the case of Mini futures and options, the number of contracts traded is calculated by dividing by ten so as to standardise the individual size of the contract relative to those of the Ibex 35 Plus future (using one euro as the multiplier of the index used to calculate the nominal value of the contract in the first two cases and ten euros in the latter case).

In the financial derivatives segment of the Ibex 35, the contracts traded with the highest volumes were once again Ibex 35 futures, which increased by 15.2%, reaching their highest levels since 2015, on the back of the strong growth of smaller sized Mini contracts (876.3%) and dividend impact contracts, which doubled in volume (104.8%), offsetting the decline in larger size Plus contracts[35] (-5.9%). Contracts on bank and energy sector indices, launched in 2016, fell significantly (-99.8%) to reach insignificant levels, in line with trading on the very small size Micro futures contracts[36] introduced in December 2018. In addition, option contracts on the Ibex 35 decreased by 11.6%.

Trading in derivatives on shares increased 4.5% in the year, as the strong rise in traded volumes of futures contracts on shares (42.9%) offset the drop in the number

34 On 26 October 2015, Eurex launched its Euro-BONO Futures contract, a future with the Spanish 10-year sovereign bond as its underlying asset. In 2019, 165,573 contracts of this type were traded in that market, compared with 173,450 contracts in 2018 (Source: Eurex).

35 In terms of aggregate notional volumes, the decrease in the number of larger Plus contracts implied a drop in the total traded volume of derivatives on the Ibex 35 in notional terms.

36 Micro futures contracts on the Ibex 35 have a multiplier of 0.1 euros.

of option contracts on shares (-17.1%). Furthermore, trading was increasingly focused on a small set of underlying assets, especially in futures on shares, where just four underlying assets (Banco de Santander, BBVA, Telefónica and Iberdrola) accounted for almost 98% of total trades, while in the case of options, six underlying instruments were required (the previous four, plus Repsol and Inditex) to account for almost 93% of total trading. These percentages are higher compared with 2018 and reflect that market activity is increasingly concentrated in a smaller number of securities, so that derivatives activity involving other shares is substantially lower than it would be in trades carried out in secondary markets. Thus, futures and options on Banco Santander alone accounted for 70% and 28% of the total, respectively, compared with just over 17% of the total traded through BME. Futures on dividends once again grew sharply (60.9%), with traded volumes reaching a historic high since the product was launched in 2012.

New developments in the financial derivatives segment

On 6 March, futures and options began to be traded on six new underlyings that are part of the Ibex 35 index: Celeriac Telecom, CIE Automotive, Colonial, Ence, Meliá Hotels and Merlin Properties.

In addition, MEFF expanded its product range with the addition of currency futures, which started trading on 21 June under the trade name xRolling FX. These contracts are perpetual futures[37] and have extended market hours (from 00:00 to 23:00) for the following 17 currency pairs: EUR/USD, EUR/CHF, EUR/GBP, GBP/USD, GBP/CHF, USD/CHF, USD/CAD, AUD/USD, AUD/JPY, EUR/AUD, EUR/JPY, USD/JPY, NZD/USD, USD/MXN, EUR/MXN, USD/BRL and USD/BRL.

With this launch, MEFF aims to offer investors the possibility of trading in currencies through a regulated listed instrument, with exclusive distribution through market members. The settlement and clearing of these contracts is carried out through BME Clearing, BME's central counterparty. As they are perpetual futures, they are not subject to the same roll-over as traditional futures at maturity and are settled daily in euros in the central counterparty clearing house. The product is subject to the CNMV Resolution of 27 June 2019 establishing measures regulating its marketing, distribution and sale to retail customers. Following the launch of the contract, new general conditions for the financial derivatives segment and new circulars and operating instructions were approved, which included the features of this new product.

Market members

At year-end 2019, MEFF Exchange had a total of 91 market members, three more than the previous year. Of these, 64 are associated with the financial derivatives segment, 32 with the energy derivatives segment and five with the currency derivatives segment. During the year, the members of the financial derivatives segment increased by eight, while in the energy derivatives segment they decreased by four, and five trading members were registered in the new currency segment.

37 The xRolling FX product is a perpetual future with daily roll-over of positions at the close, as opposed to standard futures with predefined maturities.

Number of members in MEFF Exchange

TABLE 2.3.3

Segment	Traders	Own account traders	Total entities	Change 19/18
Financial derivatives	52	12	64	8
Energy	5	27	32	-4
Forex	5	0	5	5
Total entities[1]	**62**	**39**	**91**	**9**
Change 2019	12	-3	3	-

Source: MEFF Exchange and CNMV. (1) The total is lower than the sum of members in each segment as there are entities that participate in more than one segment.

2.3.2 MEFF Power

MEFF Power is MEFF's energy derivatives segment, in which derivative contracts with financial settlement against the daily average of the Spanish electricity spot market (SPEL) prices, calculated by the Iberian Electricity Market Operator, are recorded. These contracts have settlement periods ranging from one day (daily contracts) to one year (annual or calendar), in addition to contracts of intermediate duration: weekly, monthly and quarterly. The relevant times of the settlement period for calculating the average of the spot price against which the derivative is settled may be all of the times of the period (base load contracts) or only those between 8 a.m. and 8 p.m. on Monday to Friday included in the settlement period (peak load contract). In 2019, MEFF Power only registered base load contracts.

MEFF Power, which saw a drastic reduction in activity in 2017 and 2018, recovered significantly in 2019 and returned to the trading volumes seen in previous years. In the year, trades were registered for a total of 26.4 TWh of underlying energy, a volume that more than doubles that of 2018 (12.3 TWh) and is the highest annual figure since 2014. The cash value of the registered contracts was €1,402 million, compared with €683 million the previous year, with average prices of €53.12 per MWh, slightly lower than the figure of €55.30 per MWh in 2018.

This year-on-year increase in activity extended to all contracts except for daily contracts (down 24.2%) and especially for those of the longest duration, which saw the most significant declines in 2018. Annual contracts grew by 75% in 2019, while quarterly contracts almost quadrupled (269.5%), reflecting that although the number of registered contracts was similar to the past two years (only 3.3% more in 2019), the corresponding energy underlying was much higher.

The number of transactions registered in 2019 increased by 82.3%, reaching a total of 3,251, which represents an average of 12.7 daily transactions, exceeding the average of 7.5 daily transactions in 2018. Consequently, the volume registered in MWh increased by 113.9% year-on-year due to both the larger number of transactions and the higher unit volume of energy in MWh per transaction (+17.3%), mainly due to the concentration of activity in the largest contracts.

The open position at year-end 2019 stood at 9.0 TWh (with closing prices valued at nearly €418 million), higher than the 5.5 TWh of the open position at the end of the previous year, then valued at €317 million. The reduction in the prices of Spanish energy derivatives in the last months of 2019, especially in December, explains why the year-on-year increase (64.1%) of the position in underlying volume was greater than the corresponding increase in the valuation of the position (31.9%).

In 2019, the trend observed in 2018 towards a greater concentration of open positions in annual contracts continued. At the end of the year, these represented 43.3% of the total position compared with 37.6% at end of 2018, and a smaller figure of 1.32% at the end of 2017. This performance can be attributed both to the increase in the registration of annual contracts and the terms of their delivery periods with respect to trading. Thus, it is worth mentioning that annual contracts with delivery terms up to 2029 were registered, periods that are significantly longer than those seen in MEFF Power in previous years.

At the end of 2019, MEFF Power had a total of 181 participants, 20 fewer than at the end of 2018.

2.3.3 Organised Trading Facilities (OTFs)

MiFID II introduced new categories of trading venues, including the Organised Trading Facilities (OTFs), where only fixed income instruments and derivatives may be traded. Unlike regulated markets and MTFs, trading on OTFs can be carried out using discretionary rules. In certain circumstances the OTF operator is allowed to trade on its own account in derivative instruments and fixed income securities, and to trade on its own account in those sovereign debt instruments for which there is no liquid market.

The CNMV authorised the operation of two OTFs in 2018: CAPI OTF and CIMD OTF. The former operates in financial derivatives and foreign exchange, while the latter operates in two differentiated segments: financial derivatives and energy derivatives.

Trading on Organised Trading Facilities (OTFs) TABLE 2.3.4

Financial derivatives segment	No. of trades	Cash amount (millions of euros)
Financial derivatives[1]	2,075	886,141
FX derivatives[2]	1,048	294,653
Total	**3,123**	**1,180,794**
Energy derivatives segment	**601**	**437**

Source: CNMV. (1) Correspond to trades with swaps, basis swaps, futures on interest-rate indices and overnight indexed swaps. (2) Correspond to trades with foreign exchange futures.

In their second year of activity, OTFs performed unevenly depending on the segment in which they operate. The OTFs carried out 3,123 trades with financial derivatives, 10.7% fewer, but for a cash amount of €1.18 trillion, an increase of 6.9%. Trades with energy derivatives fell to 601, for a cash amount of €437 million (as discussed below), compared with 2,041 trades and €1,344 million in 2018. Among the financial derivatives, around two thirds of the transactions and three quarters of the cash amount traded corresponded to interest-rate derivatives, such as different types of swaps and futures, while the remaining transactions and volume corresponded to trades with an underlying of foreign exchange rates.

Energy derivatives segment

CIMD's energy derivatives segment is where swaps with financial settlement against the daily average of the price of the Spanish (SPEL) (base load) and Italian (ITEL) (base and peak load) electricity spot markets are traded.

In the year as a whole, total trading volume was 7.9 TWh, for a cash volume of €437 million, of which 89% corresponded to Spanish electricity, while in ITEL trading, peak products accounted for just 7% of the subtotal corresponding to Italian electricity.

With regard to the contract settlement periods, particularly noteworthy was the trading of quarterly contracts of SPEL derivatives, which stood at 3.8 TWh (53.3% of the total trading in Spanish derivatives), while Italian calendar contracts[38] accounted for 47.9% of energy, although 59.5% of the traded contracts were "small" (with a maturity of less than a month), so the average cash per transaction was lower for transactions on Italian electricity (€531,312) than for those with a Spanish underlying (€755,182 per transaction).

2.3.4 Warrants and certificates

In 2019, the number and volume of warrants issued showed divergent trends. Thus, while the number of issues increased slightly, the volume of issue premiums shrank, particularly in the secondary market, which was hit by the scenario of low market volatility, which discourages the use of this type of instrument. With regard to certificates, the primary market continued to register no activity, while activity on the secondary market remained at low levels.

Issues

5,496 issues of warrants were registered in 2019, 5% more than in 2018, the first rise in five years. The number of issuers increased to six, all of them banks, with the registration of another Spanish bank, which joined the three foreign entities and the two Spanish banks that were already operating in this segment. The total amount of premiums was €1,837 million, 11.8% less than in the previous year and almost half the figure seen in 2015. The majority were contracts whose underlying assets were shares and indices, although the amounts of the former recovered while those of the latter continued to decline, causing them to lose relative weight compared with the rest of the underlying assets. As shown in Table 2.3.5, the amount of the premiums for issues made on indices fell by more than 30%, while there were increases in premiums for issues on shares (10%) and issues on commodities (50%). Meanwhile, as mentioned previously, no certificates were registered with the CNMV.

38 Calendar contracts are those with annual settlement periods.

Warrant issues registered with the CNMV

TABLE 2.3.5

Amounts in thousands of euros

	Number		Amount of premium				
	Issuers	Issues	Total	Shares	Indices[1]	Currencies	Commodities
2015	8	9,059	3,479,064	1,807,276	1,486,148	106,199	79,441
2016	5	7,809	2,688,574	1,438,206	1,153,143	57,305	39,920
2017	6	5,730	2,433,614	939,528	1,443,030	32,415	18,642
2018	5	5,231	2,084,891	818,952	1,160,478	48,767	56,695
2019	6	5,496	1,837,678	901,350	809,259	42,694	84,375

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

Secondary market

The trading of warrants on the secondary market fell by more than one third in 2019, compared with the previous year, to €291.16 million, the lowest value in more than 15 years. Trading was concentrated in index warrants, which accounted for 64% of the total, but lost weight compared with warrants on shares, which made up more than a third of the total. Contracts on other assets (currencies and commodities), which during the year had increased on aggregate in the primary market, also saw a decline in trading and accounted for just over 1% of the total market.

Trading in warrants on the electronic market

TABLE 2.3.6

Premiums traded, in thousands of euros

		Premiums traded by type of underlying				
	No. of issues	Indices[1]	Shares	Currencies[2]	Commodities	Total
2015	7,530	691,995	370,256	20,004	13,604	1,095,859
2016	6,296	420,353	280,953	5,025	9,209	715,541
2017	5,082	266,016	186,717	2,018	7,837	462,588
2018	4,191	317,881	133,863	1,390	3,542	456,676
2019	3,627	186,620	100,818	543	3,182	291,163

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

As in previous years, the amount of premiums traded in the certificates segment was once again very low due to the absence of new issues of this type of asset. Trading fell to €346,000, corresponding to the only two issues active on the market, whose underlying assets are gold and oil (both were issued by the same bank in 2007 and 2010, respectively).

Trading in certificates on the electronic market

TABLE 2.3.7

Premiums traded, in thousands of euros

		Premiums traded by type of underlying				
	No. of issues[1]	Indices[2]	Shares	Currencies	Commodities	Total
2015	2	0.0	0.0	0.0	1,135.1	1,135.1
2016	2	0.0	0.0	0.0	400.5	400.5
2017	2	0.0	0.0	0.0	362.2	362.2
2018	2	0.0	0.0	0.0	320.4	320.4
2019	2	0.0	0.0	0.0	346.0	346.0

Source: CNMV. (1) The number of issues states the issues that recorded trading in each period. (2) Includes baskets of securities and of indices.

2.3.5 Atypical financial contracts

Last year, no issues of atypical financial contracts were registered with the CNMV. This type of contract, whereby a credit institution receives money from its clients and undertakes to reimburse them according to how one or a number of securities perform in the market, with no commitment to repay the principal received in full,[39] have become less appealing to investors due to their relative lack of transparency, competition from other products such as deposits[40] and structured funds and their lack of liquidity, as they are not admitted to trading on organised secondary markets.

Issues of contracts for the purchase and sale of options registered with the CNMV

TABLE 2.3.8

Amounts in thousands of euros

	Number		Amount of premium				
	Issuers	Issues	Total	Shares	Indices[1]	Commodities	Exchange rates
2015	1	1	5,000	5,000	0	0	0
2016	1	4	650,000	650,000	0	0	0
2017	2	15	1,964,500	1,950,000	14,500	0	0
2018	2	11	953,000	950,000	3,000	0	0
2019	0	0	0	0	0	0	0

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

39 Reimbursement consists of either the delivery of certain listed securities, or the payment of a sum of money, or both.

40 Royal Decree 14/2008 of 11 January attributed the jurisdiction over structured deposits (a type of atypical financial contract in which 100% of the capital is guaranteed) to the CNMV.

2.4 Clearing, settlement and registry

2.4.1 Iberclear

The Securities Registry, Clearing and Settlement Management Company (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal), which operates under the business name of Iberclear, is the Spanish central securities depository. It provides the initial registration service (notary service), the service of provision and maintenance of securities accounts (central maintenance service or central deposit function) and manages the ARCO securities settlement system (settlement service), as well as other related ancillary services, in the terminology of the CSDR.[41]

At the end of 2019, Iberclear had 71 participating entities (including central counterparties (CCPs) and other CSDs with which Iberclear has links), four more than at year-end 2018. In 2019, five entities were registered, including one CSD with which Iberclear has established a new link, and one entity was deregistered as a result of Brexit.

2.4.1.1 Registration activity

Since joining Target2-Securities (T2S) in September 2017, Iberclear has managed a single platform (ARCO), in which all securities are integrated.

At the end of the year, a total of 8,497 issues were registered with Iberclear, with a nominal amount of €1,672,266 million. Compared with the previous year, a slight decrease in the number of outstanding issues was observed (-0.02%), but their amount increased (0.66%), as shown in Table 2.4.1.

Iberclear ARCO. Registry TABLE 2.4.1

Amounts in millions of euros

Securities registered	2018	2019	% change 19/18
Number of issues	**8,499**	**8,497**	**-0.02**
Public sector debt	486	548	12.8
Corporate debt	2,129	2,013	-5.4
Other securities	5,884	5,936	0.9
Nominal balance registered	**1,661,254**	**1,672,266**	**0.66**
Public sector debt	1,036,073	1,057,820	2.1
Corporate debt	485,873	479,724	-1.3
Other securities	139,308	134,722	-3.3

Source: Iberclear and CNMV.

By type of instrument, the number of debt issues registered at Iberclear at the end of 2019 totalled 2,561, for a total nominal amount of €1.5 trillion. Of these, 79% corresponded to private debt and the rest to sovereign debt. However, in terms of

41 Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSDR).

the nominal amount, 31% corresponded to corporate debt and the remaining 69% to sovereign debt issues. Issues of other securities stood at 5,936 at the end of the year, with a nominal amount of €134,722 million.

An increase was observed in both the number of sovereign debt issues and their amount, mainly due to the registration of Italian debt. However, for corporate debt there was a decrease in both the number of issues and their amount. Other securities saw an increase in the number of issues and a decrease in their nominal amount.

2.4.1.2 Settlement activity

The total number of transactions settled in 2019, as shown in Table 2.4.2, was 9,334,344, with a cash amount of €21,056,689 million, which represents a year-on-year increase of 2%, both in the number of transactions and the cash amount, although there was a very uneven distribution among the different types of assets.

In equity, CCP transactions fell by 2.7% in volume and 12.2% in cash amounts. Bilateral transactions increased in number (2.9%), but their cash amount decreased (-8.9%). Overall, the number of transactions rose by 1.2%, although the cash amount fell by 10.1%.

In the sovereign debt segment, increases of 6.1% in the number of transactions and 2.5% in the cash amount were observed. The increase in CCP activity stood out (transactions +40%, cash amount +23%), due to the greater activity related to Italian sovereign debt. Bilateral and platform trades registered a small decrease in terms of the number of transactions (-2%), and a larger fall in their cash amount (-10%).

In corporate debt, the cash amount rose notably (36.3%) and transaction numbers decreased by 16.4%.

Without differentiating by type of securities, in terms of the cash amount, transactions deriving from CCPs rose by almost 20%, while bilateral and platform trades decreased by 9.4%. Transactions from CCPs and bilateral and platform trades grew by around 2%.

Iberclear. Transactions settled ARCO TABLE 2.4.2

Amounts in millions of euros

	2018		2019	
	No. of transactions	Cash amount	No. of transactions	Cash amount
Trades from CCPs	**2,512,771**	**7,850,520**	**2,564,828**	**9,382,238**
Sovereign debt	282,626	7,167,911	394,936	8,783,022
Corporate debt	–	–		
Equity	2,230,145	682,609	2,169,892	599,216
Bilateral and platform trades	**6,652,376**	**12,884,526**	**6,769,516**	**11,674,451**
Sovereign debt	1,167,172	11,520,441	1,143,294	10,371,635
Corporate debt	85,074	134,177	71,124	182,830
Equity	5,400,130	1,229,909	5,555,099	1,119,986
Total	**9,165,147**	**20,735,046**	**9,334,344**	**21,056,689**

Source: Iberclear and CNMV.

Iberclear. Settlement incidents ARCO TABLE 2.4.3

Amounts in millions of euros

	2018		2019	
	No. of transactions	Cash amount	No. of transactions	Cash amount
Sovereign debt	51,138	761,471	61,654	845,862
Corporate debt	5,965	7,590	8,283	11,420
Equity	917,761	294,144	832,016	316,825
Total failed trades	**974,864**	**1,063,205**	**901,863**	**1,174,106**
Buy-ins and settlement in cash	78	9	178	7

Source: Iberclear and CNMV.

The efficiency ratios in total settlement improved in 2019 in regard to the number of transactions, with inefficiency standing at 9.6%, but worsened in terms of cash, at 5.6% (10.6% and 5.1%, respectively, in 2018).

The corporate debt segment marked the worse performance, with 11.6% failed trades (compared with 7% in 2018) and 6.2% in terms of cash (5.7% in 2018). Sovereign debt transactions continued to show the best efficiency ratios, since the number of failed trades accounted for only 4% of the total and 3.5% in terms of cash. These ratios were much higher for the equity segment: 10.7% for the number of transactions and 18% for cash, leading to an improvement in inefficiency of 1.26 percentage points with regard to the number of transactions but a 3 pp drop with regard to the cash amount, compared with the previous year.

Additionally, there was an increase in the number of transactions resolved by buy-ins or cash settlement, 121 and 57 respectively, compared with 65 and 13 in 2018, although their cash amount shrank by 30%. The increase in the number of transactions was mainly due to two sessions in which incidents occurred with two specific securities. Similarly, the increase in transactions resolved through cash settlements was also a one-off.

2.4.2 BME Clearing

BME Clearing is the Central Counterparty (CCP) authorised to provide clearing services in Spain in accordance with Regulation (EU) 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (EMIR).

Table 2.4.4 shows the distribution of active members in BME Clearing, differentiated by segment and by type of member. At the end of 2019, the number of members of BME Clearing was up by four, at 135. 14 new entities were registered, most of them new EU subsidiaries of UK companies established as a result of Brexit, while ten entities were deregistered.

For the first time, one entity operated with two different codes in the same segment.

Number of members of BME Clearing by segment TABLE 2.4.4

	Clearing			Non clearing				
Segment	General	Individual	Special indiv.	Non-clearing	Ordinary	Proprietary	Total entities	Change 19/18
BME Clearing Derivatives	9	29	–	12	–	12	62	5
FX sub-segment	–	5	–	–	–	–	5	5
BME Clearing Energy	6	–	–	–	–	31	37	–
BME Clearing Repo	–	25	–	–	–	–	25	–
BME Clearing Swap	–	9	–	–	–	–	9	1
BME Clearing Equity	8	16	5	–	24	–	53	1
Total entities[1]	**19**	**54**	**5**	**12**	**24**	**43**	**135**	**4**
Change 2019	2	4	0	2	1	-1	4	–

Source: BME Clearing and CNMV. (1) The "total entities" row does not correspond to the sum by segments as one entity may participate in several segments.

2.4.2.1 BME Clearing Derivatives

Transactions in financial derivatives traded on MEFF Exchange are cleared in this segment. In the course of 2019, 6 entities deregistered and 11 registered, bringing the number of members to 62 at year-end (5 more than in 2018), as shown in Table 2.4.4.

To start clearing for FX-rolling contracts traded on the MEFF Exchange, BME Clearing included a sub-segment in financial derivatives. Five entities have currently registered, but only one of these was not previously a member of the CCP.

Therefore, the total number of active members in the BME Clearing Derivatives segment increased by 6, to a total of 63.

2.4.2.2 BME Clearing Energy

Since 24 May 2018, BME Clearing has provided a clearing service for natural gas (NG) and liquefied natural gas (LNG) contracts: OTC futures, spot transactions and loan or deposit transactions. Unlike electricity contracts, these contracts are settled by physical delivery at a Spanish virtual balancing point[42] (VBP) in the case of LNG contracts or at a regasification plant in the case of NG contracts. Therefore, they are not considered financial instruments.

In April 2018, the CNMV Board approved the establishment of agreements between BME Clearing and three OTFs, the new category authorised under the MiFID II framework, for CCP clearing of the gas contract transactions executed therein. In 2019, the CNMV authorised an agreement with two other OTFs. As in the case of the members, these platforms have been set up in the European Union as a result of Brexit.

42 The virtual balancing point is the virtual exchange point of the transport network where users can transfer ownership of gas as entry or exit thereof.

Table 2.4.5 shows that there was very little trading in gas contracts in 2019. However, the traded volumes of electricity products reached their highest levels in at least the last five years, with significant positive year-on-year growth almost every month. This activity also translated into an increase in the open position, which at the end of the year stood at 9 TWh,[43] a rise of 64% compared with 2018.

Activity in BME Clearing Energy TABLE 2.4.5

Nominal volume in millions of euros

	2018			2019		
	Electricity	**Gas**	**Total**	**Electricity**	**Gas**	**Total**
Cash volume	683	35	**718**	1,402	5	**1,407**
Number of transactions	1,894	48	**1,942**	3,251	48	**3,299**
TWh	12.3	1.4	**13.7**	26.4	0.2	**26.6**

Source: CNMV and BME Clearing.

Although the number of members in this segment, as shown in Table 2.4.4, did not change, in 2019, 24 new participants joined.

2.4.2.3 BME Clearing Equity

The equity segment is the central counterparty service for transactions in securities traded on the stock exchange. This segment began operating on 27 April 2016, the starting date of the new clearing, settlement and registry system, which made it obligatory for trading in shares and subscription rights carried out through multilateral segments of official secondary markets to be cleared through a CCP. Another milestone was reached in September 2017 with the connection of Iberclear and BME Clearing to the pan-European securities settlement platform Target2-Securities, thus completing the second and final phase of the reform.

In 2019, a cash volume of €926.203 million was registered, 18.5% down on 2018, as shown in Table 2.4.6.

Activity in BME Clearing Equity TABLE 2.4.6

	2018	**2019**
Cash volume (millions of euros)	1,136,782	926,203
Number of transactions	88,278,588	74,537,314

Source: CNMV and BME Clearing.

At the end of 2019, this segment had 53 members, one more than at year-end 2018, after three additions and two deregistrations (see Table 2.4.4).

43 The record high was 12.5 TWh in April 2016.

2.4.2.4 BME Clearing Repo

The repo fixed-income segment offers the central counterparty service for Spanish public debt repos, thus eliminating counterparty risk for participating entities.

In April 2018, the CNMV Board approved the establishment of an agreement between BME Clearing and BrokerTec to register trades of this platform in the repos segment. In 2019, also as a consequence of Brexit, an agreement was authorised, in this case with a new regulated market.

Also, in November of last year, the amendment of the general conditions of this segment was authorised to include clearing of public debt of other European countries[44] admitted to trading on the main fixed income markets in Europe.

The first transactions with the new underlyings were registered in December 2019, specifically in repos on Italian and Portuguese debt. The registration of transactions from platforms accounted for 14% of the total nominal amount. Despite the new offering of BME Clearing, the number of transactions in this segment fell further in 2019 (-11.7%), although the registered nominal amount increased to €156.769 million[45] (+0.7%). At the end of 2019, the average open position for the last 10 days, equivalent to the financing provided, stood at €13.2 billion, up by 60% compared with 2018, with an average financed term of 21 days (26 in 2018).

In this segment, the number of active members was 25 at the end of the year, all of them individual clearing members, unchanged from 2018.

Activity in BME Clearing Repo TABLE 2.4.7

	2018	2019
Nominal volume (millions of euros)	155,639	156,769
Number of transactions	2,145	1,894

Source: CNMV y BME Clearing.

2.4.2.5 BME Clearing Swap

This segment offers the central counterparty service for the trading of OTC interest rate derivatives. It began operating in 2016.

In 2019, only 16 transactions were registered, for a nominal amount of less than €200 million (11 transactions for €147 million in 2018).

At the end of 2019, there were nine clearing members in this segment (one more than in 2018), all of them individual clearing members.

A new development in this segment worth mentioning is the CNMV's authorisation in November 2019 of the amendment to the general conditions to include contracts referenced to the €STR (Euro Short-Term Rate), the ECB's new short-term interest

44 Germany, France, Italy, Portugal, Austria and the Netherlands.
45 €182,723 million in terms of cash financed versus €155,639 million in 2018 (+17%).

rate in euros, which is based on money market data collected for statistical purposes by Eurosystem.

The €STR reflects the wholesale interest rate on 1-day unsecured loans in euros of banks in the euro area. The €STR is published each business day on TARGET2 and is based on the transactions made and settled on the preceding business day on TARGET2 (reporting date T), with a maturity date of T+1 that is considered to be executed independently and therefore offers an unbiased reflection of market rates. The €STR supplements the existing benchmark rates produced by the private sector.

With effect from 2 October 2019, the €STR replaced EONIA as the overnight benchmark index for the euro area, although the two will coexist until EONIA is withdrawn on 31 December 2021.

Since 2018, the ECB has set up various working groups in this area, in which BME Clearing has participated. The Spanish CCP and other CCPs belonging to EACH[46] have worked together to transition to this new index to avoid market distortions and unwanted arbitrage.

2.4.3 European initiatives in registry, counterparty, clearing, and settlement services

Progress in the implementation of Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories (CSDR)

The Central Securities Depositories Regulation (CSDR) provides, together with T2S, a key basis for a single capital market. The aim of this Regulation is to establish standardised requirements for the settlement of financial instruments throughout the European Union and to harmonise the organisation and conduct of European CSDs.

The development of Level 2 implementing measures of the CSDR (level 1) began in 2017 and was completed on 13 September 2018 with the publication in the Official Journal of the European Union of Commission Delegated Regulation (EU) 2018/1229, of 25 May 2018, supplementing Regulation (EU) No. 909/2014 of the European Parliament and of the Council, with regard to regulatory technical standards on settlement discipline. This regulation, which establishes measures to prevent and deal with settlement failures, was scheduled to enter into force in September 2020, but in consideration of the technological changes necessary for the application of the new requirements, delay in its implementation is being considered.

With regard to Level 3 measures, in order to help achieve the aim of ensuring supervisory convergence and a standardised implementation of the CSDR and of associated Level 2 measures, in 2018 ESMA published a series of guidelines, recommendations, opinions, and Q&As.

46 European Association of CCP Clearing Houses.

Among the most important guidelines published to date, are those concerning: i) the process for calculating the indicators used to determine the most important currencies in which trades are settled, ii) the process for calculating the indicators used to determine the substantive importance of a CSD of a host Member State, iii) guidelines on the cooperation between authorities pursuant to Articles 17 and 23 of the CSDR, and iv) internalised settlement reporting in accordance with Article 9 of the CSDR. These sets of guidelines were published on 30 April 2019 on ESMA's website, and the CNMV has stated its intention of complying with them. The first three guidelines were also adopted by the CNMV and have been applicable since 2018.

On 18 September 2019, Iberclear was authorised to act as a CSD by the CNMV in application of Article 17 of the CSDR, thus ending the process started in October 2017.

Further, following the authorisations of various CSDs, the competent authorities began to receive requests for freedom to provide services under Article 23 of the CSDR.

Implementation of the prospectus regulation

EXHIBIT 3

On 21 July, the implementation of Regulation (EU) 2017/1129[1] (hereinafter, the Prospectus Regulation or the Regulation) was completed. This Regulation replaced Directive 2003/71/EC[2] and introduced significant changes in the rules governing the prospectuses of public offerings of securities or IPOs on regulated markets.

Main objectives and changes in the new Prospectus Regulation

The main objective of the Regulation is to achieve greater harmonisation and a standardised application of prospectus regulations in the various countries of the European Union. It also continues the reduction of administrative requirements, which had already started with Directive 2010/73/EU,[3] amending Directive 2003/71 /EC, in particular to facilitate access to capital markets for smaller enterprises.

To this end, in addition to certain changes in thresholds and adjustments to exemptions from obligation to publish a prospectus, the Regulation includes significant changes in, among other aspects, certain sections of the prospectus, such as risk factors and the summary, and introduces new types of prospectus, such as the EU growth prospectus, the universal registration document and the simplified prospectus for secondary issues. The new Regulation also seeks to clarify and improve the provisions relating to other aspects of the prospectus rules, such as the publication of supplements, including rules on the opening of periods for the revocation of orders in favour of issuers, when appropriate, requirements relating to the publication of the prospectus and the system of sanctions.

Implementing rules of the Prospectus Regulation

At the same time, on 21 July, Delegated Regulation (EU) 2019/980[4] and Delegated Regulation (EU) 2019/979[5] also entered into force, containing most of the delegated acts of the European Commission and regulatory technical standards drawn up by ESMA, respectively.

These implementing regulations include a full review of the annexes that establish the minimum content of the prospectus, including the formulation of annexes referring to the new types of prospectus mentioned above, as well as those with key financial disclosures that must appear in the summary. Other salient points are the prospectus approval procedures and the inclusion of detailed rules on the scope of the prospectus review, in order to achieve a high level of harmonisation among the different European competent authorities.

Implementation of the Prospectus Regulation

Although the Prospectus Regulation is already fully applicable, certain implementing regulations must still be rolled out (e.g. the rule governing the minimum disclosure requirements for the document that must be made available to the public when seeking exemption from the obligation to publish a prospectus for offerings or IPO in connection with a takeover bid through an exchange offer, merger or spin-off). ESMA will shortly complete the update of the frequently asked questions (Q&A) documents on prospectuses and change the old recommendations on prospectuses into guidelines for the implementation of the new regulation.

Lastly, in relation to the new Level 3 material prepared by ESMA, it should be noted that the guidelines on risk factors are already applicable, which should serve to facilitate the implementation of the new approach introduced by this regulation to this important section of the prospectus, with the aim of making its content easier to understand and more useful.

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1 Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading, and repealing Directive 2003/71/EC.

2 Directive 2003/71/EC of the European Parliament and of the Council, of 4 November, on the prospectus to be published when securities are offered to the public or admitted to trading, and amending Directive 2001/34/EC.

3 Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010, amending Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading, and Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

4 Commission Delegated Regulation (EU) 2019/980 of 14 March 2019, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to the format, content, examination and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Commission Regulation (EC) No. 809/2004.

5 Commission Delegated Regulation (EU) 2019/979 of 14 March 2019, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No. 382/2014 and Commission Delegated Regulation (EU) 2016/301.

3 Financial institutions and investment services

3.1 Collective investment

After six years of uninterrupted growth was broken in 2018, the assets under management of financial investment funds increased once again in 2019. This was mainly a result of the rise in the value of the investment portfolio due to the strong performance of the financial markets for much of the year. There were also new inflows of funds, although at a much lower rate than in previous years and in the first quarter there were even net redemptions. While in previous years the relative weighting of higher-risk fund categories continued to increase, in 2019 there was no clear trend: despite the rise in some funds of this type, such as global equity, fixed income funds, that are considered as conservative, also grew at a strong pace.

As was the case in the previous years, there was a reduction in the number of SICAVs (open-ended investment companies). However, while a good deal of the collective investment schemes deregistered in 2017 were taken over by other collective investment schemes (CIS), in 2018 and 2019 these accounted for a relatively small percentage of the total (approximately 15% in 2019).

The growth in assets under management and market share of foreign CIS sold in Spain continued in 2019, and at the end of the year they accounted for more than a third of the total CIS marketed in Spain.

3.1.1 Investment funds (IFs)

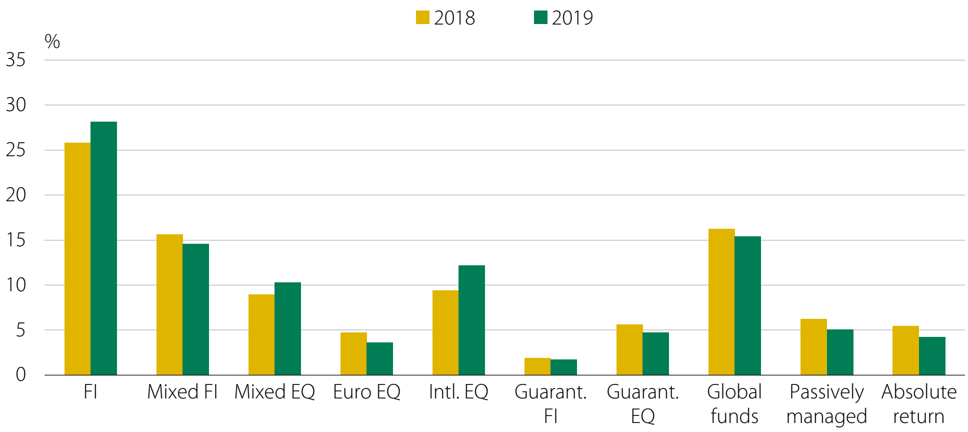
The assets of Spanish investment funds (IFs), which had decreased in the last few months of 2018, grew strongly again in 2019, with an accumulated increase of 7.8% in the year, standing reaching €279,377 million. Practically 90% of this increase was due to the positive yield on the IF portfolio, totalling just over €18 billion, while the remaining amount was due to the net subscription of units, totalling €2,467 million. Most of the gains in the IF portfolio occurred in the first quarter of the year, with more than 50% of the annual total, while net subscriptions, which in the first quarter were still negative, gradually increased to over €2 billion in the last three months of the year.

As shown in Statistical Annex II.1, the fund categories that recorded the largest growth in assets under management were, in this order, fixed income funds (€11,694 million more than in 2018, +17.5%), global equity (€9,674 million more than in 2018, +39.6%) and mixed equity (€5.52 billion more than in 2018, +23.7%). While in the last two categories the increase in assets was due in equal parts to portfolio gains and new unit subscriptions, in fixed income funds the rise was almost exclusively due to new subscriptions. Global funds and mixed fixed income funds saw much lower increases, of €905 million and €349 million, respectively. In both cases, net subscriptions were negative during the year.

The largest declines in assets under management took place in absolute return funds, with a contraction of €2,354 million, down 16.6% compared with year-end 2018, closely followed by passive management funds (-€2,065 million, 12.8% less) and euro equity funds (-€2,033 million, -16.7%). In all cases, especially in the first two categories, there was also a decline in assets in 2018. Guaranteed equity and fixed income funds also saw a drop in assets, albeit to a lesser extent, with decreases of €1,327 million and €78 million, respectively. It is important to note that while the performance of guaranteed fixed income funds was not particularly negative in 2019, they have seen significant outflows of funds since 2013, with a cumulative loss of assets of over 85% since that year.

In a break with the trend that had been in place since 2013, with asset variations translating into a decrease in the relative weight of the more conservative categories (fixed income funds and guaranteed fixed income and equity funds), in 2019 movements of unitholders did not follow such a clear direction. While global equity funds (a category considered relatively risky) registered positive net subscriptions of over €4 billion, fixed income funds received the most funds during the year. This would appear to indicate that some investors are opting for equity funds in their search for yield in the current environment of low interest rates, while others, who are more risk averse, were influenced by poor market performance in 2018 and have opted for safer categories such as fixed income (see Figure 3.1.1).

Investment funds: Breakdown of assets FIGURE 3.1.1



Source: CNMV.

These movements suggest that investment in IFs tended to be slightly polarised in 2019: the weight of both the most conservative and the most risky categories increased throughout the year, with a relative significance of 34.6% (33.3% in 2018) and 31.2% (30.4% in 2018) respectively.

The aggregate return of IFs for the year as a whole was 7.1%, driven by the significant portfolios gains in the first quarter of the year (3.85%). All fund categories, without exception, showed a positive annual performance. In line with the upward trend in quoted prices, the most profitable funds were global equity and euro equity funds, with returns of 22.2% and 14.3%, respectively, in 2019 (11.9% and 8.2% in the first quarter). Fixed income funds registered the lowest annual returns, at 1.4%.

Breakdown of investment fund assets[1] TABLE 3.1.1

Amounts in millions of euros

	2018	%	2019	%	% change 19/18
Assets	**259,095**	**100.0**	**279,377**	**100.0**	**7.8**
Portfolio of financial investments	**241,016**	**93.0**	**256,751**	**91.9**	**6.5**
Spanish securities	74,486	28.7	66,520	23.8	-10.7
Debt securities	50,538	19.5	44,638	16	-11.7
Equity instruments	10,868	4.2	9,048	3.2	-16.7
Collective investment schemes	6,985	2.7	8,582	3.1	22.9
Deposits with credit institutions	5,855	2.3	4,005	1.4	-31.6
Derivatives	235	0.1	243	0.1	3.4
Other	5	0.0	5	0.0	0.0
Foreign securities	166,522	64.3	190,224	68.1	14.2
Debt securities	74,079	28.6	83,818	30.0	13.1
Equity instruments	26,661	10.3	33,116	11.9	24.2
Collective investment schemes	65,624	25.3	73,054	26.1	11.3
Deposits with credit institutions	21	0.0	4	0.0	-81.0
Derivatives	136	0.1	231	0.1	69.9
Other	1	0.0	1	0.0	0.0
Doubtful, delinquent or disputed investments	8	0.0	6	0.0	-25.0
Cash	**16,897**	**6.5**	**21,735**	**7.8**	**28.6**
Net balance (debtors/creditors)	**1,182**	**0.5**	**892**	**0.3**	**-24.5**

Source: CNMV. (1) Excluding hedge funds and funds of hedge funds.

As has been the case since 2013, the breakdown of the aggregate assets of investment funds changed in 2019 in favour of foreign securities, which had a relative weighting of 68.1% of total assets at year-end, 4 pp more than in 2018, exceeding €190 billion. The size of the Spanish securities portfolio fell in both absolute and relative terms to €66.52 billion (almost €8 billion less than in 2018), 23.8% of the total. However, it has to be borne in mind that the foreign securities portfolio includes all securities acquired in non-Spanish markets, regardless of the home market of the issuer. Taking into account the significant increase in issues carried out by Spanish companies, especially private fixed income, in foreign markets (see Chapter 2.1 of this report), it is quite possible that part of the increase observed in the foreign securities portfolio relates to the acquisition of Spanish securities in foreign markets.

The increase in investment by IFs in international assets was distributed fairly evenly among the various asset classes. Thus, direct investment in global equity by Spanish funds increased by €6,455 million (+24.2%, to over €33,116 million), investment in other CIS rose by €7.43 billion (+11.3%, to €73,054 million) and investment in fixed income assets increased by €9,736 million (+13.1% to €83,818 million). It should be noted, in relation to the Spanish securities portfolio, that of these three asset classes, the only one that increased was investment in Spanish CIS, which amounted to €8,582 million at year-end 2019 (up 22.9%). However, this figure is still much lower than its equivalent in the foreign securities portfolio.

Management companies continued with the process of rationalising their offerings of funds, although, as has been the case since 2017, at a much slower pace than in the period between 2012 and 2016, when the cumulative decrease in the number of funds was more than 450. At year-end 2019, there were 1,595 investment funds, following 98 new registrations and 120 deregistrations during the year (see Table 3.1.2). A total of 114 deregistrations were as a result of absorptions by other investment funds. This reduction in the number of vehicles, coupled with the growth in assets under management, led to an increase in average assets per fund in the year, which rose from €160.2 million in 2018 to €175.2 million in 2019.

Registrations and deregistrations in 2019 TABLE 3.1.2

Type of entity	Entities registered at 31/12/18	Registrations	Deregistrations	Entities registered at 31/12/2019
Total financial CIS	**4,386**	**117**	**270**	**4,233**
Investment funds	1,617	98	120	1,595
Investment companies	2,713	3	147	2,569
Funds of hedge funds	7	0	0	7
Hedge funds	49	16	3	62
Total real estate CIS	**7**	**0**	**2**	**5**
Real estate investment funds	3	0	1	2
Real estate investment companies	4	0	1	3
Total Foreign CIS marketed in Spain	**1,024**	**117**	**108**	**1,033**
Foreign funds	429	54	84	399
Foreign companies	595	63	24	634
CIS management companies	**119**	**7**	**3**	**123**
Depositories	**37**	**0**	**1**	**36**

Source: CNMV.

As with assets, the number of unitholders increased by 4.6% over the course of 2019, reaching 11.7 million (see Statistical Annex II.1), with almost all of this increase corresponding to the last quarter of the year. Fixed income funds recorded the highest growth, with 958,777 more unitholders, followed by global equity funds, with an increase of 429,757. In contrast, absolute return funds saw the largest reduction in unitholders, specifically 284,599 fewer than at the end of 2018, while for euro equity funds this decrease was 232,214. The percentage of unitholders in investment funds who were natural persons stood at 98.3%, very similar to the figure seen in 2018, when they accounted for 82.8% of total assets, half a percentage point down on the previous year.

3.1.2 Open-ended investment companies (SICAVs)

As in the last four years, the number of SICAVs registered with the CNMV decreased in 2019, with a total of 2,569 vehicles at the end of the year compared with 2,713 at the end of 2018. This was a consequence of the high number of deregistrations, 147, compared with only three registrations. The decrease was also reflected in the number of shareholders, which fell by 3.8% to 400,359. Almost all SICAVs, over 99% of the total, were listed on the Alternative Stock Market (MAB).

Despite the smaller number of entities, the value of SICAV assets increased by 3.4%, to €28,793 million, on the back of portfolio gains, especially in the equity segment, thanks to the good performance of markets during the year. As a result, average assets per SICAV grew from €10.3 million at the end of 2018 to €11.2 million in 2019, while average assets per shareholder rose from €66,909 to €71,917.

This type of entity has played a very important role in the development and sophistication of investment services in Spain and contributes to there being a significant number of professionals with high-level experience in the various facets of asset management. They also contribute to investment in Spanish securities, since a significant portion of their portfolio (18% in 2019) is invested in these instruments. However, the downward trend since 2016 in the number of entities belonging to this collective investment sub-sector partly reflects a degree of uncertainty about the impact of possible regulatory changes. Since that year, the number of vehicles has fallen by more than 20%, the biggest decrease occurring in 2017, with 406 fewer SICAVs than the previous year.

In relation to the breakdown of assets of these vehicles, Table 3.1.3 shows that in 2019 the increase in assets was reflected in the value of the portfolio of financial investments, which grew by 4.4% to just under €26 billion. However, cash marked a small decrease of 2.6%, to stand at €2.66 billion. As in recent years, the relative weight of foreign securities in the total portfolio increased, by 3 pp, reaching 82% at the end of the year (74.1% of total assets). Among the various categories of foreign investment, notable developments included the increase in the relative weight of investments in other CIS, which came to represent 49.4% of the foreign securities portfolio (48.3% in 2018), while the weight of shares and other equity instruments, despite a slight rise in absolute terms, decreased from 30.2% to 28.7% of foreign investment.

The Spanish securities portfolio saw a decline in both its relative weight and absolute value, as it went from just over €5 billion and 20.3% of the portfolio in 2018 to €4,588 million and 17.7% in 2019. The changes in the breakdown among the different instruments were similar to those of the foreign securities portfolio, with an increase from 23.7% to 26.9% in the relative significance of investments in other CIS. However, unlike investments in foreign securities, the largest drop was in debt instruments, slightly over €200 million (which led the weight of these instruments in the Spanish securities portfolio to decline by 2 pp, to 26.5%). In any case, it should be noted that amounts invested by SICAVs in Spanish equity and in Spanish CIS remain higher than those of investment funds (6.9% and 4.3% compared with 3.2% and 3.1%, respectively).

Breakdown of investment company assets[1] TABLE 3.1.3

Amounts in millions of euros

	2018	%	2019	%	% change 19/18
Assets	**27,836**	**100.0**	**28,793**	**100.0**	**3.4**
Portfolio of financial investments	**24,841**	**89.2**	**25,940**	**90.1**	**4.4**
Spanish securities	5,031	18.1	4,588	15.9	-8.8
Debt securities	1,434	5.2	1,217	4.2	-15.1
Equity instruments	2,194	7.9	1,983	6.9	-9.6
Collective investment schemes	1,194	4.3	1,232	4.3	3.2
Deposits with credit institutions	164	0.6	99	0.3	-39.6
Derivatives	-0.2	0.0	0.8	0.0	–
Other	46.2	0.2	56.8	0.2	22.9
Foreign securities	19,804	71.1	21,348	74.1	7.8
Debt securities	4,242	15.2	4,618	16.0	8.9
Equity instruments	5,979	21.5	6,134	21.3	2.6
Collective investment schemes	9,541	34.3	10,549	36.6	10.6
Deposits with credit institutions	0.0	0.0	1.1	0.0	–
Derivatives	27.6	0.1	34.1	0.1	23.6
Other	14.5	0.1	12.5	0.0	-13.8
Doubtful, delinquent or disputed investments	5.6	0.0	3.8	0.0	-32.1
Intangible assets	**0.0**	**0.0**	**0.0**	**0.0**	**–**
Property, plant and equipment	**0.5**	**0.0**	**0.5**	**0.0**	**0.0**
Cash	**2,731.9**	**9.8**	**2,659.8**	**9.2**	**-2.6**
Net balance (debtors/creditors)	**262.6**	**0.9**	**192.1**	**0.7**	**-26.8**
***Pro memoria:* No. of shareholders**	**416,029**	**–**	**400,359**	**–**	**0.0**

Source: CNMV. (1) Interest included in each heading.

3.1.3 Hedge funds

Hedge funds continue to have a very low share of collective investment in Spain as they account for less than 1% of total assets. This collective investment segment consists of two types of vehicles, depending on whether they invest in assets directly (hedge funds) or through other hedge funds (funds of hedge funds). In both cases, the vehicles can be set up as funds or as companies.

After remaining practically stable in 2018, aggregate assets of these institutions saw strong growth in 2019, increasing by 24.4% to €3,4398 million at year-end. The increase was similar for both hedge funds and funds of hedge funds; specifically 25.2% for the former, to €2,832.4 million and 20.7% for the latter, to €565.9 million.

At the end of the year, vehicles set up as funds accounted for 82% of the total segment, in line with the figure at the end of 2018. Funds of hedge funds remain relatively less important, accounting for 12% of total assets (9.1% in the previous year). Companies accounted for the remaining 18%.

The performance of the portfolio was in line with market performance over the year, particularly equity markets, and was positive for all categories: while hedge funds recorded an annual return on their portfolio of 10.4%, funds of hedge funds recorded a return of 5.1%. As with investment funds, the highest returns were obtained in the first quarter of the year.

In line with the increase in assets, the total number of unitholders and shareholders of these vehicles grew substantially, with 3,159 more than at the end of 2018, making a total of 10,407 at the end of the year. This movement was almost exclusively due to the hedge funds segment, where the number of unitholders increased by 69.8%, to 7,548. Funds of hedge funds saw a very small increase, with only 55 more unitholders or shareholders, ending the year with 2,859 unitholders.

The total number of these vehicles registered with the CNMV in December 2019 was 70, 13 more than at the end of 2018. As shown in Table 3.1.2, this increase occurred only in the hedge funds segment, where there were 16 registrations and three deregistrations, closing the year with 63 institutions. There was no movement in the CNMV register of funds of funds.

Non-bank financial intermediation in Spain

EXHIBIT 4

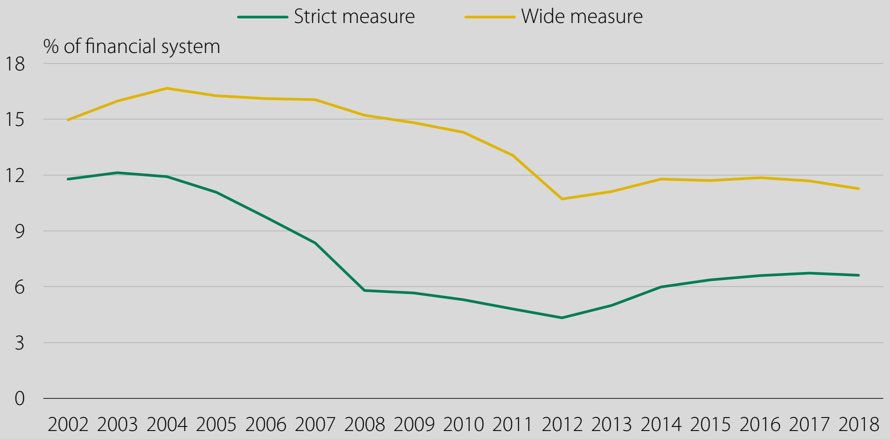
In December, the CNMV published a report on non-bank financial intermediation (NBFI) in Spain, as an update and supplement to the first analysis of entities forming part of this group published in the *CNMV Bulletin* for the first quarter of 2019.[1] The update, which will be published twice a year, aims to illustrate the most recent trends in NBFI in terms of its main figures as well as to assess its most significant risks.

Following the methodology of the Financial Stability Board (FSB), which determined five economic functions for identifying entities belonging to NBFI based on the activity they carry out (rather than on their legal form),[2] in Spain this includes fixed income, funds, mixed funds, money market funds, hedge funds and SICAVs (economic function 1, EF1); finance companies (EF2); broker-dealers (EF3); mutual guarantee companies and crowdfunding platforms (EF4), and special purpose vehicles (SPV) whose purpose is the securitisation of assets (EF5).[3]

Thus, according to available information, assets belonging to NBFI in Spain at the end of 2018 (in their broader measure) totalled €504 billion, down 5.3% compared with 2017. This was due to the decrease in the outstanding balance of securitisations and the decline in investment fund assets, affected by the turbulence seen at the end of 2018, and the increase in redemptions made by participants. The narrow measure of NBFI, obtained by stripping out the assets of entities consolidated in banking groups, stood at €296 billion for Spain, 6.7% of the Spanish financial system.

Looking at the historical performance of these activities, NBFI grew at a fast and sustained pace until 2007 with cumulative growth of 66.3% between 2002 and 2007, in the narrow measure, and 151.9% for the broader measure. From then on, with the onset of the crisis, the assets managed by entities belonging to NBFI began to decrease, especially in 2008, marking a modest recovery from 2013 onwards. It is worth mentioning that despite the growth in NBFI in the years prior to the crisis, in relative terms, as a fraction of the financial system as a whole, these activities substantially lost weight. It therefore follows that the increase in NBFI was lower than that registered by the financial system as a whole, especially by banks (see Figure E4.1).

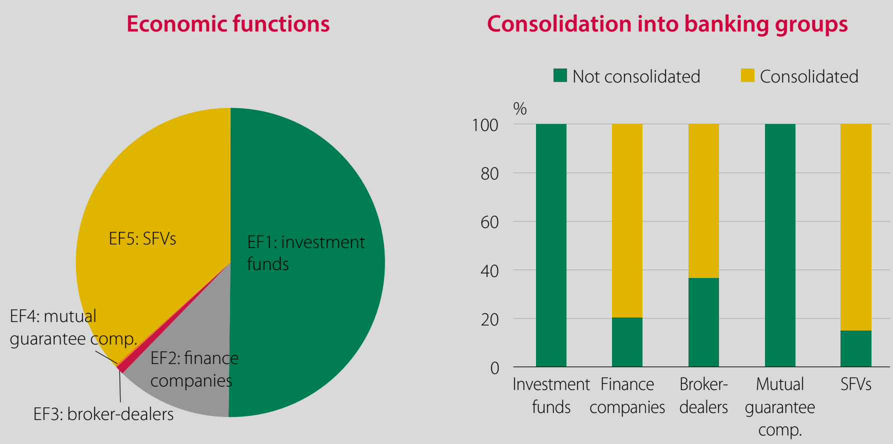
Relative weight of NBFI FIGURE E4.1



Source: CNMV and Bank of Spain.

Regarding the breakdown by different types of entity, EF1 (certain classes of investment funds) and EF5 (securitisation vehicles) account for the largest percentage of the total, with 50.2% and 36.6%, respectively (see left hand panel of Figure E4.2). Despite having reduced its size in absolute terms, the relative importance of EF1 in 2018 increased by 0.8 pp, while the weight of EF5, with a fall in total financial assets, declined by 2.3%. These two sub-sectors are followed by finance companies (EF2), with 12.1% of the total, and, far behind, by entities classified under EF3 and EF4. Stripping out the entities that are consolidated in banking groups, these values change significantly. Investment funds (where there is no consolidation) gain weight, accounting for 85.5% of the total, while the weight of securitisation vehicles and finance companies, with a very high fraction of the total that is consolidated into banks (see right hand panel of Figure E4.2), falls to 9.4% and 4.2% of NBFI, respectively.

Breakdown of NBFI. 2018 FIGURE E4.2



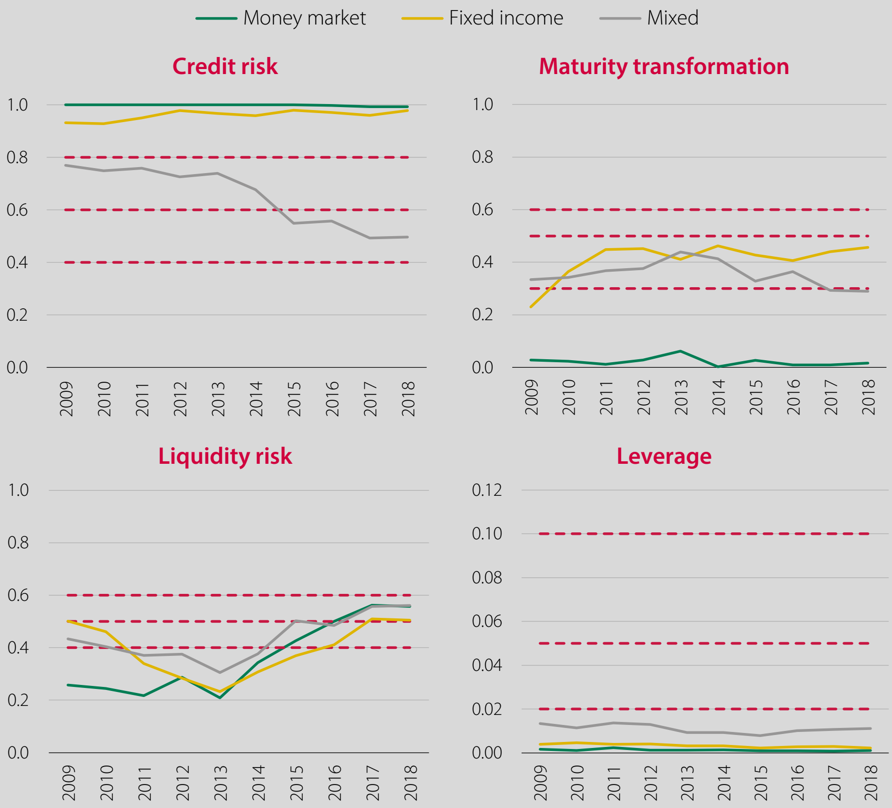
Source: CNMV and Bank of Spain.

In order to identify and monitor the potential risks associated with NBFI, indicators have been calculated that attempt to quantify the credit risk, maturity transformation, liquidity risk and leverage of the entities with the most significant activity (investment funds,[4] finance companies, broker-dealers and SPVs).[5]

As seen in Figure E4.3, the main risks associated with Spanish investment funds are not very high, with the exception of credit risk, since, due to their nature, these funds have a high percentage of credit assets in their portfolios. As might be expected, at the end of 2018 money market funds had a higher percentage of these assets, practically 100%, followed by fixed income funds, with 98%. For mixed funds, on the other hand, the figure was 50% at the end of the previous year and has been gradually decreasing since 2009, when it was close to 80%. In relation to maturity transformation risk, only fixed income funds show a moderate risk, with 46% of assets being long-term.

The liquidity assessment shows that reduced liquidity assets[6] are at medium level in the three categories, at between 50% and 60%, having increased steadily in all cases since 2013.[7] The level of direct leverage (short and long-term debt in relation to total assets) of the funds analysed, which is limited in Spanish legislation which establishes that CIS (except for hedge funds) can become indebted only temporarily and for exceptional reasons, in no case exceeded 2%, not even individually. However, CIS may also leverage themselves through the use of derivatives. The information available to the CNMV does not suggest any significant vulnerabilities in the risks that this type of transaction may generate, which are essentially counterparty and market risk.[8]

Risk trends in investment funds FIGURE E4.3



Source: CNMV and Bank of Spain.

For securitisation funds, the most significant risk, and the one that must be monitored most closely, is maturity transformation risk (the ratio of current liabilities to current assets). This risk indicator has ranged from 62% to 73% in the last nine years (70% in 2018). This indicates that there is a moderate degree of asymmetry in the maturities of liabilities in relation to the assets, although, in individual terms, this ratio exceeded 100% in 14% of vehicles.

Finance companies have high levels of credit risk due to the composition of their balance sheets (more than 90% of assets are loans granted), and high levels of liquidity risk. In contrast, maturity transformation risk has historically been below 25%. Broker-dealers also had high credit risk (around 90%) at year-end 2018, which had been gradually increasing since 2012, while the remaining risks were all low or moderate.

1 See Ispierto, A. (2019). "Non-bank financial intermediation in Spain". *CNMV Bulletin*, Quarter I, pp. 79-122.
2 See FSB (2013). *Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities*.
3 The inclusion in NBFI of vehicles that perform the activity of direct lending is currently also being debated (loans or credits that are being granted to companies, generally of medium or small size, mostly by closed ended CIS). At the end of 2018, there were a total of 31 entities of this type registered; their aggregate assets were still very low (close to €370 million), but a significant increase is expected due especially to the creation of two funds of this type by two large Spanish financial institutions.
4 The risks associated with money market funds, fixed income funds and mixed funds are analysed separately.
5 Mutual guarantee companies are not included as they account for less than 0.5% of the sector.
6 Reduced liquidity assets are the assets resulting after subtracting from total financial assets those considered liquid, namely deposits, public debt, guaranteed issues, repos and 50% of the value of the equity portfolio.
7 It should be noted that a more detailed analysis of the private fixed income assets of IFs (considered to be reduced liquidity), which takes into account their maturity and share price availability reveals that only around 7% of these assets can be considered truly illiquid, while this figure was 30% in 2009.
8 With regard to market risk, information on UCITS and quasi-UCITS that use the commitment methodology, which represent 98.8% of total sector assets, reveals that the average level of exposure to market risk was around 26% of total assets, a figure well below the 100% limit permitted under current legislation.

3.1.4 Real estate CIS

Real CIS have suffered a continuous and uninterrupted fall in assets managed and the number of unitholders since the height of the financial crisis in Spain. As a result, this sub-sector may now be considered insignificant within the collective investment sector, managing around €1 billion, after managing over €9.5 billion in the middle of 2007. In addition to the negative performance over several years, for some time now, the business related with the real estate sector has been increasingly carried out through listed real estate investment companies or SOCIMIs (Spanish REITs).[1]

1 Law 11/2009, 26 October, regulating SOCIMIs. SOCIMIs have a favourable tax treatment which exempts them from paying corporate income tax and allows them to enjoy a 95% credit on transfer tax and

In 2019, there were hardly any movements in the CNMV's register of real estate CIS, with only one deregistration of a real estate investment company. There were therefore five entities at the end of the year: two real estate investment funds and four real estate investment companies. However, the two real estate investment funds that are still operational informed the CNMV in 2011 and 2015 that they were in the process of being liquidated.

There were no changes in the main figures of the two existing funds in 2019, which continue to have 483 unitholders and assets under management of €309.4 million. The performance of these funds, which in 2018, and for the first time since the crisis began, moved out of negative territory to stand at 0.24%, was negative once again 2019, with a very small annual decline of -0.02%.

The aforementioned deregistration of the real estate investment company, which took place in the last quarter of the year, interrupted two years in which there had been no movements in the registration of these entities. As a result, the number of shareholders decreased by 106, to end the year at 316. Meanwhile, total assets increased by 2.0% to €763.5 million due to the increase in the assets of a company during the last quarter of the year.

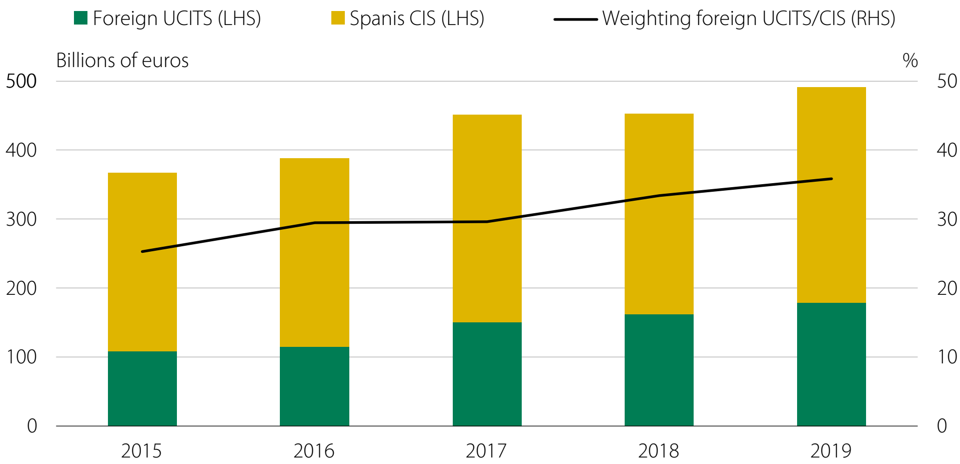
3.1.5 Foreign CIS marketed in Spain

As seen in Figure 3.1.2, the volume of investment of foreign CIS marketed in Spain has seen a steady and significant increase in recent years, increasing fivefold between mid-2012 and the end of 2017. Following this trend, investment rose significantly last year, to stand at €178,842 million at year-end, 10.2% above the 2018 figure.

In line with the trend of recent years, the number of foreign CIS registered with the CNMV grew by nine in 2019, and hence at year-end there were a total of 1,033 undertakings of this type (399 funds and 634 companies). As in 2018, this increase was exclusively due to the large number of registrations of investment companies, as the number of funds fell by 30. Most of the new registrations corresponded to undertakings from Luxembourg and Ireland, with 15 and 20, respectively. In contrast, the number of French vehicles fell sharply in 2019, with 41 fewer vehicles than in 2018, a year in which they had already experienced a reduction of 29 (see Statistical Annex II.5).

stamp duty. In return, they are required to distribute 80% of the profits obtained from rental income and 50% of the gains generated by the sale of assets. Their activities focus on the promotion, refurbishment and transaction of leased real estate, holdings in other SOCIMI and the performance of ancillary real estate activities. They are also required to have a minimum capital of €5 million and be listed on a regulated market or multilateral trading facility, such as the MAB.

Assets of foreign CIS marketed in Spain[1] FIGURE 3.1.2



Source: CNMV. (1) From the first quarter of 2018, the data of unitholders and investment volume are estimated with the data received to date. With the entry into force of CNMV Circular 2/2017, of 25 October, the number of entities required to submit statistical information has increased and therefore the data for 2018 and 2019 may not be comparable with the information published up to December 2017.

3.1.6 Collective investment scheme management companies (CISMCs)

A total of 119 CIS management companies were registered with the CNMV at year-end 2019, four more than at the end of 2018 with seven registrations and three de-registrations (for further details see statistical annexe II.6). This trend extends the growth started in 2014, although a slower rate is observed. Assets managed by CIS management companies increased by 7.5% to slightly above €312 billion, in line with the general trend of the sector. This increase was largely a consequence of the positive performance of Spanish investment funds, which represent 89% of total assets under management, with an increase of 8%, followed by foreign CISs, with assets managed by Spanish management companies of around €15.6 billion, 5.4% more than in 2018. This sector also remained highly concentrated: the three largest management companies held a combined share of 42% of total assets managed at year-end 2019, a figure very similar to that of 2018.

Despite the increase in the assets managed by management companies, aggregate profit before tax shrank by 13.1% compared with 2018, to €969.3 million. This decrease was due to the decline in net fees and commissions, which make up more than 98% of CIS management companies' gross margin. Although fees and commissions paid decreased by 3.0%, to €1,442 million, this did not offset the fall in fees and commissions received, which were down by 6.0% at just under €2 billion. This relatively high figure is a direct consequence of the significant decrease in fees and commissions included under "Other", specifically portfolio management fees, which rose exceptionally in 2018 due to the extraordinary activity of one entity. If this entity is excluded from the analysis, the aggregate profit before tax for the sector would have grown by 2.3% and net fees and commissions by 5.6%.

CIS management fees – which are by far the largest, accounting for around 82% of the total fees and commissions received by managers – remained virtually stable, down just 0.4%, to €2,638 million (see Table 3.1.4). Given the increase in assets under management, the average CIS management fee was a total amount equivalent to 0.85% of assets, well below the 0.91% seen at year-end 2018.

Income statement of CIS management companies

TABLE 3.1.4

Amounts in thousands of euros

	2018	2019	Change (%)
Interest margin	**1,745**	**958**	**-45.1**
Net fees and commissions	1,702,106	1,556,633	-8.5
Fee and commission revenue	3,188,844	2,998,367	-6.0
CIS management	2,648,974	2,637,719	-0.4
Subscription and redemption fees	11,386	12,672	11.3
Other	528,484	347,975	-34.2
Fees and commissions paid	1,486,738	1,441,734	-3.0
Profit from net financial investments	216	3,407	1,477.3
Return on equity instruments	5,320	6,638	24.8
Net exchange differences	-270	-247	-8.5
Other operating income and expense, net	23,210	1,908	-91.8
Gross margin	**1,732,326**	**1,569,297**	**-9.5**
Operating expenses	584,485	577,814	-1.5
Personnel	358,061	323,777	-10.0
General expenses	226,424	254,037	12.0
Depreciation, amortisation and other provisions, net	20,995	15,071	-28.2
Impairment losses on financial assets	9,495	-70	–
Net operating profit	**1,117,351**	**976,482**	**-12.6**
Other gains/losses	-1,926	-7,194	273.5
Profit before tax	**1,115,425**	**969,288**	**-13.1**
Income tax expense	-312,116	-272,760	-12.6
Profit from continuing operations	**803,309**	**696,528**	**-13.3**
Profit/(loss) from discontinued operations	0	0	–
Net profit for the year	**803,309**	**696,528**	**-13.3**

Source: CNMV.

Although there was a significant deterioration in sector earnings, the year ended with 21 loss-making entities, five less than in 2018, and aggregate losses were reduced by 32.1%, to €7.8 million (see Table 3.1.5).

Profit before tax, No. of loss-making entities and amount of loss

TABLE 3.1.5

Amounts in thousands of euros

	Profit before tax	No. of loss-making entities	Amount of loss
2014	545,484	14	2,828
2015	626,446	11	3,526
2016	600,818	13	7,369
2017	754,562	19	6,630
2018	1,115,425	26	11,541
2019	969,287	21	7,839

Source: CNMV.

3.1.7 CIS depositories

After a large number of depositories were deregistered in 2018 corresponding to entities that had not been effectively performing the activity of CIS depository and which the CNMV had contacted to suggest they should consider whether or not to remain in the registry, in 2019 there were very few movements. There was only one deregistration, bringing the number of depositories registered in December 2019 at 36, of which 23 were operational. Of these, banking groups clearly predominated in the sector, with 95.7% of the total CIS assets deposited in these groups at year-end 2019, up from 94.8% in 2018. The remaining 4.3% was divided among credit cooperatives, broker-dealers and insurance companies. Of the amount deposited in banks, 30.6% corresponded to branches of foreign financial institutions, mostly belonging to the European Union. It should be noted that this percentage is considerably higher than in previous years (10.7% in 2018), as a result of the transfer to a foreign bank of a depository that belonged to a Spanish group. This depository was the second largest in terms of assets under management.

An estimate of cost and returns of Spanish CIS between 2009 and 2019

EXHIBIT 5

On 10 January 2019, ESMA published its first report on the performance and costs of retail investment products, in which a comparative analysis of the returns earned and expense ratios borne by CIS complying with the UCITS Directive (requirements of Directive 2009/65/EC) and domiciled in 14 jurisdictions of the European Union was carried out. The analysis carried out by ESMA was not conclusive for all periods considered nor harmonised between fund categories, and has several limitations that relate to the coverage of the data, methodology issues and the possibility that the data quality is not sufficiently high. ESMA mentions access to homogeneous and comparable data as a condition that could limit the interpretation of its study on the performance and costs of UCITS. Currently, there is no unified European framework for collecting UCITS data, so ESMA used the Thomson Reuters Lipper business database, which publishes data received from managers and covered 68% of the European UCITS market in 2017 and 74% in 2018.

After the publication of this report and given the relevance of this topic both for the CNMV and for all potential participants in these institutions, an analysis of the performance and costs of Spanish CIS[1] was undertaken by the institution using the data available to the CNMV, which are of high quality and correspond to the entire CIS industry, over a long period of time (from 2008 to 2019). For this purpose, the institutions were segmented into different investment categories and an assessment was made of the differences between the CIS that are mainly marketed to retail investors and those mainly marketed to institutional investors, as well as the differences observed between CIS of management companies belonging to a banking group and those of managers that can be considered independent. In addition, reliable calculations of returns were made, thereby overcoming some of the limitations found in the ESMA work.

The results of the analysis of the performance of Spanish CIS carried out by the CNMV reveals that returns of fixed income institutions evolved in line with market benchmarks over the years of the study, while for equity institutions the average return was higher than several benchmarks. Money market CIS tracked the trend in short-term interest rates in the euro area, peaking in 2102 at 2.84% and ending the study period at 0.24% (annual average of 1.07%). A similar trend, albeit with higher values, was seen in fixed income funds, which recorded highs (above 5%) in the period of the sovereign debt crisis and which, after a negative performance in 2018, achieved a return of 2.5% in the last year of the study (average 2.39%). On the other hand, the pure equity categories presented higher average returns (13.20% in global equity and 9.50% in euro equity), evidencing higher variability due to their nature.

Gross return TABLE E5.1

%

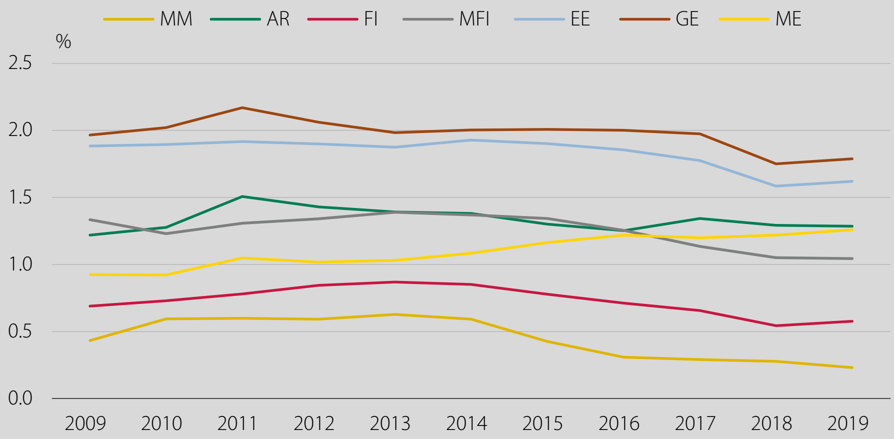
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Money market	1.5	1.8	2.5	2.8	2.0	1.1	0.4	0.3	0.0	-0.2	0.2
Absolute return	6.0	3.6	-0.3	5.6	4.4	3.7	1.5	1.8	2.9	-3.4	5.5
Fixed income	3.6	1.0	3.1	5.1	4.4	4.1	1.1	1.3	0.9	-0.7	2.5
Mixed fixed income	5.9	-0.3	1.1	5.7	7.0	4.9	1.7	1.6	2.5	-2.4	5.8
Mixed equity	13.6	2.8	-3.1	7.5	10.9	6.9	2.8	3.5	5.2	-4.6	11.0
Euro equity	35.3	-0.1	-9.7	13.5	30.8	5.0	5.5	4.6	13.8	-11.1	16.8
Global equity	42.7	17.9	-7.8	14.8	24.5	10.3	10.0	7.4	11.5	-10.2	24.1

Source: CNMV.

An analysis of the net returns of the institutional and retail funds showed relatively harmonised results during the period studied and across investment categories. Overall, CIS in the hands of institutional investors outperformed those of retail investors in most periods. However, the performance of institutional CIS was more variable, offering higher returns than retail CIS in periods of market gains and lower returns during falls. On average, the difference between the two types of CIS is not very large and stands at 0.4 pp (3.4% for institutional and 3.0% for retail investors). An analysis of the net returns of CIS by type of manager reveals that average results obtained by independent managers were higher than those of managers belonging to banking groups on average (4.3% vs. 2.8%), mainly associated with a better performance by the equity investment categories or those with a high proportion of equities.

Current costs borne by CIS differ more widely among investment categories, with equity schemes having the highest expenses. Thus, in 2019 the average expense ratio of the euro equity and global equity investment categories stood at 1.62% and 1.79% of assets respectively, while in the money market and fixed income investment categories it was 0.23% and 0.58% respectively. The expense ratio shows a downward trend in most investment categories in the period analysed, due to increased competition between entities and the environment of low interest rates, which has brought significant downward pressure to bear on fees charged by funds that invest mainly in debt. Results by type of investor reveal that costs borne by institutional investors (0.75%) were considerably less than those borne by retail investors (1.19%), consistently, in all years and in all investment categories, although the difference did narrow slightly during the study period. By type of manager, the results are less conclusive, with the greatest differences seen in the euro and global equity and absolute return investment categories, in which the CIS of independent managers bear lower costs than those of managers belonging to banking groups.

Weighted average expense ratio by investment category FIGURE E5.1



Source: CNMV. MM: money market, AR: absolute return, FI: fixed income, MFI: mixed fixed income, EE: euro equity, GE: global equity and ME: mixed equity.

According to ESMA's calculations for the aforementioned study, Spanish CIS present, in general terms, levels of both performance and costs that are lower than the European average. However, according to the study, this is not the case in all investment categories and for all periods. This can be observed especially in fixed income and mixed funds while equity funds, in addition to showing lower returns, would have higher costs. Absolute return funds would show higher gross and net returns, with an inconclusive balance in regard to costs.

The calculations made by CNMV place returns and costs of Spanish CIS below the estimates made by ESMA. In any case, the comparison must be treated with caution with regard to both factors:

– The methodology followed in the CNMV study to calculate returns differs from that used by ESMA, which is based on annual averages of quarterly data and smooths out the time series in a way that makes it difficult to perform not just this comparison but also comparisons using market benchmarks.

– As regards costs, the ESMA study does not distinguish between jurisdictions in which marketing costs are included in the management fees and those in which they are explicit for the investor. As a result, the former, Spain among them, show a systematic upward bias in the estimated cost ratio.

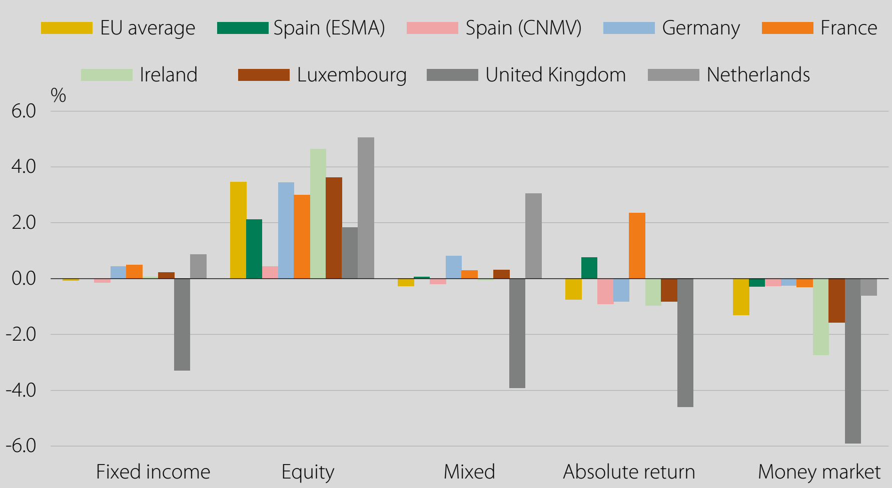
Taking into account these considerations and with specific reference to the last three financial years available in the ESMA study (2016-2018):

- The gross return on Spanish CIS, which is below the European average according to ESMA calculations, would be somewhat lower, especially in the equity and absolute return categories. The differences in the fixed income and mixed investment categories are much smaller.

- CNMV calculations (based on the data available to the institution) place the average costs for Spanish CIS below the ESMA estimate for Spain and also for the average of EU countries, with the exception of equity funds. Furthermore, if we take into account the volume of rebates in Spain, which between 2016 and 2018 represented 57.2% of management fees, and subtract the amount resulting from applying this percentage from the amount represented by management fees as a portion of total expenses (87.2% on average), Spanish CIS that were already more competitive (fixed income and mixed funds) would become even more so, while those that seemed to have higher costs, such as equity funds, would actually have lower costs than most countries, with the exception of the Netherlands.

- In terms of net return, the amount actually received by the unitholders for the period 2016-2018, it can be concluded that, in general, Spanish fixed income, mixed and absolute return CIS would be practically in line with the EU average, while equity funds would show a worse performance (due to their lower returns and higher costs). In the first investment categories mentioned, the lower returns are offset by lower costs. On the other hand, money market CIS show net returns above the EU average, although their relative significance in Spain is very low (see Figure E5.2). In this case, the adjustment to factor in rebates (marketing costs) would place the net return of Spanish CIS above the EU average in all categories except equity funds.

Net returns[1] in 2016-2018 FIGURE E5.2



Source: ESMA and CNMV. (1) The calculations made for Spain do not deduct marketing expenses.

1 See Cambón, M.I., Gordillo, J.A. and Pedrón, G. (2020). "Analysis of the return and expenses of CIS (IFs and SICAVs) domiciled in Spain between 2009 and 2019", *CNMV Bulletin,* Quarter I, pp. 91-152.

3.2 Provision of investment services

Investment services may be provided by different types of entity: credit institutions, investment firms, a category that includes broker-dealers, brokers, portfolio management companies and financial advisory firms, and CIS management companies. Credit institutions are by far the largest providers of investment services in Spain and account for the bulk of fee and commission revenue in the different types of services. For their part, broker dealers and brokers continue to have a relative weight of some significance, particularly in order transmission and execution. It should be noted that portfolio management companies, financial advisory firms and CIS management companies offer a more limited catalogue of financial services than broker-dealers and brokers.

Irrespective of the type of entity, a review of their business model and its link with traditional commercial banks reveals that just under 70% of the business related to the provision of investment services in a broad sense[2] (measured through the fees and commissions received) is performed by commercial banks or entities that are consolidated into commercial banks, while the rest corresponds to entities or groups whose activity is mostly not related to commercial banking. Noteworthy among the latter, in view of the size of the revenue that they receive for this activity (see Section 3.2.3), are some credit institutions specialised in providing investment services.

This section provides a detailed description of the activity and the economic and financial position of entities subject to prudential supervision by the CNMV.[3] It also focuses some attention on the activity of credit institutions that provide investment services and are therefore also subject to supervision by the CNMV with regard to compliance with rules of conduct in the market and in their relations with clients. In this latter case, the CNMV does not conduct a comprehensive supervision of the entities – that includes solvency and conduct of business rules –, as is the case with investment firms and CIS management companies (see Section 3.2.1).

The activity of broker-dealers and brokers in 2019 decreased in comparison with previous years. The results of both types of entity were marked by the gradual change in their business models, particularly in the case of broker-dealers. Traditionally, commissions for order processing and execution were the main source of revenue for brokers and broker-dealers. However, a shift has been observed in the activity of broker-dealers belonging to credit institutions to their parent companies and the transfer of an amount of the trading of securities listed on Spanish stock markets towards trading venues located in other European countries (see Section 2.1) that has led to a reduction in the relative importance of this item over recent years. It is important to note that there is one clear exception to this general trend, namely a broker-dealer that belongs to a foreign credit institution. This company significantly increased its activity in Spain as a result of Brexit, and the main investment service it provides is the processing

2 Including the activity of CIS management.

3 The CNMV oversees broker-dealers and brokers, portfolio management companies and financial advisory firms both with regard to prudential supervision and in order to ensure compliance with rules of conduct. In the case of credit institutions, the CNMV only supervises this second factor with regard to the provision of investment services.

and execution of orders. As a result, revenue from the processing and execution of orders in the broker-dealer sub-sector rose slightly compared with the previous year.

The change with respect to the business model of the rest of the companies was reflected in higher revenue in the investment advisory services and portfolio management headings in 2019, more significantly in the former. In both cases, the increase in revenue could be related to the implementation of MiFID II.

Brokers also experienced a fall in revenue, albeit more moderate than broker-dealers. In contrast to broker-dealers, brokers saw their revenue decrease this year mainly due to the drop in commissions for investment advisory services.

The fall in the revenue of broker-dealers and brokers led to a lower aggregate gross margin for the sector compared with the previous year. However, this drop in activity was not reflected in a decrease in operating expenses, which remained stable. As a result, in the total calculation, profit/(loss) before tax for the sector was lower than in 2018: -35.2% overall (37.4% for broker-dealers and 16.7% for brokers).

A large number of firms (32 out of 95) closed the year with losses (13 broker-dealers and 19 brokers). Aggregate losses increased compared with the previous year by 3.8%. Two broker-dealers belonging to foreign credit institutions accumulated a significant part of the losses in their segment. Stripping out these two companies, the losses incurred by the rest of the broker-dealers would have fallen by 47.5%, from €24.7 million in 2018 to €13.0 million in 2019.

The large number of loss-making entities is a reflection of a significant process of adjustment in the sector, which results from the shift of part of the business of credit institutions and the process of reorienting the business from traditional investment services to other investment services, which, at least for the moment, are not as profitable. The impact on the sector of the COVID-19 crisis that began in the first quarter of 2020 is difficult to predict, as it will crucially depend on its duration and impact on the economy and on the financial markets. However, it does appear that it could cause further losses for entities and will probably prolong the adjustment undergone by the sector since the financial crisis.

In any case, the sector continued to enjoy a large surplus equity over minimum requirements required by law, although for a significant number of these entities the real buffer provided by the surplus equity over minimum requirements is low as these are not significant amounts in absolute terms.

With regard to financial advisory firms, both the total volume of assets under advice and the profits of these firms fell substantially. It is important to highlight that the weight of retail customers rose significantly for the third consecutive year.

Only one portfolio management company was registered with the CNMV at the end of 2019, the same one as at year-end 2018. This does not mean that over recent years no entities have been created whose main business model is managing their clients' portfolios, rather that these entities have preferred to operate as brokers. The requirements to set up a portfolio management company or a broker with a similar programme of activities are not very different, which favours the creation of brokers due to their flexibility when deciding to progressively provide other investment services.

3.2.1 Credit institutions

At the end of 2019, a total of 112 Spanish credit institutions (banks, savings banks and credit cooperatives) were registered with the CNMV to provide investment services, two fewer than in 2018.[4] This slight decrease can still be considered to be related to the consolidation effect deriving from the reorganisation of the banking sector following the financial crisis. The number of foreign credit institutions providing investment services in Spain at the end of the year stood at 476, 15 more than the previous year. 419 of the registered foreign credit institutions operated under the freedom to provide services regime and 57 through branches. Almost all of these institutions were from other Member States of the European Union (469 institutions, see Statistical Annex II.12).

Table 3.2.1 shows the revenue obtained by credit institutions from the provision of securities services and the marketing of investment funds and other non-bank financial products.[5] As seen in the table, the aggregate amount of fees and commissions received for the provision of securities services and marketing of CIS decreased by 1.1% in 2019, to €4,297 million.

The provision of investment services carried fees and commissions of €1,823 million for credit institutions, 6.1% more than in 2018. However, the performance of revenue from the different investment services was uneven. In particular, fees and commissions for securities placement and underwriting (36.0%) and discretionary portfolio management (15.7%) increased significantly. On the other hand, revenue from the processing and execution of orders and from investment advisory services decreased by 5.2% and 2.0% respectively. The decrease in revenue from the processing and execution of orders could be related to the fact that a significant part of trading in Spanish securities takes place in foreign markets. Additionally, revenue linked to investment advisory services, which had risen sharply in 2018 as a result of the implementation of MiFID II, tended to normalise in 2019.[6]

As regards fees and commissions for ancillary services related to investment services, credit institutions received €889 million, which represents a decrease of 6.6% compared with 2018. In this case, the fees and commissions recognised in respect of the various ancillary services decreased compared with the previous year, except for the heading "Other ancillary services".

4 It should be noted that in 2019, of the 112 registered credit institutions, 101 actively provide investment services.

5 It is important to point out that in 2017 there was an accounting change which affected the confidential statements that credit institutions submit to the Bank of Spain They had to adapt to the preparation criteria, terminology, definitions and formats of the FINREP (FINancial REPorting) statements of the European Union. The European regulation for preparing supervisory reporting is known as FINREP (Commission Implementing Regulation (EU) No. 680/2014, of 16 April, laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013). This accounting change means that the data on bank fee and commission revenue for 2016 are not comparable with data for 2017, 2018 and 2019. Specifically, the data in Table 3.2.1 that are affected by the accounting change are those related to total fee and commission income, as well as non-bank fee and commission income related to: insurance, pension funds and "other".

6 In fact, it would have increased slightly if the revenue incorrectly recognised by an entity in 2018 were corrected.

Revenue of credit institutions[1] from the provision of securities services and marketing of non-bank financial products

TABLE 3.2.1

Amounts in millions of euros

	2016	2017	2018	2019	% of total CI fees & commissions[1]
For investment services	**1,219**	**1,506**	**1,506**	**1,578**	**7.9**
Placement and underwriting	189	249	195	269	1.4
Order processing and execution	394	420	367	334	1.7
Discretionary portfolio management	261	353	378	439	2.2
Investment advisory services	448	484	566	536	2.7
For ancillary services	**644**	**703**	**771**	**722**	**3.6**
Administration and custody	543	563	584	561	2.8
Financial reports and research	73	102	116	91	0.5
Other ancillary services	28	36	71	70	0.4
Marketing of non-bank financial products	**3,521**	**3,584**	**4,124**	**4,411**	**22.1**
Collective investment schemes	1,547	1,741	1,619	1,512	7.6
Pension funds	520	498	946	758[2]	3.8
Insurance	1,446	1,330	1,507	2,082[2]	10.4
Other	8	15	51	59[2]	0.3
Total	5,457	5,793	6,401	6,712[1]	33.7
Pro memoria:					
For securities services and marketing of CIS	3,410	3,950	3,896	3,813	19.1
Total fee and commission revenue	**13,486**	**14,295**	**14,928**	**19,927[1]**	**100.0**

Source: CNMV and Bank of Spain. In 2017, the confidential statements that credit institutions submit to the Bank of Spain were modified as a result of adaptation to the preparation criteria, terminology, definitions and formats of the FINREP (FINancial REPorting) statements of the European Union. (1) Includes branches of EC credit institutions. (2) Estimated data for 2019.

The revenue received for the marketing of non-bank products decreased by 3.0%, with gains in revenue from the marketing of pension funds and falls in revenue from the marketing of CIS and insurance. The combined weight of revenue from providing securities services and marketing CIS in the total amount of fees and commissions received by these entities fell from 29.1% in 2018 to 28.3% in 2019. This decrease is due, in part, to the increase in bank commissions. It should be noted that, as in recent years, the pressure of the low interest rate environment resulted in changes in the business models of credit institutions as they attempt to offset, as far as possible, the decrease in traditional revenue from net interest income with increases in fees for banking services.

The comparison of the fees and commissions received by credit institutions and investment firms shows the preponderant importance of the former in providing investment services. As shown in Table 3.2.2, this type of service is mostly provided by credit institutions. This is largely due to the fact that a significant number of investment firms (broker-dealers and brokers) whose leading or sole shareholder was a credit institution have disappeared with their activities now taken on by the credit institutions themselves. Credit institutions clearly exceed broker-dealers and brokers in services for processing or executing orders, a segment in which investment firms accounted for the bulk of the commissions for many years. This trend changed in 2013 and, over recent years, credit institutions have increasingly gained more market share in this segment, which now amounts to almost 70% of the total.

In regard to ancillary services related to investment services, although credit institutions carry more weight than investment firms, they are less relevant than for investment services. The heading "Other ancillary services" reflects revenue for investment firms that is close to 40% of that market.

Fees and commissions received for investment services. 2019 TABLE 3.2.2

Amounts in millions of euros

	Broker-dealers and brokers[1]	Credit institutions (CI)[2]	Total	% CI/total
Total Investment services	**381**	**3,408**	**3,789**	**89.9**
Placement and underwriting	9	294	303	96.9
Order processing and execution	187	478	665	71.8
Portfolio management	30	474	504	94.1
Investment advisory services	37	576	614	93.9
Marketing of CIS	116	1,585	1,702	93.2
Total ancillary services	**197**	**889**	**1,086**	**81.8**
Administration and custody	43	643	686	93.7
Other ancillary services	154	246	400	61.5

Source: CNMV and Bank of Spain. (1) Includes portfolio management companies. (2) Includes branches of EC credit institutions.

3.2.2 Investment firms[7]

3.2.2.1 Broker-dealers and brokers

Authorisation and registration

At the end of 2019, a total of 95 broker-dealers and brokers were registered with the CNMV, four more than at the end of 2018. This increase in entities could be seen as a positive sign for the sector, after the lengthy and far-reaching adjustment process that began with the financial crisis. Although banking groups are continuing to integrate their broker-dealers and brokers into the parent bank, the number of new registrations of independent entities was much higher than the number of deregistrations. This shows how the sector is transforming towards a greater presence of independent entities that provide investment services other than investment advisory services and discretionary portfolio management. However, it should be noted that the expected negative impact of COVID-19 could trigger another adjustment process.

As shown in Table 3.2.3, eight new firms registered and four firms deregistered over the year. Seven of the registrations were independent brokers and the other was a broker-dealer established to manage a multilateral trading facility specialising in European sovereign debt and derivatives (see Section 2.2). One of the deregistrations was of a broker-dealer that was integrated into its banking parent and another was of a broker that was integrated into the insurance group to which it belongs.

7 In accordance with Article 143 of the recast text of the Securities Market Act, investment firms include broker-dealers, brokers, portfolio management companies and financial advisory firms.

The other two deregistrations were brokers, one of which was independent, while the other became a management company for collective investment schemes (see Statistical Annex II.8).

There were four changes of control among brokers and broker-dealers in 2019 (see Statistical Annex II.9). Two of these affected broker-dealers and two affected brokers. The broker-dealers were acquired by a CIS management company and a company linked to a venture capital fund. One of the brokers was acquired by an insurance company and the other remained independent. The number of representatives used by investment firms decreased from 2,441 at the end of 2018 to 2,305 at the end of 2019.

As usual, most of the broker-dealers and brokers that use an EU passport to operate in other countries of the European Union do so under the free provision of services system. Specifically, at the end of 2019, 50 firms were operating under this regime (one up on the previous year, see Statistical Annex II.10), while six Spanish firms had branches in other countries, one fewer than in 2018. The list of countries in which entities operated through branches was unchanged, except for Portugal, where the only existing branch of a Spanish investment firm was closed.

Registrations and deregistrations TABLE 3.2.3

Type of entity	Firms at 31/12/18	Registrations	Deregistrations	Firms at 31/12/2019
Spanish firms	**91**	**8**	**4**	**95**
Broker-dealers	39	1	1	39
Brokers	52	7	3	56
Foreign firms	**2,955**	**213**	**83**	**3,085**
With a branch	61	20	16	65
Free provision of services	2,894	193	87	3,020
Pro memoria:				
Representatives	2,441	214	350	2,305

Source: CNMV.

As shown in Table 3.2.3, 213 firms authorised in other Member States informed the CNMV in 2019 of their intention to begin providing investment services in Spain. A total of 83 firms notified that they were ceasing to operate. Most of these notifications, both for registrations and deregistrations, corresponded to entities operating under the free provision of services regime, which increased in number to 3,020, above the figure of 2,894 in 2018. Most of the entities were authorised in the United Kingdom, followed at some considerable distance by Cyprus, the Netherlands and Germany. In turn, the number of foreign firms with branches went from 61 to 65, of which slightly more than half were based in the United Kingdom (see Statistical Annex II.7).

With regard to entities authorised in other Member States that operate in Spain under the freedom to provide services regime, although the CNMV (as authority of the host Member State) does not receive information on the activity that they perform, it is likely that many of them are not active entities (situation which is often referred to as “just in case notifications”).

The need to ensure minimum levels of oversight of these entities with cross-border operations under the freedom to provide services regime has led to a debate in

ESMA relating to the possibility that the host authority should have a minimum amount of information on their activity in its territory and to the establishment of formulas for cooperation between the home and the host authorities. The CNMV is taking on a particularly active role in this debate.

Results

Broker-dealers and brokers obtained profit before tax of €75.4 million in 2019, a fall of 35.2% on the previous year. The fall was greater for broker-dealers (37.4%) than in brokers (16.7%).

This decrease in the sector was due to the decline in profits of four large broker-dealers that in total posted €43.1 million less than in 2018. However, the performance of the other entities was favourable and deducting the figures of the above broker-dealers, profit before tax increased by 21.2%, from €43.2 million in 2018 to €52.4 million in 2019.

A total of 32 firms ended the year with losses, seven fewer than in 2018. The aggregate volume of the losses was slightly higher both for broker-dealers and for brokers. In the case of the former, the losses increased by 3.9%, while the increase for brokers stood at 3.7% (see Tables 3.2.5 and 3.2.7). The losses of two foreign credit firms accounted for a large part of the total losses experienced by the broker-dealer sub-sector.

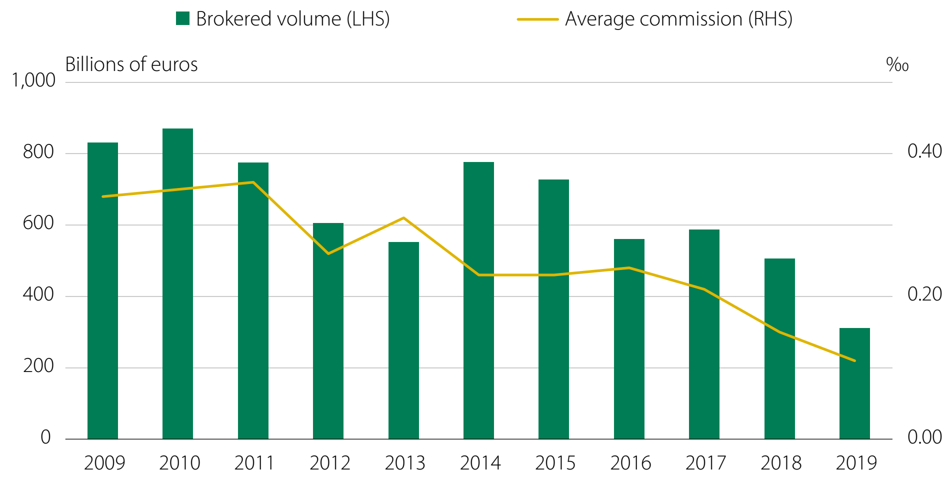
As shown in Table 3.2.4, the total broker-dealer sub-sector experienced a reduction in revenue compared with the previous year. All items contributed to this performance except for gains/(losses) on financial investments and other operating income and expense. The decrease in net interest income (-48.5%) was particularly notable. The fall in net fees and commissions was 5.5%, although the performance of its different components was uneven.

Commissions from order processing and execution remained the largest sources of revenue from the provision of services to third parties. Revenue from this item increased 2.7% over the previous year. The small increase was due to the contribution of a company belonging to a foreign credit institution. This company, which is dedicated mainly to processing and executing customer orders, transferred part of its business to Spain as a result of Brexit.

For investment firms, these types of commissions (for processing and executing orders) traditionally came from brokering in the Spanish equity markets. However, in recent years this type of brokering has been declining with respect to brokering carried out in other markets such as international equity markets and derivatives. Specifically, brokerage fees in Spanish equity markets went from accounting for 47.5% of commissions for processing and executing orders from broker-dealers in 2018 to 21.2% in 2019. This was due both to the decrease in brokered volumes in these markets and the lower brokerage fees applied (see Figure 3.2.1).

Broker-dealers that are stock market members: Brokered volume and average effective commission on equities in Spanish regulated exchanges

FIGURE 3.2.1



Source: CNMV.

The decrease in fees and commissions received from the placement and underwriting of securities (-20.2%) and the increase in those from investment advisory services (114.7%) were also significant. The latter increase could be linked to the process of adaptation to MiFID II. Fees and commissions paid increased significantly (25.0%) compared with the previous year and represented 34.6% of fees and commissions received, 6.0 pp more than in 2018.

On the other hand, broker-dealers' operating expenses held practically steady, although the two subheadings of this item performed differently. Personnel expenses grew by 10.3%, while general expenses fell by 16.1%. Depreciation, amortisation and other provisions fell considerably (-71.0%). In the past financial year, the decrease in the gross margin led to a reduction in operating profit (-34.8%), which went from €85.8 million in 2018 to €56.0 million in 2019. Profit before tax fell by 37.4% to €65.0 million due to "other income" of €9 million.

Movements in the aggregate income statement over recent years reveal the change in the business model of broker-dealers. Their traditional main business, brokerage in securities markets, has been losing its relative importance, while marketing, management and advisory services provided to third parties are increasingly important in their income statement. As previously mentioned, in this general trend there is an exception: a broker-dealer belonging to a foreign credit institution that transferred a significant part of its brokerage business to Spain. The activity of this company accounted for 37.2% of the total revenue for broker-dealers for processing and executing customer orders.

It should be pointed out that, as shown in Table 3.2.4, proprietary trading – which is important for investment firms in most comparable countries – is very low in Spain among broker-dealers.

As in recent years, a small number of companies generated most of the profits in this sub-sector. Specifically, four broker-dealers accounted for 75.7% of the total profits of companies returning a profit (and 110.6% of the aggregate result),[8] which indicates a higher concentration than in previous years. This is due to the fact that the sub-sector of broker-dealers is becoming smaller and larger firms are gaining relative size.

An analysis by entity shows that 13 broker-dealers posted losses before tax, five more than at year-end 2018 (see Table 3.2.5). Seven of these had already suffered losses in 2018. Of these 13 companies, ten are independent entities and three belong to a financial group. Accumulated losses increased by 3.9% compared with 2018, from €28.8 million in that year to €29.9 million in 2019. However, stripping out the losses of the two broker-dealers belonging to foreign credit institutions, the losses registered by the remaining the entities decreased by 47.5%, from €24.7 million in 2018 to €13.0 million in 2019.

Income statement for broker-dealers[1]

TABLE 3.2.4

Amounts in thousands of euros

	2018	2019	% change 19/18
Interest margin	**73,969**	**38,125**	**-48.5**
Net fees and commissions	**296,037**	**279,650**	**-5.5**
Fee and commission revenue	414,595	427,813	3.2
Order processing and execution	160,320	164,606	2.7
Placement and underwriting	11,090	8,849	-20.2
Deposit and book-entry of securities	42,958	42,643	-0.7
Marketing of CIS	55,483	53,506	-3.6
Portfolio management	13,505	15,102	11.8
Investment advisory services	9,562	23,400	144.7
Other	121,677	119,707	-1.6
Fees and commissions paid	118,558	148,163	25.0
Gains/(losses) on financial investments	**27,088**	**29,452**	**8.7**
Net exchange differences	283	117	-58.7
Other operating income and expense	16,331	28,949	77.3
Gross margin	**413,708**	**376,293**	**-9.0**
Operating expenses	315,951	316,406	0.1
Personnel	194,594	214,600	10.3
General expenses	121,357	101,806	-16.1
Depreciation, amortisation and other charges	11,267	3,265	-71.0
Impairment losses on financial assets	653	644	-1.4
Net operating profit	**85,837**	**55,978**	**-34.8**
Other gains/losses	18,016	9,033	-49.9
Profit before tax	**103,853**	**65,011**	**-37.4**
Income tax expense	12,082	10,483	-13.2
Profit from continuing operations	**91,771**	**54,528**	**-40.6**
Profit/(loss) from discontinued operations	**0**	**0**	**–**
Net profit for the year	**91,771**	**54,528**	**-40.6**

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

8 Two broker-dealers belonging to international credit institutions had significant losses that made the aggregate profit of the group of companies lower than the sum of the results of the four companies with the most profits.

Profit before tax, No. of loss-making broker-dealers and amount of losses before tax TABLE 3.2.5

Amounts in thousands of euros

	Profit before tax (total)[1]	No. of loss-making firms	Amount of losses before tax
Broker-dealers			
2016	181,194	7	-8,957
2017	158,561	7	-14,701
2018	103,853	18	-28,789
2019	65,011	13	-29,901

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

All broker-dealers receive income mainly from the provision of services to third parties because they cannot carry out investment activities on their own account. While some of the brokers obtain the bulk of their revenue from processing and executing orders, most of them tend to specialise in certain services, such as marketing CIS or portfolio management. Independent entities predominate in this sub-sector (50 out of 56). The number of broker-dealers controlled by a financial group stands at 12 and, therefore, 27 broker-dealers can be considered as independent.

Aggregate profit before tax of brokers fell by 16.7% in 2019 to €10.4 million. The decrease in profits was due to lower revenue, mainly commission revenue, and to costs remaining practically stable.

Net fees and commissions fell by 4.0% on the previous year. Under fee and commission revenue (gross), the most notable increases were in revenue from the processing and execution of orders (+15.9%) and fees and commissions classified as "other" (+15.3%). In contrast, revenue from investment advisory services dropped sharply (-44.9%), although this item had experienced a significant rise in 2018 (+122.3% compared with 2017). The rest of the fees and commissions categories did not show large variations: commissions from marketing of CIS fell by 1.5% and portfolio management fees by 3.4%.

The decrease in brokers' commission revenue was reflected in a small fall in fees paid to third parties (-1.4%). As a consequence of the performance of fee and commission income, the aggregate gross margin decreased by 2.5% to €133.6 million.

Meanwhile, operating expenses barely changed compared with 2018 (-0.7%). Personnel expenses fell by 3.9%, while general expenses rose 6.1%. The combination of lower income and stable operating expenses brought net operating profit to €9.3 million, which was 22.8% less than in 2018.

The drop in profit before tax affected brokers very unevenly. 24 of those registered at the end of both 2018 and 2019 posted better earnings. For the remainder, the lower aggregate results were reflected in a slight increase in accumulated losses, which was almost €0.4 million, from €10.9 million in 2018 to €11.3 million in 2019. However, the number of loss-making firms decreased from 21 to 19. It is important to note that 11 of the 19 loss-making brokers at the end of the year had already suffered losses in the previous year (see Table 3.2.7).

Income statement for brokers[1]

TABLE 3.2.6

Amounts in thousands of euros

	2018	2019	% change 19/18
Interest margin	**1,583**	**1,252**	**-20.9**
Net fees and commissions	**135,782**	**130,293**	**-4.0**
Fee and commission revenue	156,624	150,842	-3.7
Order processing and execution	20,018	23,194	15.9
Placement and underwriting	1,120	580	-48.2
Deposit and book-entry of securities	824	879	6.7
Marketing of CIS	63,821	62,866	-1.5
Portfolio management	15,412	14,890	-3.4
Investment advisory services	25,725	14,183	-44.9
Other	29,704	34,250	15.3
Fees and commissions paid	20,842	20,549	-1.4
Gains/(losses) on financial investments	**-51**	**910**	**–**
Net exchange differences	85	75	-11.8
Other operating income and expense	-364	1,119	–
Gross margin	**137,035**	**133,648**	**-2.5**
Operating expenses	121,611	120,787	-0.7
Personnel	82,237	79,015	-3.9
General expenses	39,374	41,772	6.1
Depreciation, amortisation and other charges	3,381	3,542	4.8
Impairment losses on financial assets	12	35	191.7
Net operating profit	**12,031**	**9,284**	**-22.8**
Other gains/losses	501	1,159	131.3
Profit before tax	**12,532**	**10,443**	**-16.7**
Income tax expense	5,073	4,280	-15.6
Profit from continuing operations	**7,459**	**6,163**	**-17.4**
Profit/(loss) from discontinued operations	**0**	**0**	**–**
Net profit for the year	**7,459**	**6,163**	**-17.4**

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

Profit before tax, No. of loss-making brokers and amount of losses before tax

TABLE 3.2.7

Amounts in thousands of euros

	Profit before tax[1]	No. of loss-making firms	Amount of losses before tax
Brokers			
2016	10,822	12	-7,219
2017	16,766	13	-7,952
2018	12,532	21	-10,947
2019	10,443	19	-11,349

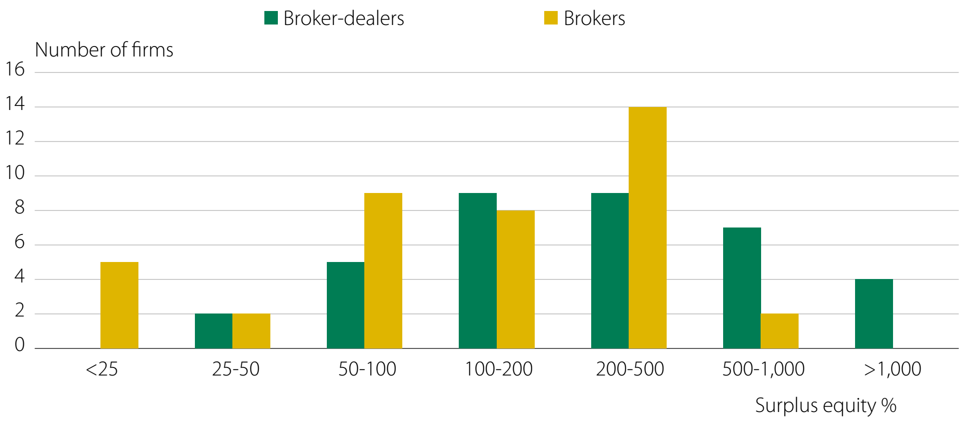
Source: CNMV. (1) Includes results of all firms which were included in the CNMV registries at any time during the year, not only at year-end.

Solvency

The sector as a whole continued to exhibit high relative solvency levels during 2019: at the end of the year the equity surplus was 4.9 times capital requirement, whereas at the end of 2018 this figure had been significantly lower, specifically 4.3 x. In absolute terms, this buffer is too small to be significant.

As is usual, this margin was generally greater in broker dealers than in brokers. While the equity surplus for broker-dealers was around 5.2x, it remained at 1.9x for brokers. With regard to the distribution of this ratio, Figure 3.2.2 shows that most broker-dealers at the end of 2019 continue to have surplus equity greater than 200%. Brokers showed a more uneven distribution. No broker-dealer or broker closed the year with an equity deficit.

Surplus equity over minimum requirements for broker-dealers and brokers FIGURE 3.2.2



Source: CNMV.

3.2.2.2 Financial advisory firms

Financial advisory firms are a type of investment firm which was introduced as a result of the transposition of MiFID I Directive to Spanish law. These firms, which offer their clients the reserved activity of advisory services in financial investments, have an extensive portfolio of retail clients, although their revenue mainly comes from advising large investors, including CIS and other institutional investors. Since the entry into force of MiFID, these entities can offer independent or non-independent advice.

At year-end 2019, 140 financial advisory firms were registered with the CNMV, 18 fewer than in 2018. Five new firms were registered and 23 deregistered during the year. It is important to indicate that four of them were deregistered as they were converted into CIS management companies, while five others converted into brokers.

Total assets under advisory services amounted to €21,377 million. Of this, €15,518 million corresponded to independent advice. The bulk of the advisory service contracts signed corresponded to retail clients (93.1% of a total of 6,458), although these contracts only accounted for just 38.0% of assets under advisory services. In any case, and although the figures for assets under advisory services are not directly comparable due to the accounting change introduced following the amendment of CNMV Circular 1/2010,[9] it is important to note that there was a notable decrease in assets under advisory services for non-retail investors (see Table 3.2.9). Lastly, the combined profit of these firms fell significantly, from €10.6 million in 2018 to €7.8 million in 2019. This decrease was a reflection of the decrease in income from commissions received from customers and, to a lesser extent, from rebates and other commissions from other entities. Specifically, commissions charged directly to customers went from €50.2 million in 2018 to €45.4 million in 2019.

Financial advisory firms: number of contracts and volume of assets under advisory services[1] TABLE 3.2.8

Amounts in thousands of euros

	2018	2019	% change 19/18
Number of contracts			
Retail clients	5,997	6,025	0.5
Non-retail clients	527	433	-17.8
Total	**6,524**	**6,458**	**-1.0**
Assets under advisory services (thousands of euros)			
Retail clients	10,281,573	8,134,862	–[1]
Non-retail clients	21,658,460	13,254,537	–[1]
Total	**31,658,460**	**21,389,399**	**–[1]**

Source: CNMV. (1) Due to the amendment of CNMV Circular 1/2010 of 28 July on confidential information on institutions providing investment services, the figures for assets under advisory services in 2018 and 2019 are not comparable. This is because the amendment introduced a different accounting treatment for assets under advisory service.

3.2.3 Considerations on the provision of investment services in Spain by credit institutions and investment firms

Information on the provision of investment services in Spain from a broad point of view (i.e., including the activity of CIS management even though it is not strictly an investment service from a legal point of view) is usually presented in accordance with the type of entity performing said activity: credit institution, investment firm or CIS management company. However, a less formal approach, and therefore one that is more substantive and in line with the entities' business model and their link to commercial banks, makes it recommendable to delineate more accurately what part of the business related to providing investment services is performed by banks that may be defined as commercial banks, i.e., whose income mainly comes from providing typical bank services (deposits, loans etc.), and what part is performed by entities that may be considered to be specialised in providing investment services. This latter group of entities would be made up of investment firms and CIS management companies that are independent, i.e., not the subsidiaries of commercial banking groups, and by banks specialised in providing investment services.

9 CNMV Circular 1/2010, of 28 July, on confidential information on institutions providing investment services.

One of the most important parts of this analysis consists of identifying the companies that have the legal form of a bank, but whose business model is mostly based on providing investment services. For this purpose, the ratio of revenue received for providing investment services as a part of the entity's total revenue can be taken, identifying as banks specialised in investment services any entity with a ratio of over 65%.[10] It is estimated that the amount of revenue for providing investment services corresponding to these companies was €831 million in 2019 as a whole. However, if the volume of commissions that these entities pay as retrocession commissions to third parties are taken into account, which in some cases are of a significant amount due to their specific business model, the volume of revenue would fall to a figure of slightly over €480 million (around 14% of total fees and commissions received by the credit institutions in this business).

In the case of non-bank financial entities (broker-dealers, brokers and CIS management companies), those belonging to a commercial banking group and which, therefore, would fall within the scope of the provision investment services of this type of entity, have been identified. In the scope of brokers and broker-dealers, these entities are currently insignificant as credit institutions have been absorbing their broker-dealers and brokers over recent years in the context of a major reorganisation of the Spanish financial sector. As a result of this process, in 2019, Unicaja Banco took over a broker-dealer belonging to its group. At the end of 2019, there were a total of five broker-dealers belonging to Spanish credit institutions whose main business was commercial banking. These accounted for 28% of the total assets of broker-dealers in 2019 and around 11% of the revenue received by this type of entity. In the area of CIS management companies, the importance of those linked to commercial banks is higher as they account for 62% of the net rebate fees resulting from CIS management and 70% of the total amount of the fees received by management companies as a whole.

In view of all these considerations, it is estimated that 68% of the business related to providing investment services in Spain (including the marketing of CIS and measured through the fees and commissions received for these activities) is performed by traditional commercial banks or by entities that belong to their groups, while the rest is performed by financial entities that are specialised in providing investment services and without links to commercial banking.

It is both positive and desirable to have the strongest possible independent sector specialised in investment services. The greater the weight of independent entities, the more innovative, dynamic and competitive the sector will be. In addition to the resulting benefits in terms of lower costs and improved service for investors, this is also interesting from two other perspectives: i) the desirable greater balance between pure bank financing and financing of companies through markets and ii) the efforts to boost the investor culture of Spanish people, which, in addition to being characterised by a low propensity to save, is more focused on investments in real estate and in very low-risk products when compared with the patterns seen in other European economies.

10 The main entities by volume of revenue received include Allfunds, Banco Inversis, Cecabank, and Renta 4.

3.3 Venture capital firms and crowdfunding platforms

3.3.1 Venture capital and other closed-ended collective investment undertakings

Undertakings registered with the CNMV

In 2019, private equity and venture capital activity followed the upward trend of the previous years, in terms of both vehicles and management companies. A total of 106 closed-ended investment vehicles and 16 new management companies of closed-ended vehicles were registered. The CNMV register closed the year with a total of 458 investment vehicles and 106 management companies, a rise of 24.1% and 12.8%, respectively, on the figures for year-end 2018, setting a new historic high for the register.

With regard to closed-ended investment vehicles, among the aforementioned 106 new registrations, there was once again a wide variety of legal forms and investment objectives. For venture capital entities – venture capital funds (FCR) and venture capital companies (SCR) – the number of registrations was 68, of which five corresponded to SME venture capital entities. Twelve European venture capital funds (FCRE) and four European social entrepreneurship funds (FESE) were registered, figures covered, respectively, by Regulations (EU) No. 345/2013 of the European Parliament and of the Council of 17 April, on European venture capital funds and (EU) No. 346/2013 of the European Parliament and of the Council, of 17 April, on European social entrepreneurship funds. These funds may be marketed to investors who contribute more than €100,000 in Spain and in European Union countries. In total, at 31 December 2019, 12 FCRE and four FESE were registered, which represents an increase of 178% compared with the previous year.

In 2019, there were once again a significant number of registrations of closed-ended collective investment undertakings: 17 new entities, nine of them closed-ended collective investment companies and eight closed end collective investment funds. These investment vehicles, introduced by Law 22/2014, of 12 November, enjoy a great deal of flexibility with regard to investment rules both in terms of investment policy and compliance with investment ratios. It should be noted that a significant number of these vehicles start out with a small number of assets and concentrate their investment in a single company. However, in 2019, two closed-ended collective investment companies were registered with a structure is based on an agreement with the European Investment Bank, which makes available to each vehicle a loan of a very significant amount for investment in sustainable development projects in the autonomous region of Andalusia. In addition, two new closed-ended collective investment funds and one company were registered that were former venture capital vehicles and which converted to this new category in order to have a more flexible regime with regard to compliance with investment ratios.

The initiative of the ICO [Spanish Official Credit Institute], through the FOND-ICO Global venture capital fund remained extremely important in raising funds from the private sector through co-investment. In 2019, the eleventh call was held for a total amount of €166 million, and a total of ten entities were selected in the various investment categories (growth capital, venture capital, transfer of technology, incubation and debt) and the twelfth call, which is expected to be held in the first quarter of 2020, with an investment commitment of up to €284 million and an offer of up to 13 funds (the largest since FOND-ICO Global, venture capital fund, was created).

The number of management companies of closed-ended collective investment undertakings rose by 16, leading to a total of 106 such companies registered with the CNMV at 31 December 2019. Three of the new management companies of closed end collective investment undertakings were set up in compliance with all the requirements to this effect set out in the Alternative Investment Fund Managers Directive, which involves the possibility of obtaining EU passporting for the managed vehicles, as well as the ability to market the managed venture capital vehicles to both professional and non-professional investors, providing that the latter undertake to invest at least €100,000 and state in writing that they are aware of the risks associated with the investment.

Registrations and deregistrations in 2019 TABLE 3.3.1

Type of entity	Entities registered at 31/12/18	Registrations	Deregistrations	Entities registered at 31/12/2019
Venture capital companies	121	32	5	148
Venture capital funds	181	36	7	210
SME venture capital companies	17	2	0	19
SME venture capital funds	10	3	3	10
European venture capital funds	8	12	0	20
European social entrepreneurship funds (EUSEF)	1	4	0	5
Total venture capital undertakings	**338**	**89**	**15**	**412**
Closed-ended collective investment companies	19	9	2	26
Closed-ended collective investment funds	12	8	0	20
Total closed-ended collective investment schemes	**31**	**17**	**2**	**46**
Total venture capital undertakings + closed-ended collective investment undertakings	**369**	**106**	**17**	**458**
Management companies of closed-ended collective investment undertakings	**94**	**16**	**4**	**106**

Source: CNMV.

Key figures on the venture capital sector

According to ASCRI (Association of Spanish venture capital firms) estimates, 2019 ended with a record figure in terms of volume of private equity and venture capital investment, and for the first time, the sector has reached the European average in terms of annual investment as a portion of GDP. Thus, the investment volume exceeded €8.50 billion, with a total of 680 deals, representing an increase of nearly 46% compared with the figure registered in 2018.

With regard to the size of the investments, a total of 18 megadeals were recorded, each of which exceeded €100 million, a new record in terms of both volume and the number of investments. The segment of medium-scale deals (of between €10 million and €100 million) registered a volume of around €1.99 billion, through 69 deals, representing an increase of over 35%.

The weight of international operators continued to grow, accounting for 80.7% of total investment (77% in 2018 and 72% in 2017), and their participation in large deals stands out, while Spanish private and public investors generally took part in a larger number of smaller deals.

Venture capital funds, i.e., funds that invest in the early stages of a company's development, continued to play a prominent role in 2019, confirming the trend seen in preceding years, with an investment volume of €737 million in a total of 517 deals (510 in 2018). It is worth mentioning that in this segment, Spanish firms, both private and public, play a more prominent role than international funds. As has become customary over recent years, in 2019 there was still significant support in this segment from the investment of public funds through the Fond-ICO Global and the CDTI (centre for technological industrial development) Innvierte programmes.

The volume of divestments was over €2.25 billion in the year, with 258 divestments (€2 billion and 295 divestments in 2018).

The sectors that received the highest volume of investment over the past year were other services (25%), energy and natural resources (21%) and consumer products (12.7%), while by number of deals the sector IT stood out, with 293, around 40% of the total.

3.3.2 Crowdfunding platforms

A total of eight applications were submitted in 2019 for authorisation of crowdfunding platforms. Consequently, as from the publication of Law 5/2015, of 27 April, promoting business financing, up to the end of the year, the number of applications totalled 74. With the exception of the upturn in 2018, the number of applications filed continues to fall, with figures that are much lower than those recorded in the early years: 24 in 2015 and 21 in 2016 (see Table 3.3.2). However, it should be remembered that in 2015 most of the applications related to platforms that were already operating as such and which, as a consequence of the new regulation, had to adapt to the legislative requirements in order to be able to continue their business.

Number of crowdfunding platform applications TABLE 3.3.2

Platform type	Equity	Lending	Mixed	No data[1]	Total
2015	10	12	1	1	**24**
2016	7	7	7	0	**21**
2017	3	3	3	0	**9**
2018	2	4	6	0	**12**
2019	1	5	2	0	**8**
Cumulative total	**23**	**31**	**19**	**1**	**74**

Source: CNMV. (1) The application for authorisation did not indicate the type of crowdfunding platform.

In 2019, three crowdfunding platforms were authorised (two mixed, for lending and equity, and one for equity), while the two platforms authorised in 2018 were solely for equity. A further five were withdrawn or assumed to have been withdrawn, compared with 13 in 2018 (see tables 3.3.3 and 3.3.4). One of the authorisations granted to an equity crowdfunding project expired in 2019, after more than a year had elapsed without it having been registered in the CNMV Registry. However the project developer reapplied for authorisation, and it was approved during the year.

Number of authorised crowdfunding platforms TABLE 3.3.3

Platform type	Equity	Lending	Mixed	Total
2015	1	0	0	**1**
2016	7	8	2	**17**
2017	4	2	3	**9**
2018	2	0	0	**2**
2019	1	0	2	**3**
Cumulative total	**15**	**10**	**7**	**32**

Source: CNMV.

Number of rejected or withdrawn crowdfunding platforms TABLE 3.3.4

Platform type		Equity	Lending	Mixed	No data[1]	Total
2016	Rejected	1	0	0	0	**1**
	Withdrawn	2	4	0	1	**7**
2017	Rejected	1	2	1	0	**4**
	Withdrawn	1	2	1	0	**4**
2018	Rejected	0	0	1	0	**1**
	Withdrawn	2	5	6	0	**13**
2019	Rejected	0	0	0	0	**0**
	Withdrawn	0	3	2	0	**5**
Cumulative total	**Rejected**	**2**	**2**	**2**	**0**	**6**
	Withdrawn	**5**	**14**	**9**	**1**	**29**

Source: CNMV. (1) The application for authorisation did not indicate the type of crowdfunding platform.

As a result of these authorisations and subsequent registrations and deregistrations, a total of 28 platforms were registered with the CNMV Registry at 31 December 2019. Four entities were registered and two were deregistered. Five were registered in 2018, eight in 2017, 12 in 2016 and one in 2015. The key features of the registered platforms include:

– 12 are equity platforms, 9 are lending platforms and 7 are mixed.

– 8 are real estate platforms (four more than in 2018), 1 is a lending platform, 4 are equity platforms and 3 are mixed.

– 15 have their registered address in Madrid, 6 in Barcelona, 2 in Valencia, 1 in Soria, 1 in Ávila, 1 in Santa Cruz de Tenerife, 1 in Las Palmas and 1 in Bilbao.

– 1 lending crowdfunding platform and 1 equity crowdfunding platform, both registered in 2016, are controlled by foreign companies engaged in crowdfunding activities.

– Only 1 platform, registered in 2016, is a hybrid platform (it is authorised to act as a crowdfunding platform and as a payment institution).

Number of registered crowdfunding platforms

TABLE 3.3.5

Platform type		Equity	Lending	Mixed	Total
2015	Madrid	1	0	0	**1**
	Barcelona	0	0	0	**0**
	Total	1	0	0	**1**
2016[1]	Madrid	3	4	0	**7**
	Barcelona	1	2	0	**3**
	Total	4	8	0	**12**
2017[1]	Madrid	0	1	3	**4**
	Barcelona	2	0	0	**2**
	Total	3	1	4	**8**
2018[1]	Madrid	1	1	0	**2**
	Barcelona	1	0	1	**2**
	Total	3	1	1	**5**
2019[1]	Madrid	1	0	1	**2**
	Barcelona	0	0	0	**0**
	Total	2	0	2	**4**
Cumulative total[2]	**Madrid**	**5**	**6**	**4**	**15**
	Barcelona	**4**	**1**	**1**	**6**
	Total	**12**	**9**	**7**	**28**

Source: CNMV. (1) Additionally, in 2016 a crowdfunding platform was registered with its registered office in Soria and another in Valencia. In 2017, a crowdfunding platform was registered with its registered office in Santa Cruz de Tenerife and another in Valencia. In 2018, a crowdfunding platform was registered with its registered office in Bilbao, and in 2019, one in Avila and another in Las Palmas. (2) The sum of the various years does not coincide with the cumulative total as a result of the two deregistrations in 2019 (an equity platform with its registered office in Madrid and a lending platform in Barcelona).

The information received from the platforms on their activity in 2019 shows that these entities raised €139.1 million, an increase in volume of 34.4% compared with 2018. In addition, the number of published projects totalled 12,866, rising practically fourfold compared with the previous year, although it should be noted that this was due to the large number of single-platform projects, aimed at raising finance for personal services. This platform, which was set up in 2018, accounts for 93.2% of all projects, but they have a smaller individual amount of around €3,000. The number of investors stood at 23,581, 17.7% more than at the end of 2018. The sector is fairly diverse, as three of the platforms accounted for 61% of the total financing raised and 53.6% of investors.

II CNMV actions in the securities markets

4 Issuers' financial and corporate governance disclosures

4.1 Financial disclosures

Annual financial reporting[1]

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

The CNMV received 296 annual reports for 2018 (including both separate and consolidated reports) from 152 issuers, excluding asset securitisation funds and bank asset funds. The number of issuers was 2% down on the previous year, mainly as a result of the delisting of companies. This effect was partially offset by new listings of two non-financial companies.

The percentage of audit reports with an unqualified opinion stood at 97.3%, slightly lower than the figure of 98.3% for the 2017 annual accounts. For the eleventh consecutive year, all Ibex 35 companies submitted an auditor's report with an unqualified opinion. The audit report of one company[3] contained a disclaimer of opinion in view of the extent of the restrictions on the scope of the audit. This is a company whose shares were suspended from trading in November 2018, when it voluntarily filed for bankruptcy, and which was finally delisted in September 2019. In the two previous years, no entity filed a disclaimer of opinion.

The number of audited annual accounts of securitisation funds for 2018 received by the CNMV totalled 317 (340 in 2017), including accounts of funds in liquidation and the accounts of private funds. Two audit reports included emphasis of matter paragraphs, related to the early settlement agreement for the fund drawn up after the date of preparation of the annual accounts. The number of emphasis of matter paragraphs declined significantly compared with the previous year (two reports in 2018, compared with 13 in 2017). This was due to the entry into force of the new audit report format, in which information to which the auditor wishes to draw attention has been transferred to the "Key audit matters" section. The key matters highlighted relate to the volume of impairment of securitised assets and the reserve fund.

1 Annual financial reporting is available at www.cnmv.es, in the section on regulated information on issuers under the heading of "Annual financial reports", where the official registries of the audited annual accounts of companies that issue securities may be consulted.
2 See Article 121 of the recast text of the Spanish Securities Market Act.
3 Adveo Group International, S.A. (in liquidation).

Summary of issuer audits received by the CNMV (excluding securitisation funds and bank asset funds) TABLE 4.1.1

	2016		2017		2018	
	Number	%	Number	%	Number	%
Audits received by the CNMV	**309**	**100.0**	**297**	**100.0**	**296**	**100.0**
Separate accounts	165	53.4	155	52.2	154	52.0
Consolidated accounts	144	46.4	142	47.8	142	48.0
Special reports under Ministerial Order 30/9/92	7	–	5	–	4	–
Audit opinion						
Unqualified opinion	302	97.7	292	98.3	288	97.3
Qualified opinion	7	2.3	5	1.7	6	2.0
Disclaimer of opinion or adverse opinion	0	0.0	0	0.0	2	0.7
Type of qualification						
Audits with exceptions	3	1.0	2	0.7	2	0.7
Audits with scope limitations	7	2.3	5	1.7	4	1.4
Effects of exceptions						
Effects on profit						
Audits with positive effects	2	0.0	0	0.0	0	0.0
Audits with negative effects	0	0.0	0	0.0	2	0.7
Effects on equity						
Audits with positive effects	2	0.0	0	0.0	0	0.0
Audits with negative effects	0	0.0	0	0.0	0	0.0
Nature of emphasis of matter paragraphs						
Going concern related	34	11.0	25	8.4	25	8.4
Asset recovery related	10	3.2	0	0.0	2	0.7
Other circumstances	7	2.3	1	0.3	1	0.3

Source: CNMV.

The Securities Market Act entrusts the CNMV with the duty of verifying that the regulated periodic information has been prepared in accordance with applicable regulations. In order to perform this important duty – which contributes year after year to improving the quality of the financial reporting of Spanish issuers –, the CNMV is empowered to require listed companies to publish additional information, reconciliations, corrections and, if necessary, restatements of their published financial information.

In this process, the CNMV addresses issuers when necessary requesting clarifications or data on specific matters in writing. The additional information that issuers provide in response to these requests is generally published in the official registers and can be consulted on the CNMV website.

Firstly, all financial reports received are submitted to review, focusing on their formal correctness and compliance with the applicable rules and standards, as well as other questions relating to specific regulatory changes. In the formal review of 2018 financial statements and management reports, this involved checking that: i) the statement of responsibility for the content of the annual financial statements is signed by all the directors (Article 8 of Royal Decree 1362/2007); ii) the Annual Corporate Governance Report (ACGR) is included as part of the management report and includes a description of the Internal Control over Financial Reporting (ICFR);

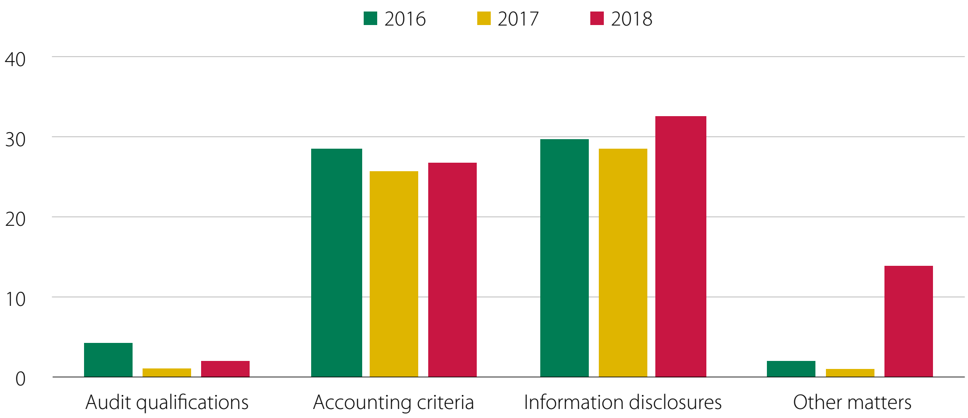
iii) there are no material differences between the annual financial statements and the financial reporting of the second half-year submitted previously; and, in the event that such differences do exist, that they have been reported within the period of 10 business days following preparation of the accounts, in accordance with Article 16.3 of Royal Decree 1362/2007; iv) where called for, the audit partner signing the audit report has been duly rotated (Article 40 of Law 22/2015, of 20 July, on Account Auditing), and v) the non-financial information statement (NFIS) is included as part of the management report for entities meeting certain requirements (Law 11/2018, of 28 December). The content of the qualifications and emphasis of matter paragraphs of the audit report was also analysed, and the issues detected in the reviews of previous years were followed up.

Secondly, the CNMV performs a substantive review of a certain number of audited annual accounts. A mixed model of selection has been used to identify which entities should be subjected to this review. It is based on risk and random rotation, in accordance with the ESMA guidelines on enforcement. In 2012, the European supervisors agreed to establish annually – in coordination with ESMA – common enforcement priorities for financial statements so as to promote the consistent application of International Financial Reporting Standards (IFRS) throughout the European Union. In addition, the CNMV incorporates other critical review areas into its work plan which supplement the priorities established by ESMA.

In 2019, no requests for clarifications or additional actions were sent to any entities subject to a substantive review as a result of submitting a qualified audit report. However, deficiency letters were sent to 30 entities subject to substantive review for one or more of the following reasons: i) matters regarding recognition or measurement accounting policies (25 entities); ii) an extension of the disclosures of the information provided in the annual financial report (30 entities); iii) information related to the NFIS (6 entities), and iv) other formal issues (2 entities).

Figure 4.1.1 shows the main reasons for which deficiency letters were sent to listed companies over the last three years.

Reason for deficiency letters sent to issuers (excluding securitisation funds and bank asset funds)[1] FIGURE 4.1.1



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

For the purpose of facilitating the dissemination of financial information, every year the CNMV publishes on its website the ***Report on the CNMV's review of the annual***

financial reports and main enforcement priorities for the following financial year,[4] which sets out the main incidents detected in the review of annual and interim financial statements. A key section of this report identifies the priority areas which will be subject to closer scrutiny in the following year's review process, including both the common review priorities established by ESMA and the specific areas selected by the CNMV following analysis of the economic climate, changes in accounting regulations and the experience acquired in prior year reviews.

As a consequence of these review actions, one issuer reformulated its annual financial statements to correct the effects of a qualification for non-compliance with accounting principles in relation to the impairment test of an investee in its separate financial statements and the corresponding goodwill in the consolidated financial statements. Another issuer restated the figures in its separate financial statements for 2018 to correct the reversal of impairment of goodwill that should have been included under reserves and not under profit or loss, as this was an error from previous years. In nine cases, the review of the 2018 financial statements gave rise to a commitment to correct the financial information contained therein in the future.

From 2010, the financial disclosures of securitisation funds have also been subject to two levels of review: formal and substantive. In addition, the CNMV received the audited financial statements at 31 December 2018 of two bank asset funds (one fewer than for 2017). The CNMV's oversight function regarding the financial information of bank asset funds is the same as that which it performs on securitisation funds and is also divided into two levels of review: formal and substantive. The review did not result in any actions taken by the CNMV with regard to the 2018 or 2017 annual accounts.

The CNMV publishes on its website (www.cnmv.es) the full text of issuers' separate and consolidated financial statements, management report and audit report, as well as a summary of the audit qualifications, the supplementary information that issuers provide in response to deficiency letters and other supplementary information related to the accounts, and special audit reports.

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, where Spain is the home Member State, are obliged to send financial information to the CNMV on a quarterly and half yearly basis.[5] The review of this information has a narrower scope than that of the annual accounts, since interim financial statement forms contain summarised information.

If the half-yearly financial report is voluntarily audited, the audit report will be published in full therein. Otherwise, it will contain a statement from the issuer expressly noting that it has not been audited or reviewed by the auditors.

In addition, in the event that entities decide to voluntarily submit their quarterly financial report to some type of review by their auditor – whether a full audit or a

4 This report provides more detailed information on the actions of the CNMV summarised in this section.

5 Article 119 and 120 of the recast Text of the Spanish Securities Market Act approved by Royal Decree 4/2015, of 23 October.

limited review – this audit report must be sent to the CNMV together with the aforementioned quarterly financial report.

A total of 56.2% of issuers[6] (53.1% in the same period of the previous year) submitted their financial information for the first half of 2019[7] to some type of review by auditors. This percentage rises to 91.2% if we only consider Ibex 35 listed companies (94.1% in the same period of the previous year).

When full audits are performed (9 companies), the auditor provides reasonable assurance regarding the reliability of the interim financial statements, while in limited reviews (73 companies) the assurance offered by the auditor is moderate. No qualified opinions were issued by the auditors.

As a reminder, the Draft Law of 2 March 2020 amending the recast text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations provides, in the area of periodic financial reporting and at the proposal of the CNMV, the elimination of mandatory quarterly reporting.

Specifically, the draft bill proposes the repeal of Article 120 of the Securities Market Act and removes the obligation for companies with shares listed on regulated markets to publish quarterly financial information. This would bring Spanish rules into line with virtually all other countries in the European Union and all major markets in Europe. In this way, companies that wish to do so will continue to present quarterly information but if they are excessively burdened or if it causes them short-term pressure, they may choose not to do so.

Non-financial information statement: First year of application of Law 11/2018 EXHIBIT 6

Law 11/2018 expanded, relative to Royal Decree-Law 18/2017, the scope of disclosures of non-financial information required of issuers for financial years beginning on 1 January 2018 or later. This has been reflected in the annual financial statements received by the CNMV throughout 2019. Some improvement in the quality of information has been observed, to which the obligation for NFIS to be examined by an independent verification service provider may have contributed. In 81% of cases this was one of the top four audit firms (Deloitte, EY, PwC and KPMG). The CNMV has reviewed the contents of the NFIS included in the 2018 consolidated management reports of 96 issuers (95 in 2017), making the following observations:

– The identification of the frames of reference used and their scope should be more precise. It is necessary to specify the framework(s) applied, their degree of application (total or partial), and whether they are Spanish, European or international frameworks. In any case, they must be widely accepted and of high quality.

6 Does not include certain issuers whose year-end does not coincide with the end of the calendar year.
7 In the case of companies whose financial year does not correspond to the calendar year, the latest first half-year financial information filed by 31 December 2019 has been considered.

- The calculation method used to obtain specific data included in the report must be provided, e.g. average remuneration and how it has evolved by gender, age and professional category, and the wage gap.

- ESMA stresses the importance of information neutrality and of not focusing only on the positive aspects. However, when, in exceptional circumstances, the entity can prove that certain disclosures would be seriously detrimental to the issuer or its commercial or competitive position, this must not in any case prevent the necessary information from being provided to give users an accurate and balanced understanding of the situation, performance and development of the issuer or its group and the impact of its activity.o In this regard, as recommended by the 2017 European Commission guidelines, in these situations it is possible to provide relevant information in a grouped and less detailed way, so long as it is useful for investors and other relevant stakeholders.

- ESMA also reminds issuers of the importance of the information related to environmental aspects, indicating the impact of the company or its group on the environment and climate change and vice versa (impact of environment and climate change on the company or its group). Specifically, it is recommended that the European Commission's NFIS Guidelines of June 2017 and the June 2019 Supplement on Climate Change be taken into account, and that the information be consistent with the 2017 recommendations of the task force on climate-related financial disclosures, included at the request of the Financial Stability Board (FSB). The overriding aim is to ensure that companies provide disclosures of the impact of climate change on their business and the risks to which they are exposed.

4.2 Information relating to significant shareholders, directors, managers and treasury shares

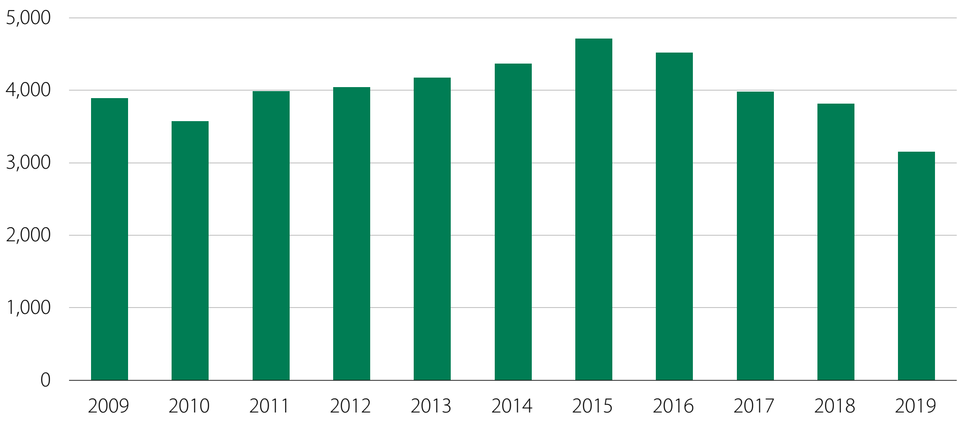
The reporting of significant shareholdings and transactions by directors, and the disclosure of listed company own share transactions (hereinafter notifications) are governed by Royal Decree 1362/2007, of 19 October, implementing Securities Market Act 24/1988, of 28 July, with regard to the transparency requirements of issuers whose securities are listed on an official secondary market or on another regulated market of the European Union (Royal Decree on Transparency).

On 11 December 2019, a system was implemented for the automatic publication of notifications received through the CNMV's Electronic Office. Of the 116 notifications received through the office since that date, 90.5% have been automatically published without incident.

A total of 3,155 notifications were validated in 2019, a fall of 17.3% on 2018. By subject, 50% corresponded to significant non-director shareholders (45% in 2018), 45% to directors (39% in 2018) and the remaining 5%, as in 2018, to treasury share transactions.

Number of notifications registered annually (2009-2019)

FIGURE 4.2.1



Source: CNMV.

Notifications cancelled and rectified

Validated notifications accounted for 90% of all those received (3,515), while the remainder were either cancelled or replaced, where appropriate, by new notifications. The number of notifications cancelled due to error was 24.7% fewer than in 2018.

Most cancellations of notifications were at the request of the CNMV when, in exercising its supervisory functions, it detected errors, omissions or inconsistencies. As in previous years, the most common reasons for rectification were: i) errors in the date, price or volume of reported transactions; ii) incomplete information regarding the indirect ownership of voting rights, caused, for example, by a failure to identify the chain of control of the companies through which the obligated party exercises control of the declared voting rights; and iii) inconsistency between the initial position declared by the obligated party in its new notification and the final position declared in the last notification registered. Another frequent error is that, after increases or reductions in the listed company's capital, obligated parties erroneously include in their disclosures both the total number of the issuer's voting rights and their percentage holding.

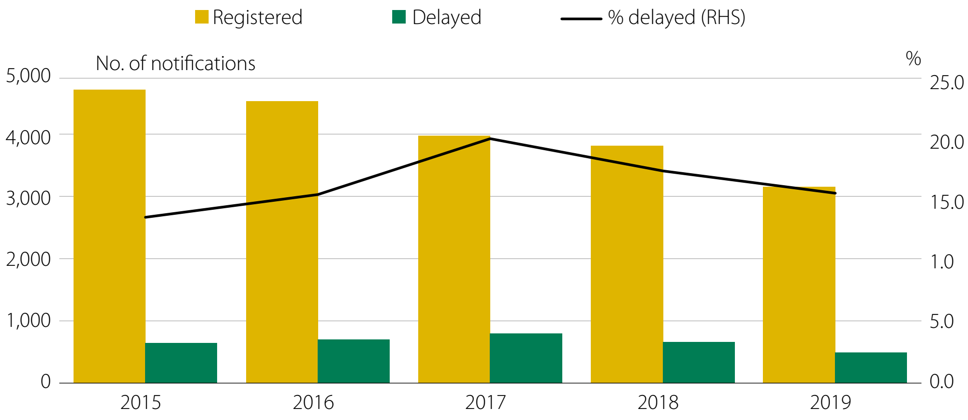
51% of cancelled notifications were presented by directors, 40% by significant shareholders and the remaining 9% corresponds to company declarations of treasury share transactions.

Notifications submitted late

A total of 492 notifications (665 in 2018) were received outside the maximum time frame established by the regulations, equating to 15.6% of the total (17.4% in 2018). 97% of late notifications were filed by directors and significant shareholders (87% in 2018).

The trend over the last five years in the total number of registered notifications and the number of notifications filed late is shown below, on the left-hand axis, and the percentage of delays on the right-hand axis.

Notifications submitted late FIGURE 4.2.2



Source: CNMV.

The proportion of notifications filed in 2019 with a delay of fewer than seven days was 53.5% (53.6% in 2018). Delays exceeding 90 days accounted for 14.0% of the cases, down from 16.2% in 2018.

Notifications relating to non-director significant shareholders

Under the Royal Decree on Transparency, the first notification threshold for significant shareholder voting rights is set at 3% of share capital. If the shareholder is resident in a tax haven, this threshold is reduced to 1% and its respective multiples. The average annual number of notifications per significant shareholder stood at 5.4 (5.0 in 2018). The 1,591 notifications received in 2019 (1,746 in 2018) concerned significant shareholdings in 107 listed companies (109 in 2018) and were submitted by 297 separate shareholders (351 in 2018). Table 4.2.1 gives a breakdown of notifications received, grouped by intervals of voting rights and the market capitalisation of the companies involved.

Number of notifications regarding significant shareholders' voting rights TABLE 4.2.1

	Total notifications	Under 5%	5 to 15%	16 to 30%	31 to 50%	Over 50%
Ibex 35	398	301	72	13	1	11
Over €500 million	917	573	301	25	2	16
Under €500 million	276	146	62	16	2	50
Total	**1,591**	**1,020**	**435**	**54**	**5**	**77**
% of total	**100**	**64**	**27**	**3**	**1**	**5**

Source: CNMV.

Notifications relating to directors

The Royal Decree on Market Abuse obliges, among other persons, directors of listed companies to disclose all transactions involving shares or financial instruments whose underlying instruments are shares of the listed company on whose board they sit. Such transactions are notifiable whether the director makes them directly or in directly through third parties or persons with whom they are closely associated, as long as the director is able to exercise the voting rights at his/her own discretion. In addition, the Royal Decree on Transparency obliges directors to disclose their final position in voting rights or financial instruments. As shown in Table 4.2.2, in 2019, directors submitted 1,394 notifications on 117 companies, a decline of 5.4% from the number of notifications received in 2018.

Number of notifications regarding directors' voting rights TABLE 4.2.2

	Issuers			Notifications			Directors		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Ibex 35	34	35	32	534	537	485	252	281	242
Over €500 million	41	40	42	377	406	403	210	221	218
Under €500 million	59	53	43	556	531	506	239	236	165
Total	**134**	**128**	**117**	**1,467**	**1,474**	**1,394**	**701**	**738**	**625**

Source: CNMV.

Disclosures of treasury share transactions

According to the Royal Decree on Transparency, an issuer of shares admitted to trading on an official secondary market or on another regulated market domiciled in the European Union for which Spain is the home Member State is obliged to notify the CNMV of the share of voting rights in its possession when it makes acquisitions amounting to or exceeding 1% of the company's total voting rights. In April 2009, the ceiling for treasury share holdings under the Spanish Corporate Enterprises Act rose from 5% to 10%. In 2019, the CNMV validated a total of 170 notifications of treasury share transactions (154 in 2018) which affected 55 issuers, the same number as in the previous year. Table 4.2.3 shows the breakdown of notifications received last year, grouped by market capitalisation and percentage of final holdings of treasury shares.

Number of treasury share notifications according to the final percentage declared TABLE 4.2.3

	Total notifications	Under 1%	1 to 2%	2 to 3%	3 to 4%	4 to 5%	Over 5%
Ibex 35	85	48	17	12	4	3	1
Over €500 million	50	16	8	11	9	2	4
Under €500 million	35	25	3	4	2	–	1
Total	**170**	**89**	**28**	**27**	**15**	**5**	**6**

Source: CNMV.

Shareholders' agreements and concerted actions

The Spanish Corporate Enterprises Act[8] requires disclosure of any shareholder agreements affecting listed companies or their controlling shareholders. These

8 Royal Legislative Decree 1/2010 of 2 July approving the recast text of the Spanish Corporate Enterprises Act.

notifications are registered as price-sensitive information. Shareholder agreements may regulate the exercising of voting rights or restrict the free transferability of the shares. If the first circumstance arises, the CNMV will assess the impact on notifications of significant shareholdings. The CNMV received a total of 22 notifications of price-sensitive information relating to shareholder agreements in 2019 (39 in 2018), affecting 14 listed companies (21 in 2018).

The Royal Decree on Transparency provides that any agreement entered into with a third party whereby the parties use their voting rights to impose a lasting common policy in relation to the company's management or to significantly influence the course of the same must be notified as a concerted action. In 2019, 22 notifications (the same number as in 2018) of concerted action between the shareholders of nine listed companies (11 in 2018) were registered.

4.3 Corporate governance report

In 2019, 139 public listed companies (137 in 2018) and 20 fixed income issuers (25 in 2018) filed their 2018 Annual Corporate Governance Reports (ACGRs), as provided in Article 540 of the Spanish Corporate Enterprises Act; in Article 31 of Law 26/2013, of 27 December, on savings banks and bank foundations; and in the seventh additional provision of the recast text of the Securities Market Act.

Under Circular 2/2018,[9] listed companies may opt to present their ACGR and annual directors' remuneration report corresponding to the years after the year ended 31 December 2018 in free format, accompanied by the corresponding statistical annex. Thus, 14 listed companies (nine listed on the Ibex 35) and another two issuers of securities chose to submit their ACGR in this format.

In general, there were no incidents with the electronic receipt of the reports, though notices were sent to seven companies (nine in 2017) for filing after the deadline.

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

According to the 2018 **Annual Corporate Governance Report** of entities with securities admitted to trading on regulated markets, the **most important aspects and trends in the corporate governance practices** of listed companies were as follows.

9 CNMV Circular 2/2018, of 12 June, amending Circular 5/2013 of 12 June, establishing models for the Annual Corporate Governance Reports of listed public limited companies, savings banks and other entities that issue securities admitted to trading on official securities markets, and Circular 4/2013, of 12 June, establishing models for annual reports on directors' remuneration for listed public limited companies on remuneration of members of the boards of directors and of the control committees of savings banks that issue securities admitted to trading on official securities markets.

10 In 2018, the ACGR/Directors' remuneration reports of five companies were not included in the analysis as they did not apply the model set down in Circular 2/2018, due to having an irregular year, and those of another company, for not providing data for the entire year as it was listed in 2018.

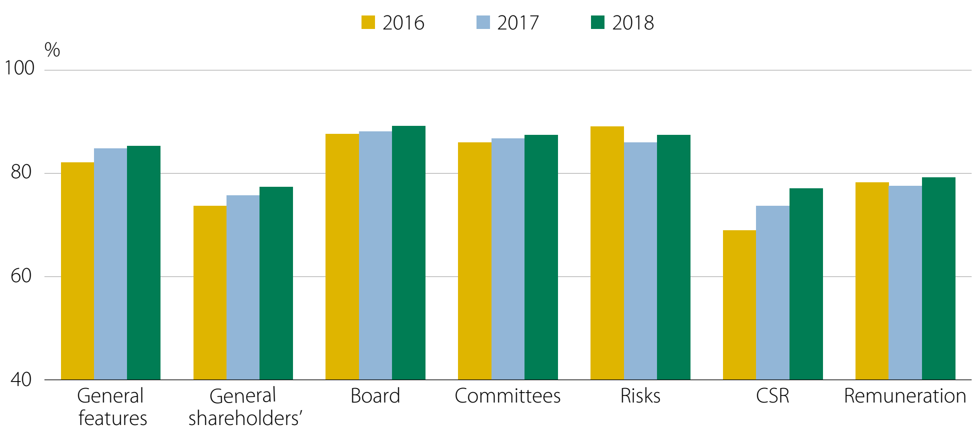
Application of the "comply or explain" principle

The level of compliance with the good governance code of listed companies in its fourth year of application was high. Listed companies complied on average with 85.7% of the new code's recommendations (in 2017 the level of compliance stood at 84.68%) and partially with a further 7% (as in 2017). Therefore, at an aggregate level, recommendations that were not even partially observed by listed companies accounted for only 7.3% of the total.

On average, Ibex 35 companies complied with 90.3% of the code of good governance and, in addition, partially complied with a further 5.3% of the recommendations applicable to them.

Figure 4.3.1 tracks average compliance with the code of good governance recommendations, with a breakdown by category.

Degree of compliance with recommendations of the Code of Good Governance FIGURE 4.3.1



Source: ACGR of companies and CNMV.

The CNMV analysed a sample of 341 explanations for not following the recommendations included in the 2018 ACGRs, all of which related to the ten least followed recommendations of the Code of Good Governance.

In the 2018 review, a significant increase in redundant explanations was detected (explanations that merely reiterate the act of non-compliance or indicate the existence of a deviation from the recommendation), which occurred more frequently in recommendations related to the remuneration of directors.

Examples of redundant explanations are as follows: "The company does not make a live broadcast of its general shareholders' meetings via video or through its website". "Up to the date of this annual corporate governance report, the company had only two independent directors". "The variable remuneration of the executive director is not share-based, but an economic remuneration, as agreed by the governing bodies with the executive". "The company has not established for its employees, or for any level of management, any plans to deliver share options or shares or financial instruments indexed to their value. In line with this general approach, executive directors do not receive variable remuneration linked to shares or to financial instruments indexed to their value". "To date, the evaluation of the performance of the Board of

Directors has not been carried out with the help of an external consultant". "The contractual agreements indicated in the recommendation do not include the clause for the payment of variable components". "The contract with the CEO contains a clause that establishes compensation for early termination that does not strictly comply with the provisions of the second part of the recommendation".

The existence of this type of explanation is a clear area for improvement that companies must take into account in the preparation of their ACGR in future years, since, as stated in Technical Guide 1/2016 on good practices for the application of the "comply or explain" principle, approved by the CNMV on 15 July 2016, explaining the reasons why non-compliance is considered to be consistent with the social interest and the spirit of the code helps build a better and more effective corporate governance. The CNMV will continue to pay special attention to this aspect of corporate governance in the coming years.

As a result of the review of the criteria used by listed companies in their ACGRs to inform on the level of compliance with code of good governance recommendations or to explain the reasons for non-compliance, the CNMV sent notices to 21 companies (17 in 2018) requesting information, additional clarifications or correct information with regard to compliance with certain recommendations set out in the code. Most letters sent included guidelines on how to improve the quality of the explanations given when not following the recommendations and suggested that the company should follow the Technical Guide on good practices for the application of the "comply or explain" principle, published on the CNMV's website in July 2016.

In other cases, the notices requested clarifications on discrepancies or certain inconsistencies between the information disclosed in the ACGR and other publicly available information on the company, its shareholders or directors.

In 2019, the process of updating the 2015 Code of Good Governance was started, with the aim of adapting some of its recommendations to the legal changes that have occurred since its entry into force or providing them with greater specificity or clarity. The project was submitted to public consultation between 15 January and 14 February 2020, having received around 45 responses, and is currently in the analysis and evaluation phase.

General shareholders' meeting

The average percentage of capital taking part in general meetings held in 2018 was 72% (69.3% in 2017). This percentage has ranged between 68% and 72% in the last five years. Average participation, in terms of the percentage of capital present or represented at the meeting, remains inversely proportional to the companies' free float, such that attendance tends to be higher when the free float of companies is lower.

Board of directors and directors

The total number of board members of listed companies amounted to 1,325 (1,367 in 2017). The percentage corresponding to Ibex 35 companies fell slightly to 32.6% (33% in 2017).

The average board size stood at ten members (9.8 in 2017), rising to 13.1 board members in Ibex 35 companies (12.9 in 2017). In 2018, the size of the Board of Directors ranged between the minimum of five and the maximum of 15 members recommended by the Code of Good Governance in 94.7% of companies (92.1% in 2017). Boards with over 15 members (3%) were once again almost exclusively concentrated in Ibex 35 companies.

The chairpersons of boards of listed companies continue to be mostly executive directors (48.9% in 2018), but this was more than 4 percentage points down compared with 2017 and has been declining since 2013. The percentage of independent directors chairing a board rose to 12.8% (11.5% in 2017).

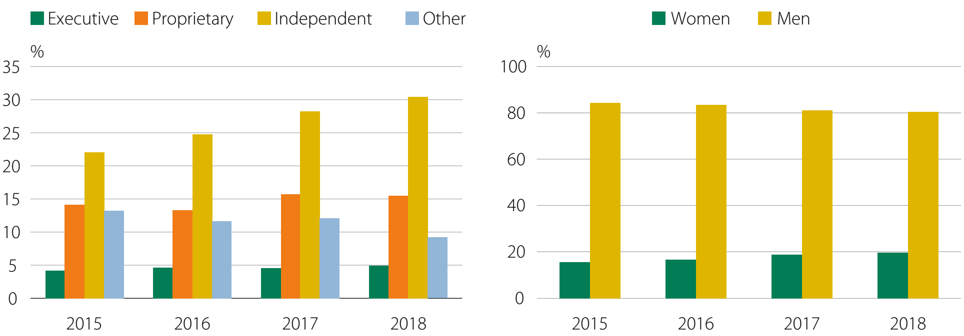
There was a majority of non-executive members on the boards in 99.3% of companies (98.6% in 2017).

In 2018, 63.6% of Ibex 35 companies had at least 50% independent directors, and 54.6% of them had a majority of independent directors. Of the remaining companies, 70% (68.3% in 2017) of their governance bodies had at least one third of members who were independent directors.

The percentage of women on the boards rose by 7.7 percentage points between 2013 and 2018 to stand at 19.7% (18.9% in 2017) and at 23.1% in Ibex 35 companies (22.8% in 2017). This percentage is still a long way below the target of 30% of women board members by 2020 established in recommendation 14 of the Code of Good Governance for listed companies. By categories, the increase of 2.2 percentage points in female directors classed as independent stands out; women represented 30.4% of the total number of independent directors in 2018 (28.2% in 2017). The percentage of female executive directors also increased slightly, standing at 4.9% of all executive directors. Conversely, the percentage of female other external directors fell to 9.2% (12.1% in 2017) as did that of female proprietary directors, which now represents 15.5% of the total number of proprietary directors (15.7% in 2017).

Figure 4.3.2 shows the presence of women on boards by category. The left hand panel shows the percentage of female directors in each of the four categories out of the total number of directors, male and female, in that category. The right hand panel shows the percentage of men and women on the board, without differentiating among categories.

Women board members as a percentage of total FIGURE 4.3.2



Source: ACGR of companies and CNMV.

Board committees

In 2018, 32.3% (36% in 2017) of listed companies had a delegated committee with executive functions. All listed companies are required to set up an audit committee and an appointments and remuneration committee (or, in the latter case, two separate committees).

Finally, for the last six years the CNMV has published on its website an ***Annual Report on the Remuneration of Directors of Listed Companies*** (ARRD), which describes in aggregate terms the main features of the remuneration policies and practices applied to directors, obtained from the information included in the ARRD published by each listed company.

2018 was the first year in which companies prepared their ARRD in accordance with the new formats established in CNMV Circular 2/2018 of 12 June. The new ARRD model includes as remuneration accruing in the year the contributions made to long-term savings schemes, when the economic rights vest directly in favour of the directors, and also the amount of the accrued funds vesting during the year.

In 2019, 133[11] listed companies filed their 2018 reports, in accordance with the provisions of Article 541 of the Spanish Corporate Enterprises Act. 16 companies (11 belonging to the Ibex 35) opted to present this information in free format, accompanied by the corresponding statistical annex.

The average remuneration per board and per director stood at €3.8 million and €375,000 per annum, respectively, in 2018. The average remuneration per director was 1.6% up on the previous year. However, discounting the effect of considering, from 2018, the savings schemes vesting in the year as remuneration for that year, whether contributions of the year or accrued funds, the average remuneration per director would have decreased by 1.9%.

The average overall remuneration received by the boards of directors of listed companies was 1.5% higher than the previous year. Discounting the effect of including savings schemes that were classed as remuneration in 2018, average remuneration per board would have decreased by 2.5% as a consequence, mainly, of the lower variable remuneration accruing in the period.

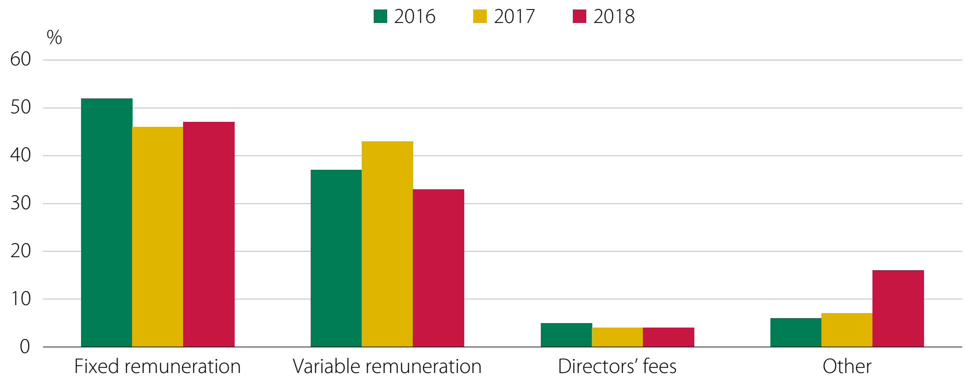
Since 2013, the first year in which the report on the ARRDs of listed companies was published, there has been an upward swing in board remuneration, with average remuneration rising by 32% between 2013 and 2018.

11 Of the 139 listed companies that submitted an ACGR, the review does not include the ACGR /ARRD of six companies.

Figure 4.3.3 tracks remuneration per board by item:

Remuneration by item

FIGURE 4.3.3



Source: ACGR of companies and CNMV.

Fixed remuneration is the most significant remuneration component, accounting for 47% of the total. Variable remuneration as a percentage of total remuneration fell by 10 percentage points, to stand at 33% (37% in Ibex 35 companies and 27% in non-Ibex 35 companies); allowances 4% (2% in Ibex 35 companies and 7% in non-Ibex 35 companies); remuneration through savings schemes vesting during the year (6% in Ibex 35 companies and 2% in non-Ibex 35 companies); and the remainder corresponds to indemnities or other items of remuneration.

The figures shows an increase in the percentage of "other remuneration" as a part of total remuneration due, in addition to the decrease in variable remuneration, to the inclusion of savings schemes vesting during the year and the compensation of €14 million paid by one company[12] following the departure of its previous CEO.

In companies that are not highly capitalised, the increase is due, in large part, to the payment of €18 million as an extraordinary bonus that a company[13] granted to one of its executive directors in respect of a one-off transaction.

12 Naturgy.
13 OHL.

CNMV initiative to promote the presence of women on boards of directors and in senior management

EXHIBIT 7

Since 2018, the CNMV has made public in a separate report information on the presence of women on boards of directors and in senior management that listed companies report in their Annual Corporate Governance Reports (ACGRs).

This report contains individualised information for each of the listed companies, which are then grouped together into the following categories depending on their stock-market capitalisation: Ibex 35 companies, companies with a level of capitalisation of over €500 million and other companies.

For each company, the number of women directors by category (executive, proprietary, independent and other external directors) is published and their percentage with regard to the boards as a whole in each one of these categories, as well as the total number of women directors and their percentage of the board as a whole.

These figures are also disseminated with regard to women in senior management, i.e., the number of women in senior management of each listed company and their percentage with regard to the total number of senior managers as reported by listed companies.

A summary table of the data published is included below:

Presence of women on the board of directors and in senior management

TABLE E7.1

	Total women				Ibex 35				Over €500 million			
	2017		2018		2017		2018		2017		2018	
	No.	% of total	No.	% of total	No.	% of total	No.	% of total	No.	% of total	No.	% of total
Total women board members	**258**	**18.9**	**272**	**19.9**	**103**	**22.8**	**110**	**23.9**	**81**	**18.4**	**77**	**19.2**
Proprietary	72	15.7	73	15.3	19	16.5	25	20.8	30	17.7	22	13.9
Executive	10	4.5	10	4.3	3	4.2	4	5.4	2	2.8	1	1.7
Independent	163	28.1	178	30.7	77	33.9	77	34.1	46	27.5	53	34.2
Other external	13	12.2	11	9.8	4	10.3	4	10.0	3	9.4	1	3.4
Women in senior Mgmt. (ex. senior Mgmt. board members)	**156**	**14.8**	**168**	**15.8**	**62**	**14.3**	**71**	**16.0**	**60**	**16.9**	**61**	**17.7**

Source: CNMV.

The aim of publishing this data is to promote a significant presence of women at the highest level of corporate governance, in line with the various provisions and recommendations established both in the recast text of the Corporate Enterprises Act and in the Good Governance Code of Listed Companies, with regard to these companies approving policies that ensure diversity on their boards of directors.

CNMV initiatives on social responsibility EXHIBIT 8

To reach an optimal level of development without compromising capacity for future growth is an objective that has gradually gained weight in society, and is now a key aspect of the political, economic and social agenda. Therefore, different initiatives in the field of sustainability have been developed, both Spanish and international, highlighting its role as a way of creating value in the short and long term.

The finance sector has not been oblivious to this phenomenon and multiple initiatives are being implemented to include environmental, social and governance (ESG) factors into investment decision-making. In addition, there are more and more initiatives to measure, review and disseminate these criteria in the financial sector, which is playing a key role in the transition towards a more sustainable economic system.

In this context, the securities markets have an important job to do in the implementation of these factors, through sustainable action in relation to aspects such as the corporate governance of listed companies or certain characteristics of investment products.

The CNMV is aware of this and actively participating in various national and international forums related to sustainable finance.

At the international level, the deputy chairperson of the CNMV heads up one of the two working groups created by the IOSCO Sustainable Finance Network, dedicated to evaluating and analysing initiatives developed by the public and private sectors in more than 30 jurisdictions. The results of this study will be included in a document that was presented to the IOSCO Board at its February 2020 meeting.

In Europe, the deputy chairperson of the CNMV also chairs the ESMA Coordination Network on Sustainability. Members of this committee include the national authorities of all ESMA members and its fundamental mission is to ensure the adoption of common lines of action in the field of sustainability, not only within the different ESMA committees and working groups but also within those of the different member authorities. This committee coordinates all of ESMA's work on sustainability and channels the mandates received from the European Commission, including notably the recent analysis published in December on the possible existence of undue short-term pressure on corporations as regards their investments, which contains a series of recommendations addressed to the Commission regarding the disclosure of information on sustainability factors and on the policies adopted by institutional investors to engage their stakeholders.

The CNMV participates in another European working group led by ESMA, the ESG Disclosures Subgroup, belonging to the Joint Committee Subcommittee on Consumer Protection and Financial Innovation, dedicated to writing the regulatory technical standards that will complement the obligations established by Regulation (EU) 2088/2019 of the European Parliament and of the Council, of 27 November, on sustainability-related disclosures in the financial services sector. Specifically, this group is drawing up the standards that develop the obligations of entities (market participants and financial advisors) to report on adverse incidents involving sustainability factors in their decision-making and investment advisory processes, as well as those related to pre-contractual, periodic information and that published on their website about products with sustainable investment objectives or that promote environmental or social features.

Over the past year, the CNMV held several events on financial sustainability, among which its participation in COP 25, held in Madrid in December, should be highlighted. The CNMV organised a round table attended by the most senior representatives of the securities market supervisors of Germany, Portugal and Chile and in which the deputy chairperson of the CNMV acted as moderator in a discussion about the situation of sustainable finance and the challenges faced by supervisors in these new areas.

A further example of the interest given to this matter is the creation within the CNMV of an internal committee in charge of identifying, analysing and monitoring various initiatives, both external and within the CNMV.

The supervisor is also fully aware of this transformation and, therefore, in 2019, various initiatives were carried out in the area of corporate social responsibility aimed at improving the organisation's impact on society, including:

– Measures to encourage recycling and reduce the consumption of certain materials, such as plastic or paper, through the installation of recycling points in all buildings and awareness campaigns on the use of resources carried out by the Health and Safety Committee.

– Actions aimed at promoting the well-being of employees, for instance, organising mindfulness sessions aimed at stress management for employees.

– Measures to promote mobility with fewer emissions, through the installation of charging points for employees' electric vehicles.

Additionally, various financial education initiatives were carried out, which is particularly relevant for the promotion of sustainability. Specifically, in 2019, the CNMV took part in the third edition of World Investor Week, promoted by the IOSCO, in which it highlighted the work carried out in this area to improve the financial knowledge of the population, which included talks in schools and to especially disadvantaged groups.

The CNMV also participates in training for different groups with the collaboration of the ONCE Foundation and various juvenile centres in the region of Madrid. To date, these training activities have been aimed at people with disabilities, minors in detention centres and minors at risk of social exclusion. The actions carried out in the area of social responsibility are part of the Financial Education Volunteer Programme, which involves CNMV staff.

Additionally, training sessions and workshops have been provided for young people in secondary education on responsible consumption, saving, budgeting and specific areas of sustainable finance. An infographic on sustainable finance has been published, in addition to an informative quick guide on the subject, with the aim of raising awareness of the principles and criteria of sustainability among investors and the public at large.

In addition, apart from specific initiatives that supplement the activities carried out so far, in 2020, the CNMV will adopt a broader approach that involves the entire organisation in this area. During the year, a study will be made of the subject by the CNMV to define the current situation and indicate the path it should take. This will take the form of a global sustainability plan to guide the actions of the organisation to allow it to provide services to society in the most sustainable way possible.

5 Supervision of the markets

5.1 Supervisory tools

One of the aims of supervising secondary markets is to detect and prevent possible conduct of market abuse. To this end the CNMV uses various sources of information, particularly the daily reporting of transactions in financial instruments executed by investment firms, credit institutions and, in certain circumstances, markets. The information contained in this reporting is entered into an alarm system, referred to as the advanced system for monitoring secondary markets (Spanish acronym: SAMMS). Another important source of information is the reporting by entities of suspicious transactions.

Daily reporting of transactions

Throughout 2019, in relation to the daily reporting of transactions, the CNMV continued to provide support to entities in dealing with incidents and responding to the most frequent enquiries and to stress the importance of compliance with regulations, in terms of both formal requirements and timing. In this regard, the CNMV sent several general notices to reporting entities, maintained bilateral contact in certain cases to correct particular errors, and individually reviewed the transaction reporting of a number of entities. These reviews led to ten deficiency letters relating to the lack of quality of the content of the reports and/or the failure to report transactions.

In 2019, the CNMV received over 165 million registrations (50% up on 2018) of transactions executed in financial instruments. The number of entities required to report to the CNMV stood at 186 on average (177 in the previous year), and reports were also received from some markets, in reference to their members, and from participants not subject to the MiFID. The increase in reports received corresponds partly to the CNMV's implementation in 2019 of special files (REQ) for reporting omitted or corrected transactions and also to the decision taken by some financial institutions to centralise their operations in Europe through their Spanish investment firms due to Brexit.

This also affected the registrations forwarded by the CNMV to the competent authorities of other Member States, which exceeded 100 million (much higher than the 23 million seen in 2018). In addition, over 312 million registrations were received from the competent authorities of other EU Member States (9.4% up on the previous year).

Reference data (FIRDS)

This entire system, in turn, rests on another reporting obligation relating to data on instruments carried out by Spanish markets in order to consolidate, on a daily basis, the European instrument database published by ESMA – FIRDS, the Financial Instrument Reference Data System.

The CNMV ensures that the instrument reference data (FIRDS) and the data required for transparency calculations (FITRS) are correctly submitted to ESMA on a daily basis.

Throughout 2019, the CNMV focused on the quality of the reference data, such as the issuer's LEI (Legal Entity Identifier) code, the financial instruments classification code and the correlation between the instruments sent to the FIRDS and the transparency system. For this purpose, it maintained continuous contact with trading venues in order to correct any incidents detected.

At the end of 2019, there were six regulated markets, five multilateral trading facilities, two organised trading facilities and five systematic internalisers registered with the CNMV's FIRDS. The regular daily flow in the year consisted of 21 or 22 files, corresponding to 19 different Market Identifier Codes (MICs), while the number of reported instruments rose from around 35,000 per day at the start of 2018 to over 40,000 per day at the end of 2019. The active instruments in ESMA's database whose relevant competent authority was the CNMV amounted to 140,319 (123,652 in the previous year).

Suspicious transaction and order reports

The obligation imposed by Article 16 of the Market Abuse Regulation on investment firms and markets to report to their competent authority orders or transactions that might infringe market abuse rules constitutes another basic supervisory instrument for the CNMV. The number of suspicious transaction and order reports (STORs) totalled 345 (an increase of 49% compared with 2018). As in previous years, most of the STORs were related to the potential use or attempted use of inside information (66%) and the rest to possible market manipulation. Most (62%) of the STORs received correspond to shares traded on the electronic market and, followed by those relating to fixed income instruments, the proportion of which doubled, to 15%); while reports on derivatives transactions decreased to 7%.

About 38% of the STORs were reports of suspicious transactions on Spanish instruments received from other regulators (a percentage similar to the previous year), compared with 14% of the total reports sent by the CNMV to other regulators. This percentage is double that of the previous year, mostly due to some financial institutions, as a result of Brexit, deciding to centralise their operations in Europe through their investment firms in Spain.

Transactions conducted by persons discharging managerial responsibilities

As regards the obligation established in Article 19.1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse, requiring persons discharging managerial responsibilities within an issuer and those closely associated with them, to report to the CNMV, among others, any transactions carried out on their own account relating to securities of that issuer, in 2019, 1,244 notifications were registered in the CNMV through the NOD (notification by managers) procedure. These do not include transactions made by directors, to which another procedure applies.

Summary of market supervisory activity

As shown in Table 5.1.1, the number of transactions made through the trading venues supervised by the CNMV fell by 15% compared with 2018. However, the cash amount traded increased slightly by 2.4%. The decline in equity trading (-20.1%) was offset by the significant increase in the cash amount traded in fixed income markets (26.78%).

Number of trades and volume

TABLE 5.1.1

	No. of trades (in thousands)			Nominal/cash amount (in millions of euros)		
Markets	2018	2019	% change 19/18	2018	2019	% change 19/18
Equity	44,225	37,186	-15.9	587,507	469,635	-20.1
Fixed income	76	74	-2.6	678,369	860,002	26.8
Regulated market	31	22	-29.7	112,476	173,295	54.1
MTF	15	22	43.8	101,088	160,657	58.9
OTF	30	30	0.6	464,805	526,050	13.2
Derivatives	3,803	3,557	-6.5	1,788,998	1,799,985	0.6
Total markets	**48,104**	**40,817**	**-15.1**	**3,054,874**	**3,129,622**	**2.4**
Settlement	9,165	9,334	1.8	20,735,046	21,056,689	1.6
Clearing	91,992	78,020	-15.2	1,976,536	1,700,140	-1.4
Total	**149,261**	**128,171**	**-14.1**	**25,766,456**	**25,886,451**	**0.5**

Source: CNMV.

The **deficiency letters** sent out by the CNMV, in its role as market supervisor, as well as the reports prepared in this area, are shown in table 5.1.2.

Summary of market supervisory activities

TABLE 5.1.2

Markets	Deficiency letters	Supervisory reports	Reports sent to other bodies and agencies	Periodic reports
Equity				
2018	171	74	35	26
2019	107	67	39	0
Fixed income				
2018	6	0	9	0
2019	0	0	9	4
Derivatives				
2018	3	2	0	27
2019	4	9	5	34
Settlement				
2018	5	0	0	0
2019	7	0	7	0
Clearing				
2018	23	1	2	0
2019	29	12	8	0
Other				
2018	36	0	0	23
2019	40	1	0	10
Total				
2018	**244**	**77**	**46**	**76**
2019	**187**	**89**	**68**	**44**

Source: CNMV.

Brexit and the markets

EXHIBIT 9

In 2019, the preparatory work for the United Kingdom's exit from the European Union (Brexit) continued.

In the absence of recognition of equivalence by the European Commission of UK trading venues, the European Securities and Markets Authority (ESMA) and the competent authorities continued to work intensively on analysing and detecting areas of secondary market activity where supervisory guidance is necessary.

Relocation and restructuring of trading venues, intermediaries and providers of data supply services in the European Union

Overall, many of the authorisation processes at the European level were continued and completed during the year.

In Spain, Dowgate MTF was authorised to operate as a multilateral trading facility (MTF). Credit Suisse started its centralised operations for the rest of Europe from its Spanish subsidiary.

Application of the trading obligation for shares

The liquidity fragmentation of European shares among the different trading venues in the United Kingdom and the European Union (EU) has raised doubts about the application of the trading obligation for shares set out in Article 23 of Regulation (EU) No. 600/2014 (MiFIR).

This obligation is not applicable to transactions in shares which are traded in the EU on a non-systematic, ad-hoc, irregular and infrequent basis.

In the context of Brexit, uncertainty surrounding the application of this obligation has led ESMA and the competent authorities to clarify their opinion on this matter. First, in March, it was announced that shares with ISINs starting with a country code corresponding to an EU27 Member State and, in addition, shares with an ISIN from Iceland, Liechtenstein and Norway were within the scope of the trading obligation. Furthermore, it was considered that shares of the United Kingdom, with ISINs with the prefix GB that could be considered liquid in the EU would also be subject to the obligation.

However, in May, ESMA and the competent authorities revised this opinion to mitigate the possible risks associated with disruptions in trading, indicating that the obligation would applied only to shares with ISINs with a country code corresponding to EU Member States, Iceland, Liechtenstein and Norway.

Post-trade transparency and limits on commodity derivatives positions

In October, ESMA and the competent authorities clarified that in order to avoid duplicative trading reports by EU entities occurring in trading venues of third countries that meet a series of criteria, such trading would not be considered over the counter (OTC). This implies that the trades carried out in these trading venues would not have to be made public through approved publication arrangements (APA) by the EU entities executing them in those markets. Pending completion of the assessment of third countries, it was clarified that reporting through an APA would not be required in the case of Brexit.

In the case of commodity derivatives traded in trading venues in third countries, and for the purpose of calculating positions by EU entities, it was stated that, as with issue of transparency, when the trading venue is located in a third country that meets criteria that are the subject of an ESMA assessment, trades would not be considered to be economically equivalent OTC (EEOTC) contracts, but as trades equivalent to those trades in the EU. This implies that EU entities could use their positions in such equivalent third-country markets to offset their positions in EU markets.

Finally, regarding pure OTC trades with investment companies in the United Kingdom, it was clarified that these would no longer be considered EU investment companies from the end of the transition period. Therefore, trading with these companies would generate a reporting obligation through an APA for EU counterparties, following the reporting standards provided for cases where only one counterparty is an EU investment firm.

Royal Decree-Law 5/2019

The purpose of Royal Decree-Law 5/2019 of 1 March is to deal with the contingency of a no-deal Brexit in the field of the Spanish legal system by regulating, among other issues, those relating to the provision of investment services (Article 19).

With regard to secondary markets, the CNMV has further clarified certain issues by publishing answers to FAQs, which are available on its website (Brexit section).

These include the issue of access to UK and EU trading venues, clarifying that Spanish legislation does not establish additional requirements to become a member of a trading venue in a third country. In the inverse case, for third country members to obtain access to Spanish trading venues there are no requirements other than those applicable to residents of the EU and in any case applicable under Article 69 of the Securities Market Act (LMV) and any that might be established by the rules of the trading venue itself.

Regarding direct electronic access (DEA), it is noted that UK investors will be able to use DEA to Spanish trading venues without having to request authorisation as an investment company. However, DEA providers must have the status of an investment firm under MiFID II.

Another key issue addressed in the FAQ document is OTC trading. The CNMV has clarified that during the transition period market participants may continue to trade OTC in instruments that are not subject to trading obligations under MiFIR. In the case of OTC derivatives, it has also indicated that trades that derive directly from pre-existing contracts, involve non-essential modifications of these or are explicitly foreseen in them, may be continued. Lastly, it has indicated that the counterparty in a transaction with a Spanish company will not need authorisation to act as an investment firm in the EU in accordance with MiFID II, as long as the transaction is at the initiative of the Spanish party, and this includes interbroker-dealer activity.

Supervisory actions

Electronic trading

In 2019, various supervisory actions related to trading on electronic trading venues were carried out. Some of these were periodic and others were one-off actions.

Firstly, periodic supervision work was carried out on the capacity of the SIBE Smart trading system of Bolsas y Mercados Españoles (BME) and specific monitoring of the contingency tests carried out by BME group markets was conducted.

Supervision was also undertaken, of the correct publication, in time and form, of the quarterly reports on quality of execution of transactions in accordance with Commission Delegated Regulation (EU) 2017/575 of 8 June 2016.

Additionally, a series of supervisory actions of different types were carried out, such as reporting to ESMA on the volatility management mechanisms and parameters applied by trading venues, in accordance with Articles 18 and 48 of MiFID II, and on the tick size regime according to the updated annual calculations on transparency published by ESMA on 21 June 2019.

Further, in 2019 a control test was carried out on the algorithmic trading notifications registered with the CNMV with the aim of detecting possible inconsistencies between the information contained in the transaction reporting to the CNMV by marking transactions executed through trading algorithms and the notifications sent pursuant to Article 17 of MiFID II.

In 2019, a total of 65 algorithmic trading notifications were received, and at 31 December 2019, the total number of reporting entities amounted to 83.

Equity

In 2019, the CNMV carried out work set down in the supervision plan for the Spanish stock market management companies operated by BME, established in the CNMV Activity Plan. This plan focused on market microstructure features such as algorithmic trading, the obligations of market makers and the publication of data on quality of execution.

Apart from the supervision of infrastructure requirements, one of the CNMV's priorities is the supervision of market integrity in accordance with the legal framework for the prevention of market abuse. This framework contains the obligation imposed on issuers under Article 17.1 of the Market Abuse Regulation to disclose information that may affect the price of their securities listed on trading venues. In 2019, the CNMV continued to monitor compliance with this requirement.

The number of **price-sensitive information notices** registered totalled 7,814 (10.1% down on 2018). Table 5.1.3 shows a breakdown of the number of price-sensitive information notices classified according to type.

Price sensitive information notices received by the CNMV TABLE 5.1.3

Type	2018	2019	% change 19/18
Financial instruments	**4,759**	**4,022**	**-15.5**
Capital increases and reductions	183	164	-10.4
Public offerings (for sale or subscription)	41	27	-34.1
Dividend information	210	207	-1.4
Block trades	29	24	-17.2
Trading halts and resumptions	28	22	-21.4
Credit ratings	115	92	-20.0
Securitisation funds	3,117	2,432	-22.0
Other financial instruments	1,036	1,054	1.7
Business and financial position	**2,084**	**2,079**	**-0.2**
Earnings information	1,530	1,471	-3.9
Insolvency proceedings	3	15	400.0
Other business and financial position	551	593	7.6
Corporate transactions	**559**	**503**	**-10.0**
Transformations, mergers, spin-offs and dissolutions	64	45	-29.7
Strategic agreements with third parties	45	34	-24.4
Transfers and acquisitions of shareholdings	161	134	-16.8
Other corporate transactions	289	290	0.3
Corporate governance and official notices	**1,289**	**1,210**	**-6.1**
Notices and resolutions of general meetings and assemblies	494	486	-1.6
Composition of board of directors	312	286	-8.3
Annual Corporate Governance Report	166	160	-3.6
Other corporate governance	317	278	-12.3
Total	**8,691**	**7,814**	**-10.1**

Source: CNMV.

A **temporary trading halt** is an exceptional measure that the CNMV may adopt in severe cases of asymmetrical or insufficient information that does not allow proper price discovery. In 2019, the numbers of trading halts and affected issuers were in line with those of the previous year.

Temporary trading halts TABLE 5.1.4

	2018	2019
Number of issuers suspended	13	14
Number of halts	16	15
Due to the need to disclose price-sensitive information	11	7
Due to expiry of acceptance period for delisting bids	4	6
Other	1	2

Source: CNMV.

Market sounding prior to the sale of a significant share package is an action that normally entails a significant number of entities accessing inside information. The CNMV therefore checks that this practice complies with the conditions established in the Market Abuse Regulation.

A total of 11 accelerated book builds were carried out in 2019, involving ten issuers (one was the subject of two book builds during the year). The number of book builds in 2017 and 2018 was 18 and 11 respectively.

The following may take place through book builds: i) the sale of shares of one issuer on behalf of the company itself and, therefore, a sale of treasury stock; ii) the sale of shares of an issuer on behalf of a significant shareholder; and iii) the placement of the issuer's newly issued shares through a capital increase without pre-emptive subscription rights.

The aim of some of the book builds performed over the year was, for instance, to make new investments, finance research and development of projects, shore up working capital to ensure the stability of the company, or increase the free float. In other cases, the objective was to find a reference shareholder, reduce the share of a significant shareholder in the company's capital or finance a transaction to acquire a stake in another company.

In seven of the transactions, shares owned by a shareholder of the issuer were placed, while in the remaining four the shares derived from capital increases. The percentages of the book builds ranged between 0.8% and 29%. Two of the book builds were made with hardly any discount with regard to the closing price of the session, while in the remainder, the discounts ranged between approximately 1.5% and 20%.

All accelerated book builds were announced and began following the market close. In four cases, the outcome of the book build was reported on the same day it was announced, in six cases the completion of the transaction was reported the following day but always prior to the start of the trading session, and in one case the issuer reported an extension of the sounding period.

The Market Abuse Regulation and its implementing standards define what is understood by market sounding and indicate the obligations that must be met so that disclosure of inside information made in the course of a market sounding is deemed to be made in the normal exercise of a person's employment, profession or functions and does not therefore constitute the unlawful disclosure of inside information. Such obligations apply both to the market participant that discloses information in the context of a market sounding and those that receive it. They refer to aspects such as whether the information disclosed is deemed inside information or the need to create and maintain records of the information that they disclose and to maintain a record of potential investors that they contact.

In 2019, the CNMV carried out various supervisory actions relating to some of the accelerated book builds to assess their compliance with Article 11 of the Market Abuse Regulation. The action on a selection of supervised transactions – established mainly according to the volume of the book build and the discount in the offered price with respect to the market price – started with the submission of information requests to the entities in charge of carrying out the accelerated book builds and those receiving the information in the market sounding. In addition, the possible use of inside information by the latter entities was analysed.

In this type of transaction, it is common for the issuer or the significant shareholder to give a mandate to one or several financial institutions for them to carry out market sounding with the aim of determining investor appetite for the securities offered. It is also common for inside information to be disclosed in the context of the market soundings.

Due to the risk of unlawful disclosure and use of inside information that this activity entails, the CNMV continued actively to supervise the book builds performed over the year. Firstly, by monitoring the price of the shares affected by said book builds and supervising the price sensitive information published in this regard and secondly, by sending requests for information to the entities responsible for performing the market sounding and to the entities that receive the information in said sounding. This supervision is also carried out on market soundings involving shares listed on the Alternative Stock Market (MAB).

Another important aspect of the CNMV's supervisory work relates to **treasury stock trading** by issuers and, in particular, discretionary treasury stock trading. Discretionary treasury stock trading refers to transactions carried out outside the safe harbours established by the legal framework against market abuse in the European Union: buy-back programmes and accepted market practices (liquidity contracts). As the CNMV has been reiterating for several years, there are two possible risks associated with discretionary treasury stock trading. The first of these relates to the generation of false or misleading signals on volume, which might mislead investors with regard to the share's level of liquidity. The second risk relates to the possible generation of misleading signals with regard to price, which might affect price formation to the extent that trading is of large volumes or at prices far removed from the prevailing market range.

In view of these risks it is important for companies to exercise particular caution when carrying out transactions with their own shares and, in particular, to consider limiting them to those carried out in execution of buy-back programmes as referred to by the Market Abuse Regulation and liquidity contracts as referred to in CNMV Circular 1/2017 of 26 April as amended by CNMV Circular 2/2019 of 27 November (see exhibit 10). Both buy-back programmes in line with the Market Abuse Regulation and the provision of liquidity – as an accepted market practice in accordance with said Regulation and the CNMV Circular – constitute safe harbours for treasury stock trading with regard to market abuse regulations, provided that they are carried out in compliance with the limits and requirements established in the corresponding regulations.

On 13 January 2020 the CNMV issued a statement rendering the criteria on discretionary treasury stock transactions ineffective. This decision responds to the lack of regulation or recognition of this practice in other EU markets, to the risks to the integrity of the market inherent in this type of transaction and to the subsequent entry into force of Regulation 596/2014 on market abuse, the harmonising design of which made these criteria, published in 2013, difficult to reconcile with the current regulatory framework.

Specifically, **buy-back programmes** are regulated under the Market Abuse Regulation and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016, and must have one of the following objectives: i) to reduce the capital of an issuer, ii) to meet obligations arising from financial debt instruments convertible into shares or iii) to meet obligations deriving from stock option programmes or other allocations of shares to employees or members of the governing body of the issuer or of an associate.

Buy-back programmes must also comply with a series of transparency and operational conditions. In order to verify compliance with these conditions, the supervision of the CNMV in 2019, as in previous years, was essentially focused on the following aspects: i) supervision of the price sensitive information published by the issuer prior to the start of the buy-back programme; ii) supervision of the price sensitive information published by the issuer with the details of the transactions performed in the framework of the buy-back programme; iii) supervision of compliance with the conditions for operating in terms of volume to verify that the issuer did not buy more than 25% of the average daily volume of the shares; iv) supervision of operations in auctions; and iv) supervision of compliance with the restrictions on trading implemented in the framework of the buy-back programme.

In 2019, 27 buy-back programmes corresponding to 25 issuers were in force and operative (two issuers had two buy-back programmes). 17 of these programmes aimed to buy back shares for their subsequent cancellation, while the remaining ten were to cater to stock option programmes.

For their part, **liquidity contracts entered into by issuers** with a financial intermediary are regulated in Circular 1/2017, which entered into force in July 2017. Since that date, the CNMV has been paying particular attention to supervising the liquidity contracts subject to this Circular. The supervisory effort began with the transition work from the previous circular to the new one, which included: adaptation of contracts, analysis of the operations resulting from the cancellation of the former contracts, responding to multiple enquiries and supervision of the price sensitive information disclosures of the cancellation and notification of the new contracts. This supervision has remained very intense since then.

In addition to the supervision performed on a day-to-day basis – which includes that relating to price sensitive information, dealing with enquiries, analysing liquidity contracts and sending requests for information – the CNMV conducts a periodic and exhaustive analysis every quarter to determine the behaviour of liquidity contracts and compliance with the conditions laid down in Circular 1/2017.

As a result of this supervision, we can confirm that Circular 1/2017 and liquidity contracts play an important role in the provision of liquidity to issuers with equity instruments listed on Spanish markets, both in terms of the number of issuers that have entered into such contracts and in terms of the volume traded under them.

At year-end, 40 issuers held operating liquidity contracts.

The Market Abuse Regulation and Delegated Regulation (EU) 2016/1052 also regulate as safe harbours **stabilisation transactions** intended to provide support for the price of an initial or secondary offering of securities during a limited time period if the securities come under selling pressure, thus alleviating sales pressure generated by short-term investors and maintaining an orderly market, which contributes to greater confidence of investors and issuers in financial markets.

In order for stabilisation transactions to benefit from the safe harbour, they must comply with a series of transparency and operational conditions. In this regard, supervision of stabilisation transactions performed in the framework of public offerings for sale or subscription focus on verifying compliance with said conditions, with particular attention paid to the following aspects: i) the price at which the stabilisation transactions were executed, which must never be above the offer price; ii) the volume of shares subject to stabilisation; and iii) the price sensitive information published in the context of the stabilisation, both relating to the transactions performed and to the start and end of the stabilisation.

The CNMV's supervision of changes in the **composition of the Ibex 35 index** centres on analysing whether such changes have been made appropriately with regard to the technical rules of the index and detecting any distortions in trading in the market aimed at favouring a share's remaining in, joining or being removed from the index. In the first ordinary review of 2019, carried out in June, the Technical Advisory Committee of the Ibex 35 agreed to add MásMóvil shares to the selective index and to exclude Técnicas Reunidas shares. In the second ordinary review in December, this Committee resolved not to make any changes in the composition of the index.

In addition, the CNMV performed several supervisory interventions in 2019 with regard to **transactions conducted by persons discharging managerial responsibilities.** In particular, it sent letters requesting information to several issuers and persons discharging managerial responsibilities in order to verify compliance with the obligations set out in Article 19 of the Market Abuse Regulation. With regard to issuers, the supervision consisted in determining whether they complied with the obligation to notify in writing the persons discharging managerial responsibilities of their obligations under Article 19 and to draw up a list of all persons discharging managerial responsibilities and persons closely associated with them. With regard to the former, the supervision aimed to determine whether they complied with the ban on conducting any transaction on their own account or on the account of a third party, directly or indirectly, relating to the shares and debt instruments of the issuer or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the publication of the interim or annual financial report. These actions were performed both for issuers of shares listed on the stock exchanges and issuers of shares listed on the MAB.

Another notable part of the CNMV's supervisory work concerns compliance with the obligations imposed by Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on **short selling** and certain aspects of credit default swaps. These obligations refer to the following areas:

– Transparency regime.

  The Regulation establishes a transparency regime with the obligation to notify net short positions in shares when they reach or fall below 0.2% of the capital, as well as each additional 0.1% above that. In addition, the Regulation establishes the obligation to publicly disclose positions when they reach or fall below 0.5% of the capital, as well as each additional 0.1% above that.

  In 2019, the CNMV received a total of 4,306 notifications of net short positions in shares (26% fewer than in 2018), from 153 investors, predominantly US and UK funds, as in previous years. At year-end, net short positions were held on 63 issuers, and 77 issuers were affected by short positions at some time during the year (90 in 2018). The average of all the aggregate net positions weighted by market capitalisation stood at 0.64% of the capital at year-end 2019 (0.84% in 2018).

  The CNMV performs different supervisory actions aimed at verifying compliance with the Regulation. In this regard, the CNMV performs an analysis of the notifications of net short positions received and carries out periodic supervisions of notifications of net short positions that are more than six months old in order to determine whether or not they remain in force. This makes it possible to detect possible breaches of the Regulation by holders who have not updated their net short positions by means of the appropriate notification, which led to the CNMV sending several letters requiring information. This analysis also allows the CNMV to keep an updated register of the positions of this type in listed issuers on Spanish markets.

– Creation of and increase in net short positions and compliance with conditions for performing short sales.

  The CNMV sent various letters requiring information to verify compliance with conditions for performing short sales to natural and legal persons operating in the Spanish stock markets, with a focus on those evidencing any incidents in settlement due to delay in the delivery of the shares sold.

This supervisory work is carried out on an ongoing basis and allows the CNMV to know which mechanisms and financial instruments are commonly used by investors to take a net short position in a security and the type of agreements reached in the short sales in order to comply with the Regulation.

Lastly, in 2019, the CNMV continued to process notifications from entities relating to their intention to make use of the exemption for market-making activities. In accordance with the provisions of the Regulation on short selling, market makers are not subject to the obligations relating to the notification and transparency of net short positions or to the restrictions on short selling in relation to transactions carried out in their market making activity.

Fixed income

As part of the ongoing supervision of fixed income trading venues, in 2019 there was a significant increase in issues on the Alternative Fixed Income Market (MARF), up by 58.2% compared with 2018, based on nominal volumes registered. By country, the 23 issuances made by Portuguese companies stand out.

In the regulated fixed income markets, in 2019 a salient feature was the increase in trading on the alternative fixed income market (AIAF) of Spanish and foreign public debt, involving an increase of 69.30% in the nominal volume and 44.71% in the number of transactions executed. Furthermore, it should be noted that 25.32% of the public debt transactions carried out on this market corresponded to foreign sovereign debt.

With regard to the internal regulations of trading venues, in 2019 the CNMV authorised the incorporation into CIMD Group regulations of a new system for trading in periodic auctions on certain securities traded on its organised trading facility (OTF).

The CNMV also authorised an amendment to the AIAF operating regulations to include conditional orders (trades on ISIN codes notified to FIRDS in process of admission). This purpose of the amendment is to improve the competitiveness of this market compared with other regulated markets that already included this type of trade.

With regard to the supervision of transparency in fixed income trading venues, in 2019 the CNMV continued to monitor and control compliance with the obligation to report quantitative data (FITRS), which resulted in a compliance ratio of between 99.64% and 100%. It is important to note that most Spanish fixed income trading venues had a compliance ratio of 100% for most of the year.

It is also appropriate to mention the progress made during 2019 on the CNMV's work, in coordination with ESMA, to bring about greater supervisory convergence for the implementation of the MiFIR transparency regime. For fixed income trading venues in Spain, the improvement observed in the information available in venues managed by the BME group stood out, in the pre-trading and post-trading areas alike, making available to investors, with a 15-minute delay and free of charge, the purchase and sale quotes of the securities traded in these venues, in addition to the prices and volumes of the transactions executed.

Liquidity contracts for fixed income issues aimed at retail investors are another focus of CNMV supervision. These contracts are not mandatory. However, for issues of products that are difficult to value, this liquidity mechanism is recommended to provide retail investors with an indication of the price of the securities on the secondary market. Therefore, the CNMV continued to monitor compliance with these contracts, verifying that liquidity providers remain present on the market through their purchase and sale orders, in accordance with the commitments made to issuers.

In relation to the notifications of transactions made by persons discharging managerial responsibilities and persons closely associated with them on the issuer's own securities, a total of 1,244 were registered in 2019, an increase of 71% compared with the previous year. The number of queries answered remained constant, those relating to the interpretation of the regulations and notification errors accounting for the majority. Cancellation requests for error corrections accounted for fewer than 1% of notifications registered.

With regard to fixed income transactions reported to the CNMV by financial intermediaries, in addition to the administrative and formal controls established, the continuous review of the quality of the information submitted is an important part of the CNMV's work. These transactions are characterised by their high level of complexity, as they are performed on a wide range of instruments in a broad variety of trading situations (order transfers, trades on own account without risk, etc.).

In terms of market abuse, it is also worth noting the number of suspicious transaction notifications related to fixed income securities registered with the CNMV (51), entailing an increase of 179% in 2019 compared with 2018 and requiring greater dedication to analysing and resolving these notifications.

Derivative products

In 2019, supervision of derivative instrument markets focused on three lines of action: i) analysing and monitoring daily trading, ii) preventing and detecting situations of market abuse, and iii) specific control measures, which are described below.

Regulated markets

With regard to analysing and monitoring daily trading, the supervision of derivative instruments traded on MEFF Exchange was performed by monitoring volumes traded and prices, volatilities, transactions, trading strategies and open positions. It should be noted that during the weeks in which the contracts mature, the CNMV conducts a specific analysis of the roll-over of positions and of the accounts with the largest concentration of position in the nearest maturity. The CNMV also monitors the performance of the Ibex 35 over the period for calculating the settlement price at maturity of the future.

In addition, since the start of FX-Rolling trading in June 2019, the transactions carried out in this segment have been monitored daily, with an analysis of the volumes traded in each of the available currency pairs.

With regard to warrants traded on stock markets, the CNMV monitors daily and intraday trading and checks the specialists' compliance with their obligations. In addition, it monitors the publication of price sensitive information of the issuers of warrants and of the settlements corresponding to the different maturities.

In relation to the second line of activity, i.e. the detection of market abuse situations, the CNMV made detailed analyses of the transactions made on dates close to significant events, such as the dissemination of price-sensitive information and the suspension from trading of derivative products. Finally, it reviewed situations of potential market abuse, both those detected in the analysis of daily transactions and those related to automatic alarms or deriving from suspicious transaction and order reports.

Organised trading facilities (OTFs)

Since the start of operations of the two Spanish OTFs in January 2018, supervision tasks have been carried out on a daily basis in the three lines of activities indicated above, both for CAPI OTF (managed by CM Capital Markets Brokerage, S.A., AV) and CIMD OTF (managed by CIMD SV, S.A., of the CIMD Group, Corretaje e Información Monetaria y de Divisas, S.A.).

In relation to the first line of activity, all transactions are analysed daily in CAPI OTF, which mainly trades interest rate and currency derivatives, and in the two differentiated segments of CIMD OTF: electrical energy derivatives (commodities) and currency futures and interest rates swaps. All the transactions carried out in the previous session are reviewed, verifying the different classes of trades and their complex characteristics, such as type, terms, underlyings, references and volumes.

Limits on positions and ancillary activities in commodity derivatives

For commodity derivatives, the CNMV carries out daily monitoring of the open positions reported in comparison with the established limits, in accordance with MiFID II. In Spain, reports on commodity derivative positions are received daily from MEFF and CIMD, through their energy segments.

Furthermore, in 2019, specific supervision was carried out on the annual notifications of exemption for ancillary activities. This notification allows entities to trade on their own account in commodity derivatives, without having to request authorisation as an investment firm, provided that the following requirements are met: i) said trading is ancillary to the main activity of the entity, ii) that they are not financial institutions or market makers in commodity derivatives, and iii) that an annual notification is issued in this regard. A total of 150 entities reported the use of the exception for ancillary activity in 2019, higher than the figure of 114 in 2018.

Clearing, settlement and registry

The Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear) is supervised by the CNMV, which is the competent authority responsible for authorising, supervising and sanctioning Central Securities Depositories (CSDs)[1] in Spain.

A significant part of the supervisory activity during the year was centred on reviewing, for the purposes of issuing authorisation as a CSD, the authorisation request and documents evidencing compliance with the requirements imposed by Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSDR). This review process began in September 2017; in April 2019 the application was considered to be complete and in September the CNMV

1 Under Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSDR).

agreed to authorise Iberclear in accordance with the CSDR, following receipt of the reports from the Bank of Spain and the Eurosystem.

After granting this authorisation, the CNMV has followed up on the recommendations included in the corresponding proposal.

Supervision of the system's efficiency was also maintained, especially in preparation for the entry into force of the settlement discipline regime. The application of this new regime was initially planned for the end of 2020, although the final date is still being discussed by the authorities and legislators. In any case, it is prudent to make an assessment of the existing settlement models in order to ensure a competitive level of efficiency when the new penalty system is applied. The CNMV's Activity Plan for 2020 included an action in this regard. Specifically, part of the increase in CNMV requirements and reports relating to settlements corresponds to this review.

Lastly, within the framework of the CSDR, as authorisations for CSDs were completed, in 2019 they started to submit applications to obtain freedom to provide services under Article 23 of the Regulation. In this context, the CNMV has performed an analysis of the notifications submitted to verify that the procedures that the CSD employs or intends to employ allow users to comply with national legislation referred to in Article 49.1 of the EU regulation.

With regard to BME Clearing, in 2019, a very significant part of the CNMV's supervisory work was focused on verifying compliance by the Spanish Central Counterparty (CCP) with the requirements of Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July, on OTC derivatives, central counterparties and trade repositories (EMIR).

This review is carried out in compliance with Article 21 of the Regulation, which establishes that the review of the agreements, strategies, processes and mechanisms applied by CCPs to comply with EMIR and assess the risks to which they are or could be exposed must be performed at least on an annual basis. Part of this review involves the assessment of the proposals to include new procedures, products or services. The annual review concluded that BME Clearing continues to comply with the requirements of EMIR.

In 2019, the CNMV continued to develop the warning system based on the new data fields to be submitted to the college of supervisors, the analyses related to liquidity risk management and the review of the recovery plan, which should be completed in 2020.

Lastly, we must highlight the actions related to the European stress tests designed by ESMA, both with regard to monitoring compliance by BME Clearing with the recommendations made in previous years and with regard to the control of the information provided by this CCP for the performance of the tests carried out in 2019.

In addition, during 2019, the CNMV continued its work of **supervising compliance by Spanish entities with the obligations deriving from EMIR**, participating in exercises coordinated by ESMA to assess the quality of the information reported at European level and carrying out specific analyses.

As part of EMIR compliance, the CNMV also analyses the exemption requests provided for in the Regulation with respect to certain intragroup operations: centralised clearing, collateral exchanges or reporting to trade repositories – the latter applicable since the entry into force of EMIR Refit.[2]

Reform of Circular 1/2017 on liquidity contracts EXHIBIT 10

The new regulatory feature regarding liquidity contracts in 2019 was the publication on 10 December of CNMV Circular 2/2019 of 27 November, amending CNMV Circular 1/2017 of 26 April on liquidity contracts.

Two years after the entry into force of Circular 1/2017 and in accordance with Article 13.8 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April, on market abuse, the CNMV proceeded to review this market practice in accordance with the established procedure. As a result, two amendments were made to the text of the Circular, which respond to sector demands and to the experience gleaned from supervising this accepted market practice. Specifically, having detected that certain conditions laid down in the Circular could pose an obstacle to the signing of liquidity contracts by some issuers of relatively illiquid securities, two changes were approved, the fundamental purpose of which is to increase the number of companies that could potentially enter into liquidity contracts and to ease some restrictions on trading during the auction period.

The first of these amendments establishes a new volume limit of €20,000 per session for the trades executed by the financial intermediary in the framework of a liquidity contract. This limit is established as an alternative to the threshold of 25% of the average trading in the previous 30 sessions, and is open to issuers whose shares do not have a liquid market and which are traded either on a regulated market through the price fixing system, or on a multilateral trading facility.

Furthermore, based on the comments from the sector received in the public consultation phase, this new alternative limit would also exceptionally be applicable to the contracts of issuing companies that request them, and whose shares are traded on a regulated market through the general trading system. This would require the prior authorisation of the CNMV and a favourable report from the governing company of the corresponding regulated market, justifying the classification of the share as highly illiquid even though it is not traded in the price fixing system.

The second amendment refers to the auction period and removes the previous restriction on being able to hold simultaneous purchase and sale orders for shares. It also adds an obligation for the financial intermediary, which must take the necessary measures to prevent order crossing.

2 Regulation (EU) No. 2019/834 of the European Parliament, of 20 May, amending Regulation (EU) No. 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories.

Amendments to EMIR EXHIBIT 11

In 2019, two reforms of the EMIR[1] Regulation were introduced: on 19 June, EMIR Refit[2] entered into force, with predominantly technical changes, and on 12 December, EMIR 2.2[3] was published in the *Official Journal of the European Union (OJEU)*, reforming the way in which Central Counterparties (CCPs) must be supervised, both those of third countries and those established in the European Union.

EMIR Refit

In 2015, a review of EMIR was embarked upon, taking into account its impact on the industry, leading in 2019 to an amendment of this European regulation known as EMIR Refit. Although no fundamental changes were made to the basic obligations contained in the Regulation, the new legislation has sought to simplify some EMIR requirements, while adopting a more proportionate approach, without compromising its objectives or, particularly, without jeopardising financial stability.

The most significant changes are:

– Two categories of financial counterparties are created based on their volume of activity in derivatives markets. Only financial counterparties with large volumes of activity will be subject to the clearing obligations. In any case, financial counterparties must periodically calculate the size of their positions and notify the competent authorities and the European Securities and Markets Authority (ESMA) when they exceed the relevant clearing threshold.[4]

– Clearing members are required to offer clearing services on fair, reasonable, non-discriminatory and transparent commercial terms. The European Commission is preparing an implementing regulation with details of these requirements.

– ESMA is expected to propose to the European Commission the suspension of the clearing and trading obligations through trading venues in certain exceptional situations.

– Reporting obligations for intragroup contracts in which one of the parties is a non-financial counterparty are eliminated, subject to prior notification to the competent authority.

– Financial counterparties have the obligation to report to trade repositories on behalf of non-financial counterparties with a low volume of activity in the derivatives market with which they enter into derivative contracts. The reporting of contracts by non-financial counterparties is now voluntary. However, they are required to provide the necessary data to the financial counterparties so that they can draw up a full contract report.

– The need is established for the competent authorities to approve the internal models used by counterparties to exchange collateral in derivative contracts that are not cleared through a CCP.

– CCPs must develop tools to simulate the calculation of margin requirements for their members and clients and must provide them with more information about their risk management system.

– Certain provisions related to the operation of trade repositories are amended, which reinforce ESMA's supervisory powers, and requirements are imposed on these infrastructures aimed at improving the quality of the information reported.

EMIR 2.2

A second reform, known as EMIR 2.2[5] and related to the CCP supervision system, was published on 12 December 2019 and entered into force on 1 January 2020.

EMIR 2.2 regulates the supervision of both CCPs established in the European Union and those domiciled in third countries. The decision of the United Kingdom to leave the European Union (EU) has been carefully taken into account in the legislative text, since several of the CCPs currently most used by European Union counterparties are located in the UK. Therefore, numerous amendments have been made to the system applicable to third-country CCPs. The most significant are:

– A classification system for third-country CCPs according to their systemic importance for the EU. ESMA will make an analysis of each CCP to determine whether it is systemically important for the EU. If so, the CCP will be classified as Tier 2 and if it is not systemically important for the EU it will be classified as Tier 1.

– Tier 2 third-country CCPs will be subject to more intensive supervision by ESMA, both with regard to prudential requirements and rules of conduct and governance. However, a Tier 2 CCP may request that compliance with the requirements set forth in the EMIR Regulation be deemed to be fulfilled based on their home-country regulations. In this case, ESMA will assess whether the obligations existing in that country and those applicable in the EU are comparable.

– ESMA has been empowered with the necessary authority to impose penalty payments and fines on third-country CCPs that infringe any EMIR requirements. ESMA will also be able to conduct inspections and on-site inspections of Tier 2 CCPs and of any third parties to whom those CCPs have outsourced operational functions, services or activities.

– It also provides that ESMA should be able to determine whether the activities of a third-country CCP are too systemically-important for the EU to be provided from outside the Union. In this case, ESMA may propose to the European Commission that it issue an implementing act restricting the activities of that CCP if they are not provided from within the EU.

For CCPs established in the European Union, EMIR 2.2 introduces some amendments to reinforce its supervisory powers and foster greater convergence in the actions and decisions of the competent authorities. The latter are still ultimately responsible for supervising the CCPs in the European Union, but the list of actions requiring the opinion of supervisory colleges has been expanded and the role of ESMA has been strengthened.

In particular, ESMA will review the proposals of the competent authorities in key areas such as CCP authorisation, expansion of its activities or services, record keeping, acquisition of significant interests in a CCP, conflicts of interest, outsourcing, rules of conduct and interoperability. Additionally, when a CCP wishes to implement any significant change in the models and parameters used in its risk control mechanisms, it must submit its proposal for approval by both the competent authority and ESMA.

In the area of governance, the new functions that ESMA will perform in relation to CCPs, both in the EU and in third countries, will require a significant increase in the means and resources necessary to carry out its work. Also, a permanent committee has been created in ESMA for CCP supervision, in which all competent authorities that supervise a CCP domiciled in their territory, as well as other relevant public authorities, participate. This committee has the function of preparing and carrying out all the tasks related to the CCPs for which ESMA is responsible under EMIR.

1 Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July, on OTC derivatives, central counterparties and trade repositories.
2 Regulation (EU) No. 2019/834 of the Parliament and of the Council, of 20 May, amending Regulation (EU) No. 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories.
3 Regulation (EU) 2019/2099 of the European Parliament and of the Council, of 23 October 2019, amending Regulation (EU) No. 648/2012 as regards the procedures and authorities involved for the authorisation of CCPs and requirements for the recognition of third-country CCPs.
4 Additionally, financial and non-financial entities that choose not to calculate the size of their activity in derivatives will be subject to the clearing obligation.
5 Regulation (EU) 2019/2099. See Note 3.

5.2 Market monitoring

Through its Market Monitoring Unit (Spanish abbreviation UVM), the CNMV undertakes in-depth investigations of situations in which actions contrary to market integrity may have been performed. Firstly, the investigations aim to detect cases of actual or attempted transactions using inside information or recommendations based on inside information or of the illicit communication of such information and, secondly, actual or attempted market manipulation practices. Other aspects are also reviewed, such as proper preparation and maintenance of insider lists and the effectiveness of the mechanisms, systems and procedures of entities providing investment services for identifying and reporting transactions suspected of market abuse to the CNMV. On completion of the UVM's investigations, the CNMV decides whether to apply measures, including disciplinary measures.

As a result of the aforementioned investigations, four disciplinary proceedings were initiated in 2019 affecting one investment firm, one broker and one natural person, in which the following charges were brought:

– Against a broker for various manipulation practices.

  One of the practices consisted in concentrating client share purchase transactions (including sub-managed collective investment schemes) of one issuer in the order market in the closing auction of numerous sessions, with no economic reason for such an action, especially when the order card before the start of the auction usually has bid positions at lower prices. Thus, the broker issued purchase orders during the closing auction, at prices higher than the last trade price in the open session and the call positions of third parties, which gave it a dominant position with price priority, which usually triggers a correction of the quoted price prior to the closing auction. This form of trading is considered market abuse given that it occurred repeatedly during the closing auction period, with the result that the broker had a dominant position in that period through orders issued and trades made at the specific moment the closing price of the session was determined, producing changes that affected that price, pushing it higher than the price of the last open trade in the session and the average price of the session, all this without there being any economic reason to concentrate purchases in closing auctions.

  Another practice carried out by the broker on the shares of different issuers that trade in pricing auctions consisted of issuing buy and sell orders from its clients, both advised and managed, for a similar number of shares at prices between the best bid and best offer price. The clients' orders were issued with price, volume and time sequence conditions with guaranteed counterparty between the clients themselves under more favourable conditions than those offered by the market in terms of liquidity and price, but at the same time the sequence used to enter them generally prevented third parties from gaining access to these preferential conditions. Consequently, for lengthy periods during the sessions, the broker created high trading volumes by carrying out cross trades between its clients as a consequence of orders issued by the broker itself at a specific price that gave misleading signals of the market liquidity of the shares at that price level.

  Lastly, the broker and one of its agents carried out a similar operation to that described above, also on shares of issuers that trade in pricing auctions, where companies related to the broker took part as holders but which were not clients of the broker. The cross trades between these holders and the brokers' clients gave rise to a dominant position that in most sessions created a trading volume than was higher than the average trading volume in these securities at a certain price level, in which no third party counterparty was found. Consequently, this concentration led to the market's receiving signals of liquidity that the shares of these issuers did not actually have at a certain price level, which can mislead market participants and give investors false indications of the prices of these securities, when determining the reference price.

– Against a natural person, for market manipulation in a security through transactions of several holders.

  A natural person, decision-maker and ordering authority for the purchase and sale of shares of an issuer in favour of several holders, concentrated the purchase and sale transactions in certain continuous sessions, thereby achieving a dominant position through cross trades made between these holders, which caused ascending or sustained price channels. Orders and transactions do not respond solely to an interest in buying and selling shares at the best possible market price, but rather to an interest in closing the holders' position in the security at a certain price level, when there is no the third-party counterparty market for that volume, so they seek counterparties among themselves. Consequently, orders and transactions give a misleading appearance of activity in the security (misleading indications of its bid and sell levels) and artificially influence its price (with the effect of keeping prices steady against those marked by third parties).

Lastly, two cautionary letters were sent to two issuers, so that when they have access to inside information, they can prepare the lists of insiders in accordance with the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April, on market abuse and its implementing regulations. A cautionary letter was also sent to an investor which, through its transactions, showed intent to set a certain price level for the shares of an issuer, to ensure that it strictly follows the current regulations on market manipulation, and its trades do not appear to constitute practices that distort free price formation, in the terms established by the aforementioned Regulation (EU) No. 596/2014 and its implementing regulations.

5.3 Credit rating agencies

The CNMV continues to actively cooperate with ESMA in the implementing regulations on rating agencies as well as disciplinary procedures, and authorisations and rejections of new agencies in Europe.

We should mention the approval and publication of the review of the periodic reporting guidelines for credit ratings agencies. The original guidelines dated back to 2015 and established the regular reporting necessary for ESMA to undertake its supervisory responsibilities. This recent review of these guidelines responds to the need to change the terms, frequency and the format of the information provided by the agencies to allow for a more efficient and effective process.

ESMA's publication in July 2019 of its Final report on guidelines on disclosure requirements applicable to credit ratings and Technical Advice to the European Commission on sustainability considerations in ratings. Both reports sought to respond to the European Commission's Sustainability Action Plan, published in 2018. Some of the main conclusions drawn indicate that agencies are currently considering environmental, social and corporate governance (ESG) factors in their credit ratings, although the presence of these factors is due to their impact on the credit quality of the issuer of the issuance in question and, therefore, should not be confused with a sustainability assessment or rating. In this regard, we stress that credit ratings must not be understood to be an opinion on the sustainability characteristics of an issuer or an entity, as this is not their purpose nor is it consistent with their object or definition according to the current regulation on rating agencies.

In 2019, ESMA registered two new rating agencies: the French entity Beyond Rating SAS, specialised in sovereign ratings and public finances, and the Spanish agency, Inbonis, SA, established to issue ratings for non-financial companies and insurance firms. Meanwhile, the deregistration of Moody's Investors Service EMEA Limited was authorised, as a result of the restructuring process derived from Brexit, in addition to the voluntary deregistrations of DG International Ratings SRL (formerly Dagong Europe Credit Rating Srl) and the aforementioned Beyond Ratings, after the news of its acquisition by the London Stock Exchange Group.

In the disciplinary area, the fines imposed on four of the five Nordic banks were reviewed following the appeal filed with the ESMA Board of Appeal, which recognised an absence of negligence in the disputed events. Also notable was the fine imposed on the Fitch group for a series of infractions relating to the management of conflicts of interest.

6 Supervision of entities

6.1 Investment firms

In 2019, the CNMV continued to pay special attention to complying with the rules of conduct in the provision of investment services.

Table 6.1.1 shows that, as a result of these supervisory actions, the CNMV sent out a total of 898 deficiency letters to supervised entities, 691 of which originated from off-site supervision.

Supervision of investment firms and credit institutions: Deficiency letters sent by the CNMV in 2019 TABLE 6.1.1

Type of deficiency letter	Off-site	On-site	Total
For late reporting	144	2	146
Requests for information	299	112	411
Corrective measures or recommendations	168	36	204
Other notifications	80	57	137
Total	**691**	**207**	**898**

Source: CNMV.

Rules of conduct and organisational requirements

As stated in the 2019 Activity Plan, the CNMV carried out a horizontal review of the online operations of the entities that provide investment services. The fundamental objective was to verify that entities also comply appropriately with the rules of conduct when they provide services without personally interacting with the client. Exhibit 12 contains a summary of this action and its conclusions.

Horizontal review of the online operations of credit and savings institutions

EXHIBIT 12

In accordance with its 2019 Activity Plan, the CNMV carried out a horizontal review of the online operations of a selection of entities that provide investment services. Specifically, it verified appropriate compliance with the main rules of conduct that apply in online transactions, prior to the execution of transactions of or on behalf of the client, whether through the website, mobile apps or specific investment platforms. The analysis was performed on a sample of eight credit institutions that accounted for 54% of the total transactions carried out online in 2018.

The main objectives of the action were to review the reception and transmission of orders, investment advisory and discretionary portfolio management services. In addition, for funds distributed outside the areas of management or advisory services, the search engines and comparison tools of collective investment schemes (CIS) hosted on the websites of the selected entities were analysed to assess compliance with the requirements that warrant the receipt of incentives.

i) **Review of the reception and transmission of orders (RTO) service.**

– Regarding the procedure established for assessing appropriateness test, we found that some entities do not have effective controls in place to prevent inconsistencies in completing the questionnaire to assess appropriateness. In this regard we verified that no checks were carried out on significant, contradictory differences between the personal data provided by clients on registration (e.g., level of education) and those entered when completing the questionnaire. Furthermore, the systems allowed seemingly mutually inconsistent responses to be entered to the various questions. In this area, entities must either establish control systems to prevent clients from continuing with the assessment if any inconsistencies in their responses are detected, until some kind of additional supervisory actions have been performed (referral to the branch, call to the account executive, etc.), or discuss with the client the answers provided so as to resolve the inconsistencies. In any case, they must ensure that the information provided is sufficient to enable them to correctly assess the appropriateness of the transaction.

  Furthermore, entities generally allowed the test to be taken repeatedly and the answers to be changed, imposing no kind of restriction.

  Lastly, some entities did not inform their clients about the specific families of instruments to which they were applying the assessment.

– In regard to the provision of prior information on the instrument to the client, we would highlight the fact that, on the one hand, when exchange-traded funds (ETFs) were being contracted, in some cases no specific information was provided on the features and risks of the instrument, and on the other hand that the purchase of warrants did not generally include a warning to the client that the instruments being acquired could be used if necessary to absorb losses ("bail-in-able").

– The incidents detected in relation to the warnings given to clients related mostly to transactions with non-complex instruments. They were mainly related to erroneously informing the client about the mode in which the transaction was being executed; e.g., some entities provided the client with an "execution only notice when the client had been unwilling to complete the appropriateness questionnaire or when the client had had to complete one but the information provided was not taken into account in the assessment. It should be noted that entities must consider in the appropriateness test for the transaction all prior information available about the client.

– Lastly, some entities did not require the purchase order to be "signed" before sending (by entering a key, coordinates, verification code or similar), which is considered necessary.

ii) Review of the provision of investment advisory and discretionary portfolio management services.

– Following the entry into force of MiFID II, it is required by law to draw up a basic advisory agreement (in a durable medium) when the entity intends to perform periodic assessments of the suitability of the recommended financial instruments or services. The entities reviewed complied with this obligation, including mention of the non-independent nature of the service provided and of the fact that they received the corresponding remuneration via incentives. However, incidents were detected in the information provided by the entities with respect to the types of financial instruments used to make investment recommendations and the relationship with the providers or issuers of these instruments (generally group entities).

– In the analysis of suitability assessment procedures for both services, as was the case in the appropriateness test, various incidents were detected in relation to the consistency of the information collected. Furthermore, regarding the provision of advisory services, in some cases there were no control mechanisms to verify consistency between the information obtained from the suitability test and that included in the current appropriateness test.

– In some investment proposals, the description of how the recommendation fits with the client's personal characteristics and investment objectives was incomplete.

iii) Analysis of compliance with the requirements that justify the receipt of incentives in the distribution of funds that do not relate to management or advisory services.

– In regard to the requirement to provide access to a wide range of instruments that includes an appropriate number of non-related third-party products, at least 25% of the total funds offered by all the entities reviewed, and to which access was provided through their search engines, corresponded to third-party funds. The obligation to offer at least two third-party funds in the same category was generally met.

- Regarding the provision of tools to help clients make investment decisions, all the entities reviewed had fund search engines that offered access to information on their own funds and those of third-party managers, which complies with the requirement to improve the quality of the service and collect incentives, since the tools made available to clients must provide them with added value and not just deliver mandatory information.

- In this regard an evaluation was carried out to determine whether these tools offered the client simultaneous data on particularly relevant information on returns, minimum subscription amounts and commissions of the various funds selected, and some deficiencies came to light in several of the entities reviewed.

- In relation to the information on unit classes in the same fund or sub-fund, it was verified for a sample of funds that entities generally provide their clients with information on the various classes available. However, if the client performed an ISIN search, the system did not show the existence of other classes in the same sub-fund.

Continuing with the actions carried out in 2018, in 2019 further reviews were performed with the specific objective of analysing the quality and consistency of the information obtained from clients to assess their suitability and appropriateness. The CNMV detected deficiencies in various cases, and therefore considers it important that entities adopt measures and carry out controls aimed at ensuring that the information they obtain from retail clients to assess the appropriateness and suitability of their transactions in accordance with the provisions of Articles 212, 213 and 214 of the Securities Market Act is consistent, accurate and up-to-date.

In regard to the appropriateness test, the CNMV and other European supervisors took part in the first joint supervisory action in this area, coordinated by ESMA. This was the first action of this type aimed at sharing experiences and supervisory criteria in order to help achieve greater supervisory convergence.

As a result, considering the CNMV's supervisory experience and the changes introduced by MiFID II, the guidelines published by the CNMV on this matter are expected to be updated.

The CNMV's 2019 Activity Plan also envisaged monitoring the activity of European Union entities in Spain under the freedom to provide services regime, to ensure proper investor protection and facilitate the work of their home-market authorities, which in principle are the competent authorities. Exhibit 13 contains a summary of this important action and its conclusions.

Monitoring the activity of European Union entities in Spain under the freedom to provide services regime

EXHIBIT 13

Approximately 3,500 European Union entities authorised to operate in Spain under the freedom to provide services regime without a permanent establishment, i.e., without a branch or related broker, are registered in the CNMV registry. This number contrasts very significantly with the barely 200 existing Spanish investment firms. Entities under the freedom to provide services regime, the great majority of which are located in the United Kingdom, although there are also a significant number based in Cyprus, do not report on their activity to the CNMV, so the information available about them has historically been very limited.

In recent years, the involvement of some of these entities in large-scale marketing operations to retail investors of contracts for difference (CFDs) and other complex and high-risk instruments has become apparent. This is an activity about which ESMA, the CNMV and other supervisors have expressed concern, since the analyses carried out show that it generally creates significant losses for investors.

There have been various measures established to improve the protection of investors in this area, most notably the ESMA decisions of 22 May 2018, under Article 40 of Regulation (EU) 600/2014, to restrict the marketing, distribution and sale of CFDs to retail clients and to prohibit the marketing, distribution and sale of binary options to retail clients. When the validity of the ESMA decisions expired, in the summer of 2019, the CNMV approved several product intervention measures, in accordance with Article 42 of Regulation (EU) 600/2014 (MiFIR), with a very similar content to those of ESMA.

Regarding the supervision of the activity carried out by free service providers, the scheme established under EU regulations assigns supervisory authority in the first instance to the authority of the home Member State, an arrangement which might not provide sufficient incentive for effective monitoring. In accordance with Article 86 of the MiFID, the CNMV, as host supervisor, is empowered to inform the home supervisor of any actions for which these entities are responsible that could contravene the regulations and, only in the event that clear detrimental action persists, it could take appropriate measures to protect investors and ensure the market is operating properly, including the possibility of preventing the infringing entities from carrying out further transactions.

For all these reasons, to ensure proper investor protection and make it easier for the supervisory authorities of the home state to carry out their work, the CNMV included in its 2019 Activity Plan strengthening of the monitoring (not supervision) of the activity of entities under the freedom to provide services regime in Spain. The investment firms and credit and savings institutions supervision department therefore prepared a map of EU entities under the freedom to provide services regime, in which it established a review priority based on various parameters, such as the level of activity in CFDs (information obtained from other authorities through the prior work carried out by ESMA), as well as their presence in mass media or promotional events and the nature and relevance of claims and complaints submitted by investors.

Monitoring of the entities identified referred mainly to the legal restrictions applicable to the marketing, distribution and sale of CFDs to retail clients, as well as the information provided to investors through their websites and particularly, whether the information shown is generally appropriate and balanced.

As a result of these actions, a series of incidents and emerging risks were identified, and relayed to the home supervisor in cases where this was considered necessary, to ensure that proper corrective measures were adopted. The most significant measures are listed below:

– Restrictions established by ESMA and by the CNMV on the marketing, distribution and sale of CFDs to retail investors, in force since August 2018. The reviews carried out reveal the use of dubious practices by some entities:

  • Incitement of retail clients to request to be treated as professional clients, as CFD marketing restrictions do not apply to the latter. Among other strategies, clients were encouraged to carry out transactions that would offer proof of experience with these instruments, while in other cases entities' websites gave unbalanced emphasis to the "benefits" of becoming a professional client.

  • Encouraging the transfer of operations to third countries outside the European Union that have fewer restrictions on the marketing of these products. For instance, the websites of some entities show comparisons of operating restrictions with those offered by subsidiaries of their group in third countries not subject to ESMA restrictions, thereby illegally promoting the activity through entities located in third-country states.

– Performance by unauthorised persons of marketing activities and provision of investment services for which authorisation is required:

  • Promotion of transactions involving the replication by numerous investors of the transactions performed by a master investor not authorised as an investment firm, commonly known as "social trading". In this type of activity, ESMA considers (see ESMA/2012/382, Q.9) that a discretionary portfolio management investment service is being provided and, therefore, that authorisation is required. The CNMV shares this view and considers that in the provision of the management service, which must be carried out by the entity's staff, the rules of conduct must be complied with in all cases, particularly those relating to suitability assessments and compliance with the duty of informing clients.

  • Performance of client acquisition activities. Several entities advertise "associate or affiliate programmes", in which third parties obtain payment for the clients they successfully sign up. In some cases, such programmes may also allow the provision of advisory and management services by these unauthorised persons.

The CNMV has informed the home supervisors that these client acquisition policies are not permitted in accordance with the provisions of Article 144 of the Securities Market Act, which stipulates that only authorised entities – and their related brokers, with certain provisos – may carry out marketing, client acquisition and investment services activities.

– Incidents related to advertising activities, particularly:

  • Covert advertising. Articles published in the media were identified that broadly promote and advertise the activity carried out by these entities, which have nonetheless stated that the advertising was not contracted by them. This type of undeclared advertising goes against regulatory requirements as it includes information that is unclear and may be misleading.

  • Advertising that showcases zero commission stock broking services, which is erroneous as the costs involved in the transactions are not reported.

To date, two EU supervisory authorities have published measures taken against entities under the freedom to provide services regime, which include operating bans. In the coming months, the CNMV will continue to monitor the activities carried out under the freedom to provide services regime and does not rule out the implementation of similar measures in the event that situations detrimental to the interests of investors in Spain or to the smooth operation of the markets persist in relation to incidents previously reported to the home supervisor.

The CNMV carried out other actions related to compliance with the rules of conduct, including:

– Two early horizontal reviews relating to the information that the entities provide their clients in their key information document (KID) required under the PRIIPS Regulation and on costs and incentives in accordance with the new MiFID II regulations. The main deficiencies detected, which were reported in various exhibits in the 2018 Annual Report, were conveyed to the entities in 2019.

– A review for a sample of banking groups of the rebates that the bank receives from the collective investment scheme management company for the distribution of the group's CIS, with the aim of identifying possible situations in which compliance with regulations was perhaps being evaded through vertical integration schemes. Potential evidence of the partial existence of this practice was observed in some cases and several entities were asked to justify the amendments made to the economic conditions of their distribution agreements following the entry into force of MiFID II.

– Checks on the knowledge and skills of the personnel who inform or advise retail clients were carried out and it was observed that in some cases said personnel, and particularly some brokers, did not have the proper qualifications.

– In June 2019, the CNMV adopted a resolution on product intervention measures related to binary options and financial contracts for difference, whereby it established continuity with the measures previously adopted by ESMA on these instruments, given their complexity and leverage and in the spirit of protecting the retail clients that operate with them.

Prudential requirements

The prudential supervision of investment firms is carried out, firstly, by analysing their economic financial situation and net worth viability and, secondly, by verifying that they comply with the solvency requirements laid down in the specific legislation. The ultimate aim is to ensure that these firms have sufficient own funds to take on the risks associated with the activity that they perform. The bulk of this supervision is based on an analysis of the information sent periodically to the CNMV, which is complemented by on-site inspections.

The sector as a whole continues to have ample own funds in relative terms (see Section 3.2.2.1). As part of its supervisory tasks, the CNMV closely monitored the firms that had revealed net worth or solvency incidents.

The common procedures and methodologies for the Supervisory Review and Evaluation Process (SREP) were once again applied during 2019, and no situations of significant risk were observed.

With the technical support of the Bank of Spain, work continued in 2019 on the review of the internal models for determining the own funds requirements of a large firm that has high volumes of trading in derivative instruments, both in organised markets and OTC.

Similarly, the CNMV continued to review the risk profile of all entities, reporting to the fund for Orderly Bank Restructuring (FROB) those that fall within the scope of Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms.

Additionally, with the aim of identifying the main aspects that investment firms must consider if they decide to carry out ancillary activities, as well as transmitting to the sector the interpretation criteria that the CNMV plans to apply and determining the scope with which such services can be performed by an investment firm, the Technical Guide for ancillary activities was published. The guide reiterates that any ancillary services performed by an investment firm must be reported to the CNMV and that these must have a financial component or a sufficient degree of connection with the investment firm's business. It also establishes thresholds considered acceptable for these services or activities as a whole.

Technical Guide 3/2019 on the authorisation procedure for new firms

EXHIBIT 14

On 28 November 2019, following its submission to public consultation, the CNMV approved its Technical Guide 3/2019 on the authorisation procedure for new firms, thereby fulfilling one of the commitments made in its 2019 Activity Plan.

The guide is intended for promoters of authorisation projects for investment firms (IFs), collective investment scheme management companies (CISMCs), closed-ended collective investment scheme management companies and crowdfunding platforms (CPs), and contains recommendations and best practices to facilitate and streamline the authorisation process.

The authorisation process for new firms is in general a laborious one in which the promoters have to submit a great deal of documentation to comply with the applicable regulations, which are highly harmonised in the European Union and increasingly complex and prolific, which makes granting authorisation a demanding and detailed process.

To help developers, the CNMV has published guides or manuals explaining the steps that must be followed and the documentation to be provided to successfully complete the procedure. Direct dialogue with interested parties is also provided to clarify any related queries.

In this regard, and to ensure the swift and efficient processing of authorisation procedures, Technical Guide 3/2019 offers developers the possibility of a structured initial contact, which it calls pre-notification, to help identify the main requirements for the procedure before the application is officially filed.

This pre-notification process may consist of one or more meetings prior to the presentation of the formal authorisation request to discuss and make a preliminary analysis of the project and the documentation that the promoters must provide. To ensure the effectiveness of this phase, the CNMV website contains forms for promoters with the main information required, considering the specific features of each firm, which should be completed before the corresponding meetings and serve as a guide during them.

The pre-notification process does not in any way preclude any other preliminary meetings that may be arranged to discuss the project being put forward and obtain a first impression from the CNMV on the matter. In any case, for these meetings to be productive, it is also advisable for promoters to submit a brief note in advance with the questions that they wish to discuss.

Also, in the legal authorisation phase of the procedure, once a prior analysis of the project has been carried out and with the aim of speeding up said procedure, the Technical Guide recommends that the documentation forming the application be presented along with a standard document that certifies the documentation provided and that includes the checks that the applicant has carried out. The purpose of this self-review is to avoid the most frequently repeated errors in the documentation provided.

Technical Guide 3/2019 also states that the CNMV should take into account the nature, scale and complexity of the specific firm to ensure a proportionate application of the authorisation requirements.

Lastly, it establishes that the CNMV is empowered by Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Administrations, to consider applications for authorisation to have been withdrawn if all the legally required documentation is not provided and this is not rectified at the request of the CNMV within the period granted.

6.2 Collective investment schemes and closed-end investment schemes

The supervision of CIS, venture capital firms and closed-ended collective investment schemes was focused on preventive analysis to ensure that management companies of these vehicles adequately comply with their obligations, that conflicts of interest are solved appropriately and that unitholders and shareholders receive sufficient information about their investments.

In any event, the two categories of supervision of the vehicles and their management companies performed by the CNMV are complementary. On the one hand, off-site supervision based on analysing the financial reporting statements of the vehicles submitted to the CNMV on a periodic basis, which include a list of individual positions of the portfolio assets. On the other hand, on-site inspections basically focused on verifying less standardised or more specific aspects of the vehicles that are not readily apprehended in the standardised reporting.

Off-site supervision is basically conducted on two levels. The first level consists of performing general periodic analyses for ongoing control of aspects such as adequacy of resources and appropriateness of the internal controls of management companies, the prevention of conflicts of interest and compliance with legally established ratios and the suitability of investments. The other level includes non-recurring analyses, whether general or specific, of issues which arise or are detected during the supervision.

The main periodic controls performed in 2019 for CIS are summarised below:

- Control of CIS legality. The aim is to supervise appropriate compliance with the limits established in CIS legislation, including: structural limits (of assets and minimum number of unitholders and shareholders), limits on diversification by issuer, and counterparty risk and exposure in trading with derivatives.

- Analysis of returns and price comparison. This aims to detect atypical changes in net asset values based on a regression analysis of the daily performance of the market compared with the performance of the CIS. Comparative analyses are also performed to identify discrepancies in the valuations applied by the institutions to the same asset.

  These analyses allow the CNMV to detect incidents and deficiencies in the asset valuation procedures and in the controls implemented by management companies, as well as any other incorrect recording of transactions and allocation of expenses and fees.

- Trading of assets: by means of automated processes, the CNMV identifies transactions that might reveal conflicts of interest, including: transactions in which one or more CIS acquire a fixed income or equity asset and other CIS with the same management company sell it, purchases of structured products and placements in the primary market.

  In all these situations, the CNMV, where appropriate, must verify proper compliance with the rules on related party transactions established in current legislation. Specifically, the CNMV must verify that the entity has a formal authorisation procedure which demonstrates that such trading is performed in the interest of both CIS and at arm's length.

- Analysis of CIS audits. CIS regulations require firms to send audit reports and annual accounts electronically to the CNMV. This information must be delivered to investors as part of the annual report. No significant incidents were detected in the CIS audit reports in 2019, with only one of them containing a qualification, for which the corresponding information was requested.

- CIS liquidity analysis: the current liquidity level of the assets held by the CIS is monitored to identify the institutions that could present large exposures to assets with low levels of liquidity and detect deficiencies in the controls and procedures that the management companies must implement to effectively manage this liquidity.

  The objective of these supervisory analyses is to ensure that no conflicts of interest arise among investors, i.e., that the daily management of liquidity adheres to the principle of equity (through a proportionate sale of the liquid and illiquid portfolio to meet redemptions), and that, in exceptional situations or circumstances, the management company has contingency plans to activate other measures or tools permitted under regulations, among others: notice periods, subscriptions and partial redemptions, creation of special-purpose subfunds and even the temporary suspension of the fund.

CIS liquidity analysis EXHIBIT 15

Based on the confidential information that management companies submit to the CNMV on a monthly basis, regular off-site supervision is carried out to monitor the liquidity levels of the assets held by the CIS, with the objective of identifying and anticipating possible liquidity problems that may arise, as well as detecting deficiencies in the controls and procedures that management companies must implement to ensure proper liquidity management.

For this purpose, based on a predefined methodology that combines information from different market sources, a liquidity level is assigned to each of the CIS assets, which allows institutions that could potentially present significant exposures to investments with the lowest levels of liquidity to be identified.

The result of the latest global measure undertaken in 2019 (at 30 September) showed that the estimated volume of assets with potentially lower levels of liquidity was not very significant. Specifically, €6,904 million, accounting for 2.29% of the total volume of assets managed by CIS. Additionally, exposure to these assets was highly diversified, with 83 institutions having exposures above the thresholds that the CNMV considers to be of supervisory interest for the purpose of more exhaustive analysis. These 83 entities represented 1.99% of the total number of entities registered.

The management companies of these CIS were checked to ensure that they have adequate controls and procedures in place; specifically, that they:

– Use a methodology that takes into account as many parameters or factors as possible to establish a liquidity level for each investment, giving priority to quantitative information on traded volumes, price ranges, number of existing counterparties, etc.

– Make estimates of the time horizons necessary for an orderly settlement of each of the positions and ensure that these are global estimates, i.e., that they consider all the investments of their funds in the same asset.

– Carry out stress tests on both the assets and liabilities of the fund, with the aim of anticipating possible liquidity problems in exceptional situations.

– Ensure that for each fund there are internal limits or thresholds for investment in assets that could present liquidity problems and that, if these are surpassed, an exhaustive analysis of the circumstances is performed, and where appropriate, measures are implemented to ensure that there are no conflicts of interest between investors, and that the risk level of the CIS is not significantly increased.

– Contingency plans are drawn up detailing the circumstances and conditions under which the different regulation-approved tools or mechanisms would be activated: notice periods, temporary borrowing, partial subscriptions and redemptions, creation of special purpose sub-funds or "side pockets" and even the temporary suspension of the fund.

The objective of these supervisory analyses is to ensure that the management companies do not generate conflicts of interest among investors, that in the daily liquidity management of their institutions the principle of equity is respected at all times using what is known as the "slicing approach" (the proportionate sale of the liquid and illiquid portfolios to meet redemptions) and that the entity has contingency plans to activate the measures or tools indicated in exceptional situations or circumstances.

Lastly, it should be noted that the exposures of CIS to certain categories of assets which, due to their characteristics, could create liquidity management problems, were also assessed as a preventive measure. Specifically, the last analysis performed focused on investments held in fixed income assets with low credit ratings (high-yield debt), as well as in equities of companies with low capitalisation (small caps). The management companies of the institutions identified as having the highest exposures were required to improve the transparency provided to unitholders, issuing a warning in the KID of the higher potential liquidity risk that such institutions may have in adverse market situations, as a consequence of investing in these assets.

In regard to eligible assets, and in accordance with the CNMV's Activity Plan, in 2019, an analysis was made of the investment of CIS in other group CIS, to assess the structural costs at two levels. In general, it was found that most management companies applied good practices in the accumulated costs of their funds of funds. However, as some management companies were identified for which this was not the case, a statement was published on the CNMV website, describing good practices in this area (basically, reversal of the management fee for underlying funds if they do not invest in clean classes or if these do not exist).

CIS investments in group CIS

EXHIBIT 16

In 2019, the CNMV carried out an analysis of the practices followed by Spanish management companies when their funds invest in other funds managed by the same manager or by other management companies of the same group.

The study revealed that most management companies that carry out this type of operation invest in portfolio asset classes (also called "clean" classes) or reverse the portion of the management that could be attributed to the marketing costs of the investment fund when they invest in underlyings with more expensive classes or in funds with no classes. Some management companies even apply more favourable conditions for unitholders, with rebates of the entire management fee for the underlying fund or establishing a class with 0% fee (class zero), which is the one in which their CIS invest.

However, a small number of management companies were detected which were not offering rebates of the distribution costs to the investment fund when these were included in the class in which the investment was made, which is a less transparent practice. Additionally, this practice would be different from the practice applied when investing in foreign CIS outside the group (in which case the rebates received are always paid to the investing fund). For this reason, the CNMV is considering an amendment to the regulations affecting this issue.

In any case, pending such regulatory amendment, a statement was published on 19 December 2019 explaining that in regard to investment by CIS in other CIS with the same management company or managed by a company belonging to the same group, in which there are no classes with no marketing fee, (portfolio or "clean" asset classes), good practice is considered to be the establishment by the management company of mechanisms that ensure that the marketing costs included in the fee for the underlying fund are transferred back to the investing fund, taking into account that for this type of investment there has been no such marketing.

In addition to these sector-wide analyses of specific issues, the CNMV performed other analyses of specific issues affecting individual entities, such as asset valuation, investments in non-eligible assets or liquidity, conflicts of interest, etc.

With regard to **closed-ended investment vehicles**, analyses are carried out off-site that cover the different universes in the total of said vehicles depending on the legal obligations to which they are subject.

For instance, the CNMV assessed the audit reports received, as well as the special reports provided for in Rule 20 of CNMV Circular 11/2008, of 30 December, on the additional information provided to auditors by the entities whose initial reports contained an auditor's opinion with qualifications due to scope limitations. This analysis is performed on the information received by the CNMV. On the one hand, the audit reports of entities that are required by law to submit audited annual financial statements, i.e. those managed by management companies whose assets under management exceed the established thresholds or that market them to retail investors, in addition to reports received from entities that are not subject to this obligation.

Additionally, through the confidential information received, compliance with both the mandatory investment ratio and the diversification ratio is assessed. Closed-ended collective investment companies (SICCs) and funds (FICCs) are excluded from this analysis, as they are not bound by these ratios.

In 2019, as a result of these supervisory actions, the CNMV sent out 1,464 deficiency letters to supervised entities.

Of the total number of letters, 538 were for late filing of information, mostly audit reports on vehicles.

A further 151 letters were to request information needed for supervision (other than that available on a general basis) from the entities subject to supervision.

A total of 622 letters were also sent requesting entities to adopt specific measures, improvements or recommendations to solve the incidents detected in the supervision performed and, finally, 153 letters corresponding to other notifications (basically responding to enquiries and information for management companies).

Supervision of CIS and venture capital firms: Deficiency letters sent by the CNMV in 2019 TABLE 6.2.1

Type of deficiency letter	Off-site	On-site	Total
For late filing of information	538	0	538
Requests for information	115	36	151
Corrective measures or recommendations	576	46	622
Other notifications	126	27	153
Total	**1,355**	**109**	**1,464**

Source: CNMV.

6.3 Management companies: CIS management companies, closed-ended collective investment scheme management companies and securitisation fund management companies

The general supervisory tasks carried out by the CNMV with regard to management companies remain geared towards prevention or, as the case may be, solving possible scenarios of capital deficits that might endanger their solvency.

Based on the latest data available, at December 2019, it should be noted that management companies as a whole had a significant surplus of own funds. In the case of CIS management companies, eligible capital amounted to €733 million (4.8 times the required capital). Management companies of closed-ended collective investment schemes had eligible capital of €125 million (3 times the required capital). Lastly, securitisation fund management companies, available data for which are for year-end 2018, are a different case as almost all of them hold the maximum required capital provided for in the law and adapt the eligible capital to said maximum. The sector's surplus is therefore very limited.

The assets under management of CIS management companies fell slightly at year-end 2018, by 1.5%, compared with 2017, to recover by 13% at December 2019. The assets under management of management companies of collective investment schemes rose by 27% in 2018 compared with 2017, and by an additional 22% at the end of 2019, while the assets managed by securitisation fund management companies fell by more than 17%.

The recurring supervisory tasks focused on analysing the confidential information received on a half-yearly basis, which allows the CNMV to monitor entities' level of solvency, the annual audited reports, the reports by entities' internal audit unit and a review of certain mandatory legal requirements.

With regard to the specific or non-recurring supervisory analyses conducted with regard to **CIS management companies,** standouts in the area of **branches of EU management companies** that operate in Spain include, on the basis of the Circular approved in 2018, the authorisation of the CIFRADOC SGE process to obtain information on their activity and thus supervise application of rules of conduct. The first data, corresponding to 2019, will be received before the end of February 2020.

In the area of management companies of **closed-ended collective investment schemes,** the specific non-recurring supervisory analyses remain focused on newly created management companies, which, given the time required to reach minimum returns, have very low levels of own funds and sometimes a deficit.

Lastly, it is important to note the increase in the number of management companies over 2019: Seven new CIS management companies, 16 management companies of closed-ended collective investment schemes and one securitisation fund management company, and greater dedication in the CNMV's general supervisory tasks.

6.4 Depositories

In 2019, the supervision of depositories focused on the analysis of the half-yearly reports on the supervision and monitoring function that must be submitted to the CNMV.

In these reports, depositories must include all the failures to comply with legislation or anomalies that have been detected in the management and administration of CIS. Within these, in 2019 special attention was paid to those prepared by the depositories of venture capital firms and closed-ended collective investment schemes, given the new requirement for these investment vehicles to have a depository.

6.5 Crowdfunding platforms

With regard to the supervision of crowdfunding platforms, in 2019 the supervision model was continued, which basically involves a review of the audited annual accounts; of the report established in Article 91 of Law 5/2015, of 27 April, promoting business financing; the auditor's special report, and the annual information in table format requested from entities referring to their situation and activity in the period. Specifically, the content of the audit reports attached to the annual financial statements was monitored, with a focus on the financial position and asset items corresponding to computer applications, tax assets and non-listed portfolio investments. For the preparation of the crowdfunding risk, the quantitative information obtained is of particular interest with regard to the funds raised, clients, income and profits, as well as information regarding project delinquency levels and the number and nature of complaints received. Following the analysis of the information, it was considered appropriate to plan specific supervisory actions in response to some of the aspects highlighted.

6.6 Cooperation in the prevention of money laundering

Regarding the prevention of money laundering, the collaboration agreement signed between the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Spanish acronym: SEPBLAC) and the CNMV continues to be applied. In 2019, an agreement was made to carry out the review programme established for nine entities included in the inspection plans, which include both investment firms and collective investment scheme management companies.

The conclusions of the work planned for this area in previous years were submitted to SEPBLAC in accordance with the work plan on the degree of compliance with the obligations to prevent money laundering for six investment firms and collective investment scheme management companies.

Similarly, the CNMV sent SEPBLAC relevant information relating to incidents regarding the prevention of money laundering identified in the review of the internal audit reports prepared by reporting entities.

6.7 Investors Compensation Scheme (FOGAIN)

The Fondo General de Garantía de Inversiones (FOGAIN) is the Investors Compensation Scheme for customers who are unable to recover the money or securities entrusted to investment firms, other than financial advisory firms, in the event of bankruptcy proceedings or a declaration of insolvency by the CNMV. The FOGAIN's coverage also extends to customers of CISMCs and of closed-ended investment scheme management companies as regards the provision of investment and ancillary services to individual clients, and for the same insolvency situations as for investment firms. The maximum amount of the compensation following verification of the investor's net position stands at €100,000.

At year-end 2019, the FOGAIN had a total of 178 member entities, 11 up on the previous year. Table 6.8.1 shows the breakdown by type of entity.

Trend in number of entities belonging to the FOGAIN TABLE 6.7.1

Type of entity	2016	2017	2018	2019
Broker-dealers/brokers	81	89	91	94
Portfolio management companies	2	1	1	1
CISMCs	58	68	73	81
Closed-ended investment scheme management companies	1	2	2	2
Total	**142**	**160**	**167**	**178**

Source: CNMV.

As indicated, customers of financial advisory firms are not covered by the fund. Nor are customers of foreign entities operating in Spain covered by the FOGAIN unless they operate through a branch and have decided to join the FOGAIN. There are currently no entities in this situation. Foreign entities are therefore covered by the guarantee funds of their home State, whose coverage may not be the same as that offered in Spain.

The FOGAIN has continued to provide support and assistance to its member entities in all matters relating to their relationship with the fund and its coverage.

Following the security and liquidity criteria set out in its regulations, the fund continued to invest its assets in public debt with different maturities over the year and in bank deposits.

The FOGAIN's assets totalled €108 million at year-end, an increase of 7.35% on 2018. The rise was the result of the contributions of the member entities and the return on investments, as well as the amounts recovered by the fund over the year. The FOGAIN recovered €1.36 million in the bankruptcy proceedings of Interdin Bolsa, SV, S.A. in 2019, which means that to date it has recovered approximately 95% of the total amount paid to the customers of said entity.

With regard to managing the recovery of the amounts paid out, the FOGAIN remains party to several open legal proceedings relating to the claims which it has covered and it initiates all the actions available to it in order to achieve said objective.

During the year, the FOGAIN operated different working groups of member entities on issues of common interest, and it was also present on the CNMV's Advisory Committee.

The FOGAIN continued to provide information to the clients of its affiliated entities and investors in general, which is one of its legally attributed functions. Numerous enquiries from investors were attended by telephone and through its website (www.fogain.es), in relation to the coverage offered by FOGAIN.

6.8 Benchmarks

The CNMV is the competent authority in Spain for the application of the regulations on benchmarks, laid down in Regulation (EU) 2016/1011 of the European Parliament and of the Council.[1]

2019 was the last year of the transition period for the full application of the Regulation[2] and for the authorisation and registration of existing index administrators at the time of their approval. For this reason, during the year, part of the CNMV's work in this area focused on processing the registration of the benchmark administrators set up in Spain to include them in the central registry overseen by ESMA.

Benchmark administrators authorised or registered by the CNMV TABLE 6.8.1

Administrator	Type	Registration date
Analistas Financieros Internacionales, S.A.	Non-significant benchmark administrator	18 July 2019
Sociedad de Bolsas, S.A.	Significant benchmark administrator	14 November 2019

Source: CNMV.

In addition, at the end of the transition period, the registration of four more administrators was pending, whose identity has been published by ESMA. According to Article 51.3 of Regulation 2016/1011, supervised entities of the European Union can continue to use the benchmarks provided by these administrators, unless and until such as time as this registration is rejected.

The CNMV continued to perform its activity as a member of the Euribor and Eonia colleges, as well as the Libor supervisory college, and completed its review of compliance with the corresponding requirements of the new regulation for entities that participate in the panels of the critical benchmarks. This review concluded that the entities had established sufficient resources, policies, procedures and controls, and a further review is planned once the new benchmark methodology has been implemented and its administrator has obtained authorisation under the benchmark regulation and registered with ESMA.

Given the scope of the reform of benchmark interest rates (see Exhibit 17), the CNMV continued to focus on ensuring that financial institutions and other companies that use interest rate benchmarks in their financial and capital market operations had knowledge of and adapted to the new regulation. In addition to the dissemination of information (through the Benchmarks" section of the CNMV website),

1 The regulation also confers on the Bank of Spain oversight, inspection and disciplinary functions relating to compliance with the following obligations of supervised entities: i) those of contributors of input data to benchmarks prepared by the Bank of Spain and, ii) those relating to the use of benchmarks in financial contracts applicable to entities subject to Bank of Spain supervision in the area of transparency and customer protection.

2 Regulation (EU) 2019/2089 of the European Parliament and of the Council, of 27 November, extends the transition period for critical indices and for third-country indices by two years, until 31 December 2021.

participation in numerous informative events and clarifying doubts, the following actions were taken:

In July 2019, the CNMV published a series of recommendations addressed to entities, advising them to:

– Monitor the developments and actions of the working groups and the main developments in the reform process.

– Have proper organisational measures in place to coordinate the design and implementation of the transition work if the level of use and exposure of the entity so advise.

– Carry out an assessment of the risks and possible accounting, legal, operational, prudential and behavioural effects associated with the transition in different scenarios.

– Plan the corresponding implementation actions.

On 29 October, the CNMV organised a conference on the adaptation of interest rate benchmarks to the new European regulations, which was attended by the chairman of ESMA; representatives of the European Commission, the European Central Bank, the Bank of Spain and IOSCO; the chair and other members of the CNMV, in addition to sector associations and Spanish institutions involved in the working group on risk-free indices in the euro area.

Work on regulatory policy and supervisory convergence also continued, coordinated by ESMA, with participation in the group discussions on benchmarks. In 2019, further work was done on the FAQ document, and several statements were prepared and published about the consequences of a no-deal Brexit and the criteria applicable to the registration of administrators from third countries.

Among the regulatory changes in 2019, the amendment of the benchmark regulation stands out – through Regulation (EU) 2019/2089 of the European Parliament and of the Council, of 27 November 2019 – which creates two categories of benchmarks related to climate change: EU climate transition benchmarks, a label reserved for indices that select companies on a decarbonisation trajectory, and EU Paris-aligned benchmarks, for those that select companies that contribute to the long-term limitation of global warming.

In addition to regulating the characteristics and requirements that a benchmark must meet to be classified in one of these two categories, the regulation encourages the administrators of significant benchmarks to have at least one of these climate transition benchmarks. At the same time, it establishes that the administrators of conventional indices must explain whether their methodology has taken into account environmental, social and corporate governance (ESG) factors and must include in their statement (Article 27 of the benchmark regulation), information on how ESG factors have been taken into account.

This regulation also introduces other changes in the benchmark regulations, such as extending to a maximum of five years the possibility of imposing the mandatory administration of critical benchmarks or making contributions to such indices mandatory, and expands also until 31 December 2021 the period during which an existing critical benchmark can be published and used without its administrator having to request authorisation. The same term is applicable to the use of third-country benchmarks. Regulation (EU) 2019/2175 of the European Parliament and of the Council, of 18 December, gives ESMA new powers over benchmarks, which will be effective from 1 January 2022, the supervision of critical benchmark administrators and recognition of third country benchmarks.

In 2019, ESMA also approved its guidelines for non-significant benchmarks, which the CNMV has adopted unchanged. These guidelines define criteria proportionate to the level of vulnerability and risk of these benchmarks in regard to the requirements of the oversight function, the provisions on calculation data, transparency of the methodology used and the governance and control requirements applicable to supervised contributors.

Lastly, the EC public consultation held at the end of 2019 on the revision of the benchmark regulation stands out, to which the CNMV contributed with concrete proposals to strengthen the size and stability of the panel of contributors permanently and expand the powers of the authorities to foster methodological changes, in both cases, to guarantee the continuity and representativeness of the critical benchmarks.

Progress in the reform of interest-rate benchmarks EXHIBIT 17

The transition[1] towards benchmarks that are more robust and representative of the economic reality that they are trying to measure, as well as the adoption of risk-free (or almost risk-free) rates, progressed significantly in 2019, although there are still major challenges to be faced in the coming years relating to its implementation and consolidation and the strength of current and future contracts.

In the euro area, the European Central Bank (ECB) has published the euro short-term rate, or €STR since 2 October 2019 The €STR reflects the euro unsecured overnight borrowing costs of euro area banks. This benchmark has been recommended by the working group as the euro risk-free rate[2] (the working group on euroRFR) to replace the Eonia as it is considered more robust, transparent and representative, being calculated by the ECB on the basis of the individual transactions reported by the 52 largest entities in the euro area and includes deposits with financial entities other than credit institutions.

In response to these recommendations and to facilitate a smooth transition from one benchmark to another, the administrator of the Eonia (European Money Markets Institute, EMMI) reformulated its calculation as the sum of the €STR plus a spread, determined by the ECB, of 8.5 basis points. In accordance with this new methodology, the administrator received the corresponding authorisation from the Belgian Markets and Financial Services Authority (FSMA) in accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (hereinafter, BMR), which allows the Eonia to continue to be used until 3 January 2022, the date on which it is expected to disappear.

The aforementioned working group also recommended to market participants that they gradually and as swiftly as possible replace the Eonia with €STR as the benchmark interest rate on their products and contracts and make the necessary contractual and operational adjustments to use the €STR as a benchmark.[3]

The other major benchmark in the euro area, the Euribor, which measures the cost of financing banks but in terms ranging from 1 week to 12 months, was fully adapted to European regulations during the year, its methodology was improved to more accurately reflect the market situation, and the governance and control environment surrounding its calculation reinforced, with the added value that both the administrator and contributors are subject to supervision. In this way, the benchmark allows the same underlying interest to be measured in a much more precise way and in compliance with European regulations. The index obtained authorisation from the Belgian FSMA on 2 July 2019, which allows supervised entities of the European Union to continue using the Euribor in the future.

As with the other authorised benchmarks under the BMR, all new contracts signed from 1 January 2018 must include, where feasible and appropriate, certain fallback provisions to provide for the termination or possible disappearance of the benchmark, as required by the new European regulation (Article 28.2 of the BMR).

For this reason, the EuroRFR working group is also working on fallback rates for the Euribor, based on interest rates determined based on the €STR. Since most risk-free benchmarks are overnight rates, they must be converted to forward rates to be used as an alternative in certain contracts that require a term component.

No consensus has yet been reached on the choice of the most suitable method from among the possible approaches: the backward-looking approach (*a priori* more appropriate for derivative contracts) and the forward-looking approach (which is considered more suitable for contracts and spot instruments).

Similar groups have been formed in other jurisdictions, which have also recommended risk-free rates. As in the euro area, in countries such as Japan, Switzerland and Australia, the coexistence of the reformed and improved Ibor indices with new risk-free rates is considered a viable option.

However, in the areas of influence of the pound sterling and the US dollar, where the most widely used index is the Libor (in its different terms and currencies), the authorities are recommending that this benchmark be replaced by alternative risk-free indices – Sterling Overnight Index Average (SONIA) in the United Kingdom and Secured Overnight Financing Rate (SOFR) in the United States – before the end of 2021 (the date on which the

UK authorities are expected to stop requiring banks belonging to the LIBOR panel to contribute).

Therefore, the central banks, following the recommendations of the Financial Stability Board (FSB), have provided the markets with benchmarks that comply with the highest standards in terms of transparency and governance, but their general adoption poses some challenges and implications that must be managed properly. Institutions must give due attention to the different approaches and the particular characteristics of the transition in each of the markets, while authorities and market participants must deal with pending developments and facilitate the transition together.

CCPs will play a key role in the transition process, adjusting their discount curves in a coordinated manner and permitting the offsetting of transactions referenced to the new benchmarks.

The International Swaps and Derivatives Association (ISDA) and other associations and sponsors of framework agreements, at European and national level, are also working to adjust framework agreements for financial transactions. The International Accounting Standards Board (IASB) is preparing a project to address the effects of interest rate reform on financial reporting and hedge accounting.

The European authorities are preparing an amendment to the regulations on over-the-counter derivatives, central counterparties and trade repositories (EMIR Regulation), to prevent contracts currently exempt from centralised clearing or bilateral collateralisation requirements from becoming subject to these standards as a result of the new benchmarks or through the inclusion of fallback clauses.

This reform is one of the main challenges facing the financial markets and will continue to focus the attention of and require collaborative actions from the public and private sectors in the coming years.

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1 More information on the origin and context of the reform can be found in Exhibit 16 in the *CNMV Annual Report* for 2018.

2 This group, headed by the ECB, the European Commission, the European Securities and Markets Authority (ESMA) and the Belgian Financial Services and Markets Authority (FSMA), with the participation of industry members, is in charge of identifying risk-free indices that can be used as alternatives to current indices, defining paths for an orderly transition and reinforcing current and future contracts.

3 The ECB's website (https://www.ecb.europa.eu/paym/initiatives/interest_rate_benchmarks/WG_euro_risk-free_rates/html/index.en.html) contains all the information on the recommendations of this working group.

6.9 Resolution (preventive stage) of investment firms

Spanish legislation on recovery and resolution opted for a model that distinguishes between resolution functions in the preventive stage, which are entrusted to the CNMV with regard to investment firms and to the Bank of Spain with regard to credit institutions, and in the enforcement stage, which are assigned to the Fund for Orderly Bank Restructuring (Spanish acronym: FROB) for both types of entity.

The resolution framework comprises three phases: i) the preventive phase, in which the entity's ordinary activity includes an analysis of its capacity to address its own crisis and to be resolved in an orderly manner if it fails; ii) the early intervention phase, in which the supervisor may exercise new powers to act on entities when they start to weaken but are still viable; and iii) the resolution phase if, in the end, despite the preventive measures, the entity's failure cannot be avoided.

As preventive resolution authority, the CNMV must draw up and approve – following a report from the FROB and from the competent supervisor – the resolution plan of each investment firm or group subject to supervision on a consolidated basis, and thus identify the best strategy in the event of failure. On drawing up the resolution plan, the CNMV performs an assessment of the entity's resolvability in order to determine whether, in the event that it fails, the resolution or liquidation can be carried out in a credible and feasible manner, without undermining the continuity of the critical functions performed by the entity. This plan also identifies and, where appropriate, eliminates, any obstacles that may hinder or prevent the entity's resolution or liquidation.

In 2019, the update of previously approved resolution plans started. Table 6.7.1 shows the number of plans implemented to date.

Investment firm resolution plans TABLE 6.9.1

	No. of plans drawn up	Plans with possible obstacles	Plans with MREL requirements	Updated plans
Individual	7	3	5	5
Group	22	13	21	6
Total	**29**	**16**	**26**	**11**

Source: CNMV.

On completion of the first planning cycle, the CNMV introduced some improvements in planning and the resolvability assessments for investment firms. For this purpose, new assessment tools were designed, and entities encouraged to become more engaged and involved in the update of resolution plans.

To facilitate the prioritisation of entities in the preparation or updating of resolution plans, a prioritisation matrix was developed based on comparative and transversal analysis.

In accordance with the Delegated Regulation on simplified obligations, approved and published in 2019, the CNMV performs an individual analysis of investment firms at the time of preparing the resolution plan, following the quantitative and qualitative criteria provided in this regulation, in order to determine the application or otherwise of simplified obligations. In view of the specific characteristics of investment firms, the plans that have been drawn up are simplified resolution plans that must be updated at least biannually.

In the assessment of resolvability, some firms hold significant client assets (cash and financial instruments) and, therefore, in the event of failure, said resolvability may be affected by difficulties and delays in the restitution and transfer of these assets to other entities in the course of a liquidation through ordinary insolvency proceedings. The CNMV has proposed preventive measures to these entities, such as entering into agreements with third entities when certain early warning thresholds are reached. Consequently, in the event of failure, the transfer and redemption of client assets is assured, whether on a provisional or final basis, without incidents and in the shortest time possible.

With the entry into force of Royal Decree 1464/2018, which implements the recast text of the Spanish Securities Market Act, this recommendation is subject to compliance with Article 42.4 of Royal Decree 1464/2018, according to which, entities that provide investment services must reach agreements with third parties so that, in the event of financial difficulty, they can agree to transfer the financial instruments held in custody. For investment firms, these agreements must also apply with respect to cash.

Accordingly, the update of the resolution plans includes a follow up of the recommendation issued, as well as compliance with the legal provision, assessing the status of the agreements signed with other entities for the transfer of securities and cash.

One factor to be taken into account when determining the resolution strategy is the type of clients of the entities (retail or professional) and the extent to which the funds and financial instruments held by the investment company on behalf of its clients are protected by an investor compensation system. It is, therefore, important to assess the impact that the failure of an investment firm could have on the financial capacity of the FOGAIN and on other investment firms, if it became necessary to make additional contributions to the fund. A model has been defined that calculates the impact on the financial capacity of the fund and other investment firms in the worst case scenario, if it became necessary to make additional contributions to FOGAIN.

The assessment of resolvability includes a substitutability analysis. To perform this analysis, a model is available that allows potential buyers of an investment firm to be identified in the event of a hypothetical failure, which would give continuity to the functions performed.

In the resolution plans of investment firms, it is considered that the most appropriate strategy, in the event of failure, is liquidation in accordance with an ordinary insolvency procedure. This is deemed to be a credible and feasible procedure to the extent that it would make it reasonably possible to achieve, and at least to the same extent as a resolution process, the resolution objectives established by the Law on recovery and resolution in this area.

During the drafting of the resolution plan, the CNMV also assesses the possible minimum requirements for own funds and eligible liabilities (MREL), i.e., whether the entity has sufficient minimum own funds and eligible liabilities to absorb losses and to carry out the chosen (resolution or liquidation) strategy. In the cases analysed, no additional amount was considered necessary to recapitalise the firms, given that the strategy proposed was liquidation through ordinary insolvency proceedings, considering that the amount necessary to guarantee absorption of losses must match the minimum capital required at any time by the competent supervisor.

In 2019, all investment firms falling within the scope of application of resolution legislation submitted an update of their recovery plans. These plans have been reviewed independently by the supervision and resolution functional areas of the CNMV, as well as by the FROB – in its capacity as resolution authority at the enforcement stage – and it has been concluded that in no case did their content have a negative effect on the resolvability of the entities.

Coordination between Spanish resolution authorities is guaranteed institutionally as the CNMV, through its deputy chairperson, and the Bank of Spain are members of the governing commission of the FROB since entry into force, in July 2015, of Law 11/2015.

In accordance with the agreement signed between the CNMV and the FROB, two meetings of the Collaboration Committee were held in 2019 to reinforce the existing institutional cooperation between the two organisations.

The CNMV, in the exercise of its resolution powers, has remained extremely active in the different forums and working groups worldwide. At an EU level, the CNMV is a member of the Resolution Committee (ResCo) of the European Banking Authority (EBA), which is responsible for developing standards, reports and guidelines relating to the Directive on the recovery and resolution of credit institutions and investment firms. Highlights of the work carried out in 2019 include: i) analysis of the relationship between the regulatory resolution framework and the capital markets, ii) monitoring the impact of the decisions on MREL, iii) the implementation of the mandates included in the "banking package" and iv) coordination of preparatory measures for Brexit.

The CNMV also participates in different sub-working groups created within the EBA, such as the Sub-Working Group on Resolution Planning and Preparation (SGRPP) and the Sub-Working Group on Resolution Execution (SGRE).

Progress in the market infrastructure resolution framework EXHIBIT 18

Central Counterparties or clearing houses (CCPs) intervene between the participants in the financial markets, acting as buyers against all sellers and as sellers against all buyers for a given group of contracts.

CCPs in the European Union are subject to very strict requirements. However, there is no harmonised regulatory framework in the European Union if CCPs are faced with serious difficulties, beyond the provisions of the EMIR Regulation,[1] or if they fail. In other words, there are no harmonised provisions for the recovery and resolution of CCPs throughout the European Union.

The lack of standard conditions, powers and processes for the recovery and resolution of CCPs has been considered by European legislators as an obstacle to the proper functioning of the internal market and hinders cooperation between national authorities in the event of the failure of a CCP and the application of appropriate loss allocation mechanisms among its members, both within the Union and globally, and since November 2016,[2] with the publication of the European Commission proposal, work has been under way to develop a new regulation governing the framework for the recovery and resolution of CCPs.

The objective of the proposed regulation is to achieve the orderly recovery of CCPs in different scenarios of financial difficulty by applying robust and integrated recovery plans, agreed between CCPs and their clearing members, and to ensure that if this is insufficient and if the resolution conditions are met, the authorities act swiftly to preserve financial stability, guarantee the continuity of the CCP's essential functions and protect taxpayers as far as possible.

Following the entry into force of the Regulation, Member States will designate CCP resolution authorities, which will have a harmonised set of powers to undertake all relevant preparatory and resolution actions. In addition, resolution authority colleges will be created, which will provide a framework for the resolution authorities and other relevant bodies to carry out the following tasks: i) exchange of relevant information for the development of resolution plans, the application of preparation and prevention measures, and resolution; ii) design of resolution plans; iii) assessment of the resolvability of CCPs; iv) identification, evaluation and removal of obstacles to the resolvability of CCPs, and v) coordination of the public communication of resolution plans and strategies.

At the international level, in October 2011, the Financial Stability Board (FSB) adopted the key attributes (KA) of effective resolution regimes for financial institutions. This document establishes the elements that the FSB considers necessary for an effective resolution regime. The report was approved by G20 leaders in November 2011 at the Cannes Summit as a new international standard for resolution regimes.

Subsequently, in November 2018, in the FSB report on the implementation of resolution reforms, it was established that the authorities responsible for the resolution of systemically important CCPs in more than one jurisdiction[3] should: i) undertake resolution planning as set out in the FSB Guide, ii) establish a Crisis Management Group (CMG) for CCPs that are considered systemic in more than one jurisdiction, iii) adopt cooperative agreements (CoAgs), and iv) launch a process of resolvability analysis along with resolution planning.

In this context, on 2 April 2019 the CNMV Executive Committee approved the creation of the BME Clearing CMG as a channel for the sharing and consultation of initiatives to ensure the resolution plans of entities are better prepared and, where appropriate, provide management advice, thus getting ahead of the tasks that will be established under the new regulation.

In its work plan for 2020, the FSB has established that in September the CMGs must inform the IMF Cross-Border Crisis Management Group (IMFCBCM)[4] of the results of the analysis of financial resources and the treatment of equity in resolution.[5] At the same time, the CMGs must have completed a preliminary analysis of resolvability and resolution planning focused on scenarios where losses occur for reasons other than member default (also known as non-default loss scenarios) such as cyber theft or incidents with the bank that has custody of the collateral.

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1 Regulation (EU) No. 648/2012, of the European Parliament and of the Council, of 4 July, on over-the-counter (OTC) derivatives, central counterparties and trade repositories.

2 In February 2020, this Regulation was being discussed by the European Commission, the Council and the European Parliament.

3 In 2017, CPMI-IOSCO identified the Spanish CCP, BME Clearing, as a systemically important CCP in more than one jurisdiction, using the FSB Guide to CCP Resolution and Resolution Planning as a reference.

4 FSB group created in 2015, with the purpose of developing CCP resolution strategies and plans, as well as the cross-border implementation of resolution actions.

5 For this analysis, the CMG should follow the guidelines established in the draft FSB guidelines *Financial resources to support CCP resolution and the treatment of CCP equity in resolution*. The final version of these guidelines is expected to be published in the last quarter of 2020.

7 Investor assistance

7.1 Claims

Investors can file complaints with the CNMV's Claims Service for delays, failures to address their problems or other inadequate actions by financial institutions, as well as claims for specific actions or omissions that harm their rights or interests. Nevertheless, they must prove that they previously filed these complaints or claims with the customer care service and/or customer ombudsman of the entity in question without obtaining satisfaction or a timely response from the latter.

In 2019, investors presented 1,077 written claims and complaints likely to give rise to the opening of a claim file, an increase on those presented in 2018 and 2017.

The Claims Service analyses these claims and complaints which according to whether they meet the requirements to be admitted as claims from their submission, may go through several different phases (preliminary, processing and resolution, and subsequent). This work is performed subject to rules on operation and procedure. Adaptation of these rules to legislation on alternative dispute resolution for consumer disputes was published in the 2017 Report on Complaints and Enquiries.

Claims and complaints that did not meet the requirements to be admitted for processing fell by 0.9% in 2019, and the number of claims and complaints processed during the year also declined slightly, by 1.6%. A larger number of claims were completed without a final reasoned report being issued (+20.6%) as there had meanwhile been an acceptance, mutual agreement, withdrawal or non-admission, leading to a 5.6% reduction in the number of claims on which the Claims Service issued a reasoned report. Of these, 51.2% were favourable and 48.8% unfavourable to the claimant.

The number of claims and complaints being processed at the end of 2019 rose by 23.5%.

Table 7.1.1 shows the data on the claims and complaints processed broken down by type of resolution.

Claims processed broken down by type of resolution

TABLE 7.1.1

Number of claims and complaints

	2017		2018		2019		% change
	No.	%	No.	%	No.	%	18/19
Registered with the CNMV's Claims Service	**998**	**–**	**1,018**	**–**	**1,077**	**–**	**5.8**
Not accepted for processing	**407**	**–**	**348**	**–**	**345**	**–**	**-0.9**
Processed without final reasoned report	**108**	**16.3**	**107**	**54.6**	**129**	**53.3**	**20.6**
Acceptance or mutual agreement	73	11.0	97	49.5	112	46.3	15.5
Withdrawal	21	3.2	7	3.6	12	5.0	71.4
Ex post facto non-admission	14	2.1	3	1.5	5	2.1	66.7
Processed with final reasoned report	**555**	**83.7**	**590**	**301.0**	**557**	**230.2**	**-5.6**
Report favourable to the complainant	301	45.4	353	180.1	285	117.8	-19.3
Report unfavourable to the complainant	254	38.3	237	120.9	272	112.4	14.8
Total processed	**663**	**100.0**	**697**	**355.6**	**686**	**283.5**	**-1.6**
Being processed at the end of the year	**223**	**–**	**196**	**–**	**242**	**–**	**23.5**

Source: CNMV.

The reasons for the claims made in the 686 claims and complaints concluded in 2019 amounted to 1,046[1] as broken down in Table 7.1.2.

Reasons for claims concluded in 2019

TABLE 7.1.2

Investment service/reason	Reason	Securities	CIS	Total
Marketing/execution Advisory service Portfolio management	Appropriateness/suitability	33	117	**150**
	Prior information	50	122	**172**
	Purchase/sale orders	68	52	**120**
	Fees	107	81	**188**
	Transfers	19	41	**60**
	Subsequent information	132	88	**220**
	Ownership	6	7	**13**
***Mortis causa* acquisitions**	Appropriateness/suitability	2	1	**3**
	Prior information	2	1	**3**
	Purchase/sale orders	7	3	**10**
	Fees	6	2	**8**
	Transfers	3	1	**4**
	Subsequent information	19	15	**34**
	Ownership	23	18	**41**
Functioning of Customer Service		**13**	**7**	**20**
Total		**490**	**556**	**1,046**

Source: CNMV.

With regard to the type of product, over half of the claims resolved referred to collective investment schemes, while the other complaints related to different types of securities, such as capital instruments, bonds and financial derivatives.

1 There may be several reasons stated in the same claim or complaint file.

As regards the reasons for the claims and complaints, a large number related to information provided on the product after its purchase (24.3%), fees charged by the entities (18.7%) and the information provided on the product before its purchase (16.7%).

7.2 Enquiries

The CNMV's Investors Department responds to enquiries on matters of general interest relating to the rights of users of financial services and the legal routes for exercising such rights. These requests for advice and information are provided for in Article 2.3 of Order ECC/2502/2012, of 16 November, which regulates the procedure for filing claims with the complaints services of the Bank of Spain, the CNMV and the Directorate-General of Insurance and Pension Funds.

In addition to responding to the enquiries defined in the aforementioned Order ECC/2502/2012, the CNMV helps investors search for information included on its website (www.cnmv.es), the content of which can be found in the official public registries of the CNMV and in other documents which it publishes, and it deals with various issues or doubts relating to securities markets that retail investors may have.

There are three channels available for submitting enquiries: by telephone, by post or through the electronic office (available at www.cnmv.es), where there is a section for submitting claims, complaints and enquiries and where identification is required by means of an electronic certificate or identity card or through a user name and password, which can be used for future enquiries or claims with the CNMV (https://sede.cnmv.gob.es/sedecnmv/sedeelectronica.aspx?lang=en).

In 2019, 7,560 enquiries were dealt with. Most of the enquiries were made by telephone (85.6%) and were dealt with by call centre operators. These enquiries were limited to providing information contained on the website (www.cnmv.es). By volume, the second most used method was the electronic office form (10.6%) followed by submission through the general registry (3.8%).

As shown in Table 7.2.1, the total number of enquiries dealt with in 2019 fell by 29.8% on 2018. This reduction was mainly due to the lower number of telephone enquiries (3,088 down on 2018), and a reduction in enquiries submitted through the general registry (147 down on 2018).

The number of enquiries dealt with in 2019 was down again, in line with the trend seen in 2014, 2015 and 2016, after the rise in 2017 and 2018, due mainly to enquiries received after the resolution of Banco Popular Español, S.A. and its implications. Numerous claims and complaints that were actually enquiries were also submitted to the CNMV through the channel for reporting possible infractions.

The average response time, apart from enquiries received by telephone and dealt with immediately, stood at 22 calendar days in 2019.

Number of enquiries by channel

TABLE 7.2.1

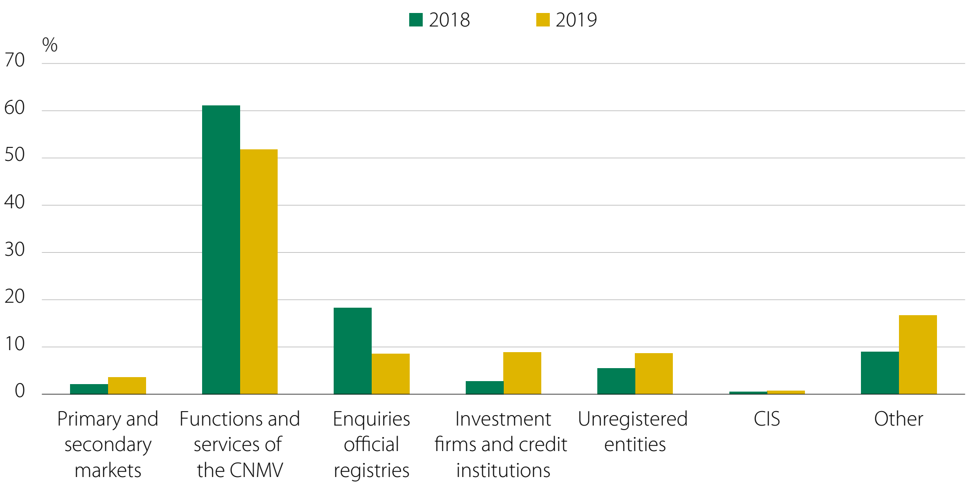
	2017		2018		2019		% change
	No.	% of total	No.	% of total	No.	% of total	19/18
Telephone	9,907	88.5	9,559	88.7	6,471	85.6	-32.3
Letter	399	3.6	436	4.0	289	3.8	-33.7
Form	893	8.0	777	7.2	800	10.6	3.0
Total	**11,199**	**100.0**	**10,772**	**100.0**	**7,560**	**100.0**	**-29.8**

Source: CNMV.

As in previous years, enquiries in 2019 were related to investors requesting information about data available on the CNMV's official registries: information on registered entities, fees for investment services, price-sensitive information, short positions, significant shareholdings, CNMV notifications, statistics and publications, among other content that is freely available to the public. Similarly, and as is now the norm, there were enquiries about the CNMV's functions and services and about the status of claim and complaint proceedings. The call centre also provided interested parties with telephone numbers and contact details of other bodies when the issues raised did not fall under the responsibility of the CNMV.

Enquiries by topic

FIGURE 7.2.1



Source: CNMV.

Together with recurring subjects, investors made other enquiries about matters relating to the market situation or certain events, notably including the following:

– Enquires and complaints regarding the voluntary takeover bid of for Distribuidora Internacional de Alimentación, S.A. (DIA), and its possible delisting.

  Enquiries were also dealt with regarding other authorised takeover bids in 2019. Specifically, in relation to Bodegas Bilbaínas, S.A., General de Alquiler de Maquinaria, S.A. and Natra, S.A.

  Enquiries or complaints were also filed regarding the formulation of a takeover bid for AB-Biotics, S.A., the shares of which were traded on the Alternative Stock Market (MAB).

- Enquiries relating to possible instances of fraud carried out by companies known as “recovery rooms”, which contact people who have been victims of boiler rooms (unauthorised entities) to manage the recovery of their losses or buy back shares or securities acquired through unregistered companies.

  The CNMV published a press release on 22 May 2019, warning about this type of fraudulent activity.

- Enquiries regarding possible instances of fraud known as funded trading accounts.

  These services offer clients the possibility of accessing a securities account to carry out different types of transactions (stock market trades, CFDs, forex, etc.) with the particularity that users would not risk their own capital, but would apparently trade with the capital provided by the service, supposedly in exchange for a percentage of the profits.

  In order to use these funded trading accounts, users must attend a course that is paid for in advance, sometimes costing several thousand euros.

  The CNMV issued a press release on 29 July 2019 warning potential users of these accounts about the risks incurred by contracting the courses, including the risk of fraud or deception regarding the possibility of accessing the funded trading account.

- Doubts and complaints related to the resolution of Banco Popular Español, S.A. These focused specifically on the entity’s public financial information at the time when the interested parties acquired the securities.

- Enquiries about the implementation of minimum lot trading requirements for sales of certain listed securities.

- Enquiries relating to administration and custody fees for suspended and delisted securities.

  Special mention must be made of Indo Internacional, S.A., as, due to its liquidation in October 2019, it was not possible to charge any fees from that date.

- Enquiries and complaints requesting the resumption of the process for the admission to trading of the shares deriving from the capital increase executed through a public deed signed on 6 August 2015 by Urbas Grupo Financiero, S.A.

- Enquiries related to the current situation and fees charged for the holdings of non-voting units of the extinct Caja de Ahorros del Mediterráneo.

- Enquiries relating to unauthorised entities known as boiler rooms. Section 7.3 of this report covers the actions performed by the CNMV in 2019 in greater detail.

7.3 Warnings about unauthorised firms

Through its website, the CNMV issues warnings to investors about firms that are not authorised to provide investment services or activities reserved to collective investment schemes or crowdfunding platforms, provided for by law, and that have been detected by it or by other supervisors.[2]

A summary of the information on the warnings issued in 2019 is shown below (detailed information is available in the "Warnings" section of the Investor area of the CNMV website):

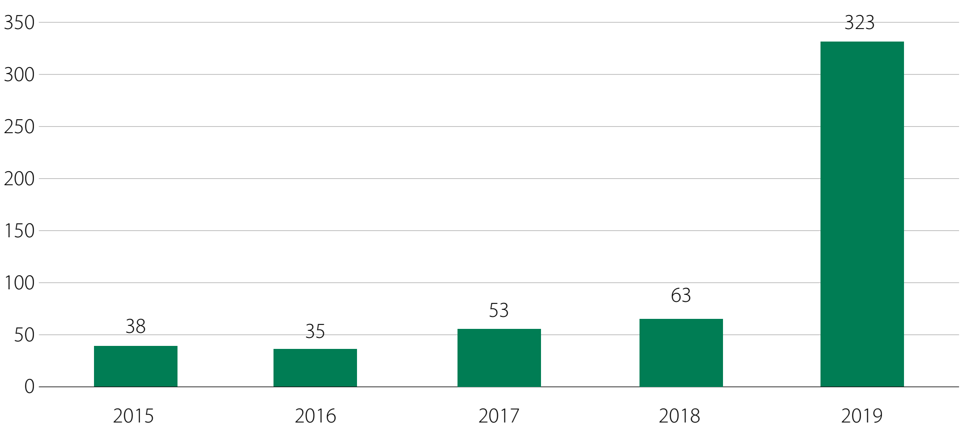
– A total of 323 warnings issued by the CNMV, regarding entities not authorised to act in the securities markets, pursuant to the provisions of the Securities Market Act.[3] This figure marks an increase of 413% compared with those made in 2018 (63), which exceeds the number of warnings issued, on an individual level, by any other supervisory body of any neighbouring country.

– A total of 808 notifications (557 in 2018) were received from supervisors in Member States of the European Union, of which 698 (35% more than in 2018) related to unauthorised firms, and 110 others (168% more than in 2018) were included under the heading "Other warnings", with alerts relating to improper conduct or actions.[4]

As a result of this activity, a total of 1,131 warnings were made over 2019 (82% up on 2018). It should be noted that two regulatory authorities (14% of the total), including the CNMV, made 56.5% of all warnings issued in Europe.

Figure 7.3.1 shows the trend in the number of warnings on unauthorised entities made by the CNMV over the last five years.

Number of warnings issued by the CNMV on unregistered entities FIGURE 7.3.1

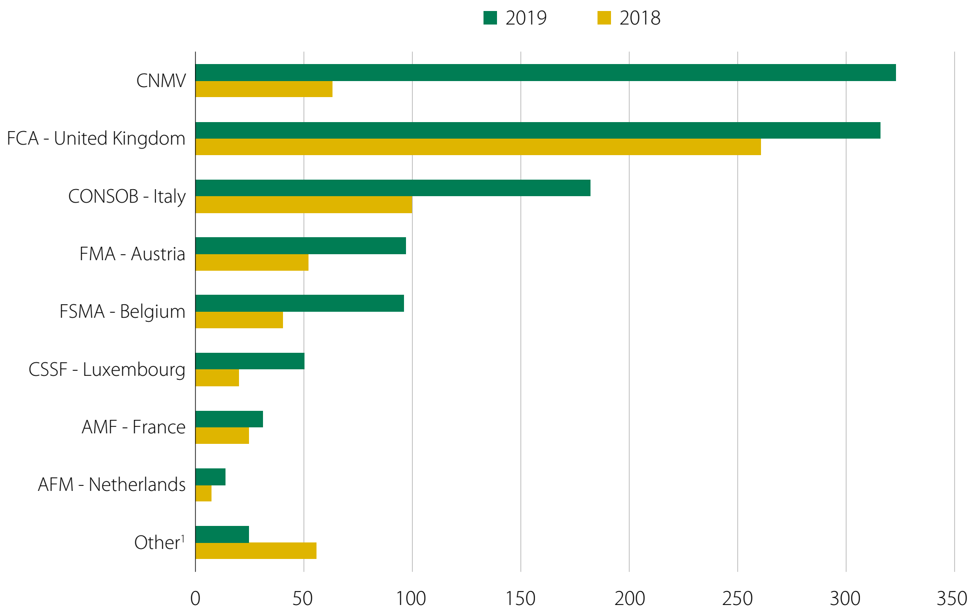


Source: CNMV.

2 Since February 2018 it has been possible to make anonymous and confidential notifications to the CNMV of potential infringements regarding the securities market.
3 Articles 17 and 144 of the Securities Market Act.
4 In 2010, IOSCO enabled an alert service on unauthorised entities that includes those warnings issued by members of the organisation on its website. Given that not all warnings issued by IOSCO members are communicated in turn to the CNMV, it is recommended to visit this website for further information.

Figure 7.3.2 shows the number of warnings made by supervisory bodies of EU Member States. It should be noted that the Financial Conduct Authority (FCA) of the United Kingdom and the Financial Services and Markets Authority (FSMA) of Belgium are regulators that also have powers in the banking and insurance sector, therefore the warnings they issue also include these areas.

Number of warnings issued by EU Member States on unregistered entities FIGURE 7.3.2



Source: CNMV. (1) Six supervisory bodies with fewer than ten warnings in 2019.

The increase in the number of warnings issued by the CNMV was due mainly two factors: the overall increase in supervision, detection and warning tasks carried out by European supervisory bodies and the use by the CNMV of new investigation channels to detect these practices.

In the last ten years, the development of new technologies and digital communication channels has led to new types of fraud carried out online and through social networks. These channels offer easy access to potential victims and low cost dissemination facilities. In 2019, the CNMV shored up its work in this digital area, increasing its searches on blog, forums, social networks, etc. Thanks to these measures, the number of unauthorised firms that the CNMV has detected and informed investors about has increased considerably.

7.4 Warnings about other entities

In 2019, 11 entities were added to the "Other entities" list in the Public Warnings section of the CNMV's website, which informs investors about entities which may be performing some kind of activity to raise funds or may be providing some type of financial service without any kind of authorisation and without being registered for any purpose with the CNMV.

The list is not exhaustive and is taken mainly from searches and analyses conducted on the Internet and social networks. Being included on the list, which allows investors to rule out their being regulated or authorised entities, does not imply any statement on the compliance, or otherwise, of any of the corresponding entities' activities with current legislation.

7.5 Whistleblowing

The CNMV has a special channel for reporting possible infringements so that any person who is aware of actual or potential infringements relating to the organisation and discipline of securities markets, and who wishes to report in confidentially, may inform the CNMV. This channel is particularly aimed at employees, former employees and other persons who provide or who have provided services in entities that may have carried out unauthorised activities or committed infringements relating to the securities market. In no circumstances may this channel be used to deal with complaints resulting from specific cases or enquiries, as these issues have their own specific channels.

The channels established for this purpose are: i) by telephone (900 373 363); ii) by email (comunicaciondeinfracciones@cnmv.es); iii) by writing to Infringement Reporting – Investors Department – CNMV. Edison, 4 28006 Madrid / Passeig de Gràcia, 19, 08007 Barcelona; iv) using the form[5] available in the Infringement Reporting section of the CNMV website (www.cnmv.es), and v) in person at the CNMV offices in Madrid.

These reports must contain factual evidence which may reasonably lead to at least a well-founded suspicion of infringement.[6] They must therefore include the most detailed possible description of the potential infringement, the identity of the persons or entities involved in the potential illegal conduct and the dates on which the alleged infringements took place. At any event, the information provided must not be a repetition of other information that has already been made public.

Between 1 January and 31 December 2019, 638 communications were received, of which 174 (27%) did not properly correspond to this channel, as they were enquiries or complaints, or because the issues raised were unrelated to the CNMV's scope of action.

Of the remaining 464 communications, 243 (52%) were related to unauthorised entities, known as boiler rooms, and 221 dealt with issues within the scope of the CNMV's Markets Directorate General or Institutions Directorate General.

Those related to unauthorised firms led the CNMV to publish on its website (www.cnmv.es), 42 new warnings about entities that could be carrying out restricted activities without being duly authorised to do so.

Of the 221 communications analysed with a content that fell within the scope of the Markets or Institutions DG, it was concluded that 159 (72%) lacked factual evidence from which a reasonable suspicion of infringement could reasonably be derived. At 31 December 2019, none of the remaining communications had resulted in

5 System enabled on the CNMV website to anonymously submit communications. If the user wishes, it also provides a confidential and anonymous line of contact with the CNMV.

6 As provided in Article 276 *ter* of the Securities Market Act (recast test approved by Royal Legislative Decree 4/2015, of 23 October).

disciplinary proceedings, but 25 had led to supervisory actions (11%) or added to supervisory actions already in progress.

7.6 Other

In 2019, the department also carried out other investigations, such as the analysis of web pages – known as "broker comparison tools" – that offer information about different firms providing investment services (brokers), based on different variables, including products offered, commissions required, minimum investment, leverage, type of operations, geographical scope or registry.

7.7 Investor education

7.7.1 Financial Education Plan

In 2019, the CNMV continued paying particular attention to promoting the national financial education strategy, which society as a whole is increasingly recognising as a necessary goal.

Specifically, it continued to work with the Bank of Spain to develop this plan, which involves the collaboration of the General Secretariat of the Treasury and International Financing and the General Directorate of Insurance and Pension Funds (and the Ministry of Economy and Business). A large part of the initiatives carried out in this area in 2019 were aimed at expanding the scope and efficiency of the activities carried out and at meeting the strategic objectives established for 2018-2021.

To develop and execute the Plan, the collaboration of all the actors involved in financial education is essential, such as public authorities, the finance industry, companies, research institutions, consumer associations and the educational system. The cooperation of these bodies is essential to meet the objectives of the Plan and provide sufficient capillarity to reach all segments of the population, thus increasing their levels of financial culture.

In 2019, progress was made on formalising new collaboration agreements, with more than 40 institutions now part of the Financial Education Plan, and special attention was paid to the participation of collaborators who are able enhance the sensitivity of the Plan to especially vulnerable groups or those at risk of social exclusion. or segments of the population, such as university students, who, according to the Survey of Financial Skills carried out in 2016, particularly need to improve their levels of financial culture. Thus, during the year, progress was made on formalising collaboration agreements with the Red Cross and Complutense University.

In addition, collaboration with the ONCE Foundation was strengthened and various financial education talks organised in different parts of Spain aimed at people with disabilities.

Preparatory work and procedures were also carried out for an in-depth reform of the www.finanzasparatodos.es portal, to amend its content and architecture strategies. The result of this work will be reflected in a new portal adapted to the latest trends in web design, accessible and compatible with all mobile devices, and which will have an area reserved for Plan collaborators, who will be able to use it to publicise their financial education tools and materials, and which will serve as an area for collaboration among different institutions.

The CNMV also continued promoting financial education in schools and, in particular, the Financial Education Programme for the 2018/2019 academic year, for which around 500 schools were registered. The third edition of the Financial Literacy Competition was also held this year.

Financial Education Day was once again marked, with numerous activities (seminars, publications, workshops for young people, plays, debates, games, etc.) organised, in which the collaborators on the Plan actively participated. The main event of the Day was held at the Bank of Spain and attended by the vice-chair of the CNMV, representing the Commission, the Governor of the Bank of Spain and the Minister of Economy. The Financial Literacy Competition took place at this event, in which Sagrado Corazón de Tafira school (from Las Palmas de Gran Canaria) was the winner and Sagrado Corazón de Coria school (from Cáceres) was runner-up. The Finance for All Awards were presented to the Spanish Confederation of Savings Banks (CECA) / Foundation of Savings Banks (Funcas) and to Altozano school in Alicante.

International forums on financial education

At an international level, the CNMV took part in all the technical meetings of the International Network on Financial Education of the OECD – the leading financial education forum worldwide – and actively collaborated in the work carried out therein. In addition, the CNMV was a speaker at the meeting of the National Institute for Business Training (INFE) and the Organisation for Economic Cooperation and Development (OECD) held in October in Rio de Janeiro on financial education and digitisation. In 2019, the CNMV was also a speaker at the Conference on investor protection in Ibero-America, sharing Spain's experience in financial education and the basic skills that any well-trained investor must develop.

The CNMV is a member of IOSCO's Committee on Retail Investors (C8), which works towards improving investors' financial literacy. During the year, the CNMV continued to participate in the work carried out on the internal processing of complaints and claims by financial service providers and on exchange-traded funds. It also worked on completing the definition of the basic skills framework for investors and other matters of interest such as sustainable finance, Fintech and crypto-assets.

Additionally, on the occasion of the C8 meeting in Madrid in April, the CNMV organised a training day with the Spanish Association of Fintech and Insurtech (AEFI) – "C8 goes to Fintech" –, attended by securities market regulators from all around the world. On that day, issues such as the international status of the Fintech sector were discussed and two companies of this type participated.

7.7.2 CNMV training activities

In addition to the educational activities performed in the framework of the Financial Education Plan, the CNMV performs training activities specifically aimed at investors.

Publications and resources for investors

The Investor Section offers news and information of interest for non-professional investors and warnings to the public. In addition, it is also possible to download and consult online the publications aimed at investors. In this section, users of investment services can also make enquiries, claims and complaints.

In 2019, work continued on updating the content of these publications for investors and amending their graphic line. The new publications will be uploaded to the CNMV website.

The *Behavioural Economics for Investors* guide was also published (see Exhibit 19), as well as the *Sustainable Finance* and *What is Fintech?* factsheets.

As an innovative resource in the Investor section and a complement to the *Behavioural Economics for Investors* guide, an online course on cognitive bias and investment decisions was carried out.

In the Investor section, information of interest was also published throughout 2019, such as information relating to the activities of recovery rooms, warnings to avoid boiler rooms and certain recommendations issued in the context of the World Investor Week.

Behavioural Economics for Investors guide

EXHIBIT 19

The *Behavioural Economics for Investors* guide, published by the CNMV in October 2019, aims to put forward a series of proposals aimed at investors, which facilitate the practical application of the main premises of behavioural economics to investment decision-making. This guide continues the line started in 2017 with the publication of the factsheet entitled *Main Investor Biases.*

The guide is aimed at current and future investors and includes an introduction with the main contributions of behavioural economics to neoclassical economic theory, it then offers a description of the investment decision-making process, establishes the relationship between the most frequent cognitive biases in this type of decision and, lastly, includes several techniques to mitigate these biases.

Behavioural economics, or economic psychology, is a strand of economics that aims to complement neoclassical economic theory by contributing knowledge from other disciplines such as sociology, psychology, anthropology or neuroscience and whose purpose is to facilitate understanding of the financial decision-making process.

The neoclassical economic paradigm is based on three theoretical features that are rarely observed in the real world, in particular: i) the unlimited rationality of investors, ii) their full capacity to process all relevant information in an efficient and unbiased way and iii) the efficiency of the markets (i.e. that they gather together all the available information and there is a balance between return and risk). Behavioural economics moves away from this paradigm. People do not always make decisions rationally, thinking of costs and benefits, but often take into account social norms and expectations and follow patterns of cooperation. Their preferences depend on the context they are in and their own mental models. The human mind does not function like a computer, but is affected by psychological and social factors when making decisions.

Two main factors are involved in the decision process: Firstly, analytical capacity, i.e. the ability to evaluate and understand the context in which a decision is made and its possible repercussions, and secondly, emotions, i.e. the psychological state of the person making the decision.

Unlike neoclassical economic theory, which considers that the decision-making process is based on the careful analysis and calculation of all available options, behavioural economics considers that emotions and intuition play a fundamental role in this process.

People do not always make choices in a rational and critical way. In fact, around 70% of decisions are made following intuitive and automatic processes rather than analytical and controlled processes. This fast and intuitive way of thinking is open to the influence of biases that lead people to make decisions that may turn out to be wrong. Biases are thinking strategies, mental shortcuts that facilitate and accelerate decision-making, and that have their origin in the heuristic nature of the human mind, the cultural context of each individual, the social nature of the human being and in emotions.

There are numerous biases described by the various theorists on the subject and many of them affect the investment process. These include confirmation bias, authority bias, social proof, or hyperbolic discount bias, among others, as described in the *Behavioural Economics for Investors* guide. In each phase of the investment process (product selection, contracting and monitoring), different biases come into play and it is important that the investor is aware of them so that they can be mitigated.

These cognitive biases affect everyone and it is impossible to completely eliminate them. However, it is feasible to lessen their effects and make them less recurrent. For this purpose, there are various techniques related to the acquisition of training and cognitive techniques designed to interpret the factors involved in decision-making differently (e.g., *pre-mortem* analysis or checklists).

World Investor Week EXHIBIT 20

World Investor Week is an initiative approved in May 2016 by the IOSCO Board, with the following objectives:

i) The dissemination of key messages and the implementation of activities that improve investor education and protection.

ii) Fostering learning opportunities for investors.

iii) Strengthening collaboration between IOSCO members regarding investor protection and education.

All IOSCO members, in addition to other institutions, international associations, foundations, etc. can join this initiative voluntarily and flexibly. The activities of World Investor Week are not focused on a specific investor segment. Each participating jurisdiction decides which area they should be directed at and the type of activities to be carried out. Non-commercial activities only are permitted and initiatives must be free of charge.

In 2019, the third edition of the World Investor Week was held, in which a total of 89 IOSCO jurisdictions took part, including the CNMV. According to the data reported by the participants, the activities reached a total of 108 million people and more than 15,000 institutions or organisations participated, compared with 2,378 in 2018.

The leading multilateral organisations also support the World Investor Week. These include the G20, the World Bank Group, the Organisation for Economic Cooperation and Development (OECD), the Inter-American Development Bank (IDB) and the International Network of Financial Services Ombudsman Schemes (INFO network). Nine regional and global organisations also took part, such as the CFA Institute, the Global Financial Literacy Excellence Centre (GFLEC), the International Forum for Investor Education (IFIE) and the World Federation of Exchanges (WFE).

The commitment made by third parties in the activities carried out in 2019 evidences the growing importance given to this campaign at an international level.

In Spain, by way of opening ceremony for the Week, on 1 October, the Palacio de la Bolsa de Madrid hosted an initiative entitled "Ring the bell for financial literacy". The event, promoted by the Bolsas y Mercados Españoles (BME), the International Organisation of Securities Commissions (IOSCO) and the World Federation of Exchanges (WFE), was overseen by Tajinder Singh, Deputy Secretary General of IOSCO, and Nandini Sukumar, Secretary General of the WFE, who were accompanied by Ángel Benito, director of the CNMV, and Javier Hernani, CEO of BME. The initiative seeks to emphasise the importance of increasing knowledge of economics and finance among the general population. More than 30 exchanges around the world rang their bells in support of financial literacy.

During the Week, IOSCO members disseminated key messages through communication campaigns and developed educational programmes with the aim of improving knowledge and understanding of the key financial concepts. Standouts include activities such as webinars, seminars, workshops, website launches, factsheets, games and the distribution of content through social networks.

The CNMV worked mainly through social networks, disseminating and publishing the following content:

– Messages and warnings on various topics: explaining that all investments include risk, the importance of checking that intermediaries are registered, of getting informed before investing, the importance of diversification, etc.

– Information on the enquiry telephone lines available to investors.

– Infographics on topics such as Fintech, investment profiles and boiler rooms.

– A video called *About the CNMV and how it can help you*.

In order to evaluate the results and increase the effectiveness and impact of each campaign, the corresponding evaluations of World Investor Week were conducted, which are submitted to the board of IOSCO. The number of activities, webinars, conferences, seminars, workshops, etc. reported totalled 33,579, 2,770% more than the previous year, in which 1,170 activities were reported. Online activities continued to grow. The number of educational posts on social networks grew by around 830% and there were five million followers of these contents.

Once again, the results amply outpaced the objectives set by IOSCO. This initiative is now firmly established and will be built on further in the coming years.

Training conferences and seminars

As in previous years, the CNMV participated in numerous conferences and seminars in 2019. Training talks were given on matters related to investor protection and financial education in universities (National University of Distance Education [UNED] and Complutense University), on specialised forums such as the General Council of Economists and the Spanish Association of Financial Advisory Firms (ASEAFI) as well as training talks for teachers in the Autonomous Region of Madrid. The CNMV also took part the International Financial Education Congress “Financial Education for a society in transformation”, organised in Malaga by the Edufinet Project.

8 Disciplinary action

8.1 Disciplinary proceedings

In 2019, the CNMV Executive Committee initiated 18 new disciplinary proceedings, investigating a total of 26 possible infringements (see Tables 8.1.1 and 8.1.2). Disciplinary proceedings were opened in relation to: six infringements for the incorrect communication of significant holdings in listed companies, one for non-compliance with reporting obligations by issuing companies, five for market abuse (market manipulation), two for operating without authorisation, five for breach of rules of conduct in relations with clients or investors, one for resisting the CNMV's inspection and the rest for violations of the general regulations on investment firms, CIS and crowdfunding platforms.

The initial agreements for these proceedings included proposed fines for a total amount of €9,390,000 (€5,013,000 in 2018).

One of these proceedings was suspended as a result of the existence of related criminal proceedings until the final court ruling is issued.

Proceedings initiated and concluded TABLE 8.1.1

	2018	2019
Number of proceedings initiated	**21**	**18**
Number of proceedings concluded	**23**	**17**
Of which:		
Initiated in 2006	–	1
Initiated in 2017	12	1
Initiated in 2018	11	9
Initiated in 2019	–	6

Source: CNMV.

Number of infringements of each type addressed in disciplinary proceedings

TABLE 8.1.2

	Initiated		Concluded	
	2018	2019	2018	2019
Very serious breaches	**17**	**17**	**21**	**9**
I. Failure to disclose/incorrect disclosure of significant holdings or treasury stock transactions	1	6	4	4
II. Breach of disclosure requirements by issuers	2	1	–	1
III. Operating without authorisation	–	1	–	–
IV. Breach of rules of conduct	3	4	4	–
V. Breach of general investment firm regulations	1	3	1	1
VI. Breach of general crowdfunding platform regulations	2	1	–	2
VII. Breach of general CIS regulations	1	–	1	–
VIII. Breach of legislation on short selling	3	–	4	–
IX. Resistance to the inspections of the CNMV	–	1	–	–
X. Market manipulation	–	–	1	–
XI. Inside information	4	–	6	1
Serious breaches	**22**	**8**	**15**	**20**
I. Breach of annual reporting requirements of issuers	1	–	–	2
II. Breach relating to the audit committee of issuers	8	–	–	8
III. Market abuse breaches	2	–	3	1
IV. Breach of rules of conduct	1	1	1	–
V. Breach of general investment firm regulations	–	–	1	–
VI. Breach of general CIS regulations	1	1	–	2
VII. Breach of general crowdfunding platform regulations	1	–	–	1
VIII. Operating without authorisation	–	1	–	–
IX. Inside information	1	–	1	–
X. Market manipulation	7	5	9	6
Minor breaches	**–**	**1**	**–**	**1**

Source: CNMV.

In 2019, the CNMV issued 17 disciplinary rulings, which concluded the same number of proceedings, including 30 infringements (one initiated and suspended in 2006, after the suspension was lifted as a final court ruling in the related criminal proceedings was issued in 2019, one initiated in 2017, nine in 2018 and six in 2019).

In nine of these proceedings, the alleged infringers took advantage of early termination as provided for in Article 85 of Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Administrations, which allows termination of the proceedings as a result of voluntary recognition of liability by the alleged infringer or as a result of voluntary payment, with application of reductions to the monetary fines provided for in the Law.

Without prejudice to the processing time depending on the complexity of each case, the average processing time in the year was maintained at six months.

Table 8.1.2 shows the nature of the breaches addressed in the different disciplinary proceedings concluded in 2019 and Statistical Annex III.3 shows a summary of the decisions adopted by the CNMV.

As shown in Table 8.1.3, 39 fines were imposed for a total of €3.93 million.

Penalties imposed TABLE 8.1.3

	2018			2019		
	No.	Amount[1]	Period[2]	No.	Amount[1]	Period[2]
I. Fine	39	9,080	–	39	3,931	–
II. Removal/general disqualification	–	–	–	–	–	–

Source: CNMV. (1) Thousands of euros. (2) Years.

Several disciplinary rulings relating to serious or very serious infringements were added to the **public register of penalties** in 2019, once they obtained legal finality, with fines for a total amount of €1,605,000, disclosed on the CNMV website. At the close of the year, fines for the amount of €2,786,000 were pending legal finality and inclusion in the register of penalties.

8.2 Litigation department: Judicial review of disciplinary proceedings and other actions

In 2019, 14 appeals were filed with the Ministry of Economy against disciplinary rulings which, at 31 December, were pending resolution. The Ministry also dismissed two appeals against disciplinary rulings filed in 2018 (see Table 8.2.1).

A total of ten appeals were filed with the administrative courts in 2019, three of which were against disciplinary rulings. Of the remaining appeals, three were filed against two authorisation agreements for takeover bids – although one of these was concluded in the same year following its withdrawal by the complainant – and one was filed against the ruling to delist the shares of the entity subject to one of the contested takeover bids. Of the remaining three appeals, one related to a procurement process and two to claims for payment to personnel.

A total of 32 of the court rulings handed down in 2019 related to disciplinary proceedings. Specifically, the National High Court issued four non-admission rulings and 20 rulings dismissing appeals, which led to the confirmation of all the resolutions challenged and one ruling which resulted in the annulment of the fine imposed in a disciplinary proceeding. The Supreme Court ruled on seven appeals for judicial review, which resulted in confirmation of the National High Court rulings challenged. Specifically, this involved five rulings confirming the disciplinary rulings challenged and two rulings issued in 2017 that had been partially upheld involving the cancellation of two of the fines imposed in one case and the reduction of the amount of the fine imposed in another (see Table 8.2. 1 and Annex III.3).

Regarding the resolutions issued by courts in appeals filed against non-disciplinary rulings, the National High Court upheld the appeal filed against the authorisation of a takeover bid, although the government has filed an appeal for judicial review. The other two rulings were issued as due to the withdrawal of the appeal: in one case, against the agreement for the authorisation of a takeover bid – as referred to above, since it started in the same year – and in another case, against the ruling to dismiss an asset liability claim made against the Ministry of Economy and the CNMV for their actions in relation to the listing of a financial institution.

Furthermore, in compliance with the general principle to provide collaboration to legal authorities, CNMV experts provided support to judges and courts of all types in the exercise of their functions. The number of requests for collaboration received in 2019 (216) increased with regard to the total processed in the previous year (135). Although there was noteworthy collaboration with criminal courts – mainly relating to fraud or embezzlement –, most of the requests (175) were from the civil courts. These requests basically related to the following issues: asset securitisation; information on whether or not entities are authorised to provide investment services; identification of securities held by natural persons or legal entities (knowledge of which corresponds to the depositories of said securities); investigation procedures and disciplinary rulings in the framework of the proceedings handled by the CNMV; notices of attachment (which are the competency of governing bodies); and, in general, the attainment of evidence in proceedings of various types brought before the different courts, with requests for data or documentation.

Cases in which the CNMV participated in 2019 TABLE 8.2.1

	Presented	Resolved
Administrative appeals	**14**	**2**
Appeals to a higher court	14	2
Motions to set aside the decision	–	–
Appeals to the courts against administrative decisions/judicial review	**10**	**35**
		Requests received for assistance
Assistance to courts		135

Source: CNMV.

8.3 Claims

In 2019, two claims were filed with the CNMV regarding the conduct of various issuers, for alleged breach of the takeover bid regime, corporate governance, and alleged irregularities in the presentation of regulated information.

Regarding the status of the proceedings at 31 December 2019, given the extent of documentation submitted, the complexity of the matter and the large number of people and entities involved, these are pending a final ruling.

Claims filed in 2019 TABLE 8.3.1

Type of entity claim brought against	**No. of claims**
Securities issuers/listed companies	2
Total	**2**
Content of claims	**No. of claims**
Takeover regime/corporate governance	1
Regulated information	1
Total	**2**
Status of claims at 31 December 2019	**No. of claims**
In process	2
Total	**2**

Source: CNMV.

9 International activities

International activities are very significant for the CNMV and continued intensively during 2019, in line with the growing importance of international cooperation, both in the field of regulation – setting harmonised standards or legislation to address common or very similar challenges – and supervision, where the convergence of practices is increasingly important. In both these aspects the aim is to facilitate the establishment of a common framework for action that avoids regulatory or supervisory arbitrage (in other words, a "level playing field"). This is particularly relevant in the European Union area, which particularly affects the CNMV's day-to-day activities, but also on an international level.

The importance of cooperation in the area of financial supervision and regulation is reflected in the unceasing activity undertaken as a result of the health, economic and financial shock caused by the global spread of the COVID-19 pandemic in the early months of 2020, which is discussed in different parts of this report and which has had a very significant impact on all parts of the system, requiring a coordinated response. This is especially apparent in the response of the European Securities and Markets Authority (ESMA), in which the CNMV plays an important role, with a very notable increase in its analysis work, supervisory cooperation and consideration of regulatory responses, and also in the general response of the European Systemic Risk Board (ESRB), which takes into account the impact and the responses required for the financial system and macroeconomic environment as a whole.

Equally relevant, on a global level, are the actions carried out by the Financial Stability Board (FSB) and the International Organisation of Securities Commissions (IOSCO), which have coordinated and led the work of collecting information for immediate analysis and, secondly, cooperation in the analysis of common responses to protect the international financial system.

The following sections summarise the most relevant aspects of the CNMV's actions in the international environment, especially within the organisations mentioned above, in 2019. It should be noted, however, in relation to ESMA, that the activity carried out within this organisation is so much a part of the CNMV's day-to-day work as to make it questionable whether it should even be considered as international activity.

9.1 ESMA

Throughout 2019 the co-legislators of the European Union, the Council and the European Parliament approved various regulatory initiatives that give new powers and functions to the European Securities and Markets Authority (ESMA), some of which fall within the framework of the Capital Markets Union project and are applicable from 2020. Given the importance and impact of these additional powers on its activity, the authority has dedicated a substantial amount of time to preparing for its new responsibilities.

Of these, one of the most relevant rules is Regulation (EU) 2019/2175 of the European Parliament and of the Council, of 18 December, which revises the European System of Financial Supervision and, consequently, the activity of ESMA. Thus, from 2022 onwards, this authority will start to exercise direct supervision over the administrators of critical benchmarks in the European Union and those of third-country indices, as well as providers of data supply services. Further, from 2020 onwards, its role in achieving supervisory convergence will be strengthened through various measures such as the preparation of an EU supervision manual – in collaboration with the national competent authorities (NCAs) – the establishment of up to two supervisory priorities of Union-wide relevance at least every three years, which should reflect future developments and trends, the creation of coordination groups and the protagonism of NCA peer reviews, among others. It will also take on new roles in the areas of technological innovation, financial sustainability and consumer protection.

ESMA will gain considerable international stature as a result of this revision, as the regulation expressly entrusts it with monitoring compliance with the criteria on which the equivalence decisions issued by the European Commission in relation to the legal and supervisory regime of third countries are based as well as with drawing up administrative agreements, representing the interests of the European Union in international sector forums and recognising benchmarks of third countries.

Along the same lines, Regulation (EU) 2019/2033 of the European Parliament and of the Council, of 27 November, which reviews the prudential requirements for investment firms, reinforces the monitoring activity that may be carried out by this authority with respect to third-country entities on its registry, through the obligation to submit an annual report with data on their activities within the EU. It will also be able to collect additional data from entities on registration.

Lastly, the revision of the European Market Infrastructure Regulation (EMIR) also amends the third-country regime, empowering ESMA to supervise third-party central counterparties (CCPs) when these are in the Tier 2 category, as they are considered to be systemic or susceptible of becoming so for the purposes of the financial stability of the European Union or any Member State, either through comparable compliance or through direct supervision depending on the risk they generate.

Although supervision of CCPs established in the European Union continues to correspond to the relevant NCA following the entry into force of this regulation in January 2020, ESMA will carry out new functions in this area, such as issuing opinions in relation to some of the decisions taken by these authorities, playing a more prominent role in colleges and validating key changes in CCP risk models. To meet all these new obligations, the regulation provides for the creation of an internal CCP oversight committee made up of NCAs with authorised CCPs and three independent members (chairperson and two other members). Central banks may also participate in this committee.

ESMA's preparations to adapt its governance and organisation to these new competences and responsibilities have not interfered with its other activities, which have been characterised, as could hardly be otherwise, by the three objectives entrusted to it by the Regulation that established it, Regulation (EU) No. 1095/2010 of the European Parliament and of the Council, of 24 November: investor protection, the orderly functioning of markets and the stability of the financial system – in which the authority has also taken into account the discussions with other international organisations in this area.

Regarding **investor protection**, an important part of ESMA's work has focused on ensuring the transparency of information with regard to the costs of financial instruments. This information is particularly relevant for retail clients, as it helps them form an opinion about the product they intend to purchase or have purchased. Standouts include the first annual statistical report on the performance and costs of investment products aimed at retail clients in the European Union published in January.[1] The study, commissioned by the European Commission in the framework of the Capital Markets Union, covers undertakings for collective investment in transferable securities (UCITS), alternative investment funds marketed to retail clients and structured products for retail clients and has served to highlight the impact of costs on investors' returns. Specifically, the study shows that, on average, costs reduce the gross returns obtained on UCITS by 25%, while management fees and other ongoing costs account for 80% of the costs assumed by the investor. Also, on average, costs for retail clients are twice as high as costs paid by professional investors. The report points out that the performance of passive funds that invest in shares is better than that of active funds that invest in the same product after deducting costs, at least for periods longer than three years. The statistical and methodological limitations of this work – which the ESMA report itself mentions – have led some NCAs to carry out the same exercise for investment funds from their own territories. Such is the case of the CNMV, whose study is discussed in Chapter 3, Exhibit 5.

Additionally, in 2019, ESMA published an FAQ sheet, within the framework of MiFID II, regarding obligatory cost disclosures.

In the area of asset management, the consultation published in July in connection with its proposed guidelines for performance fees in UCITS stands out. Having identified different national practices in this area – in terms of communication and calculation – ESMA decided to promote a more consistent approach. Specifically, it asked about the methods used to calculate performance fees, the consistency between the fee model and the fund's investment objectives, and the frequency of accrual and circumstances of payment, as well as public information related to the fee model.

Lastly, for packaged retail investment and insurance-based products (PRIIPS), in the consultation published in October ESMA decided to include the presentation and

1 ESMA (2019). *ESMA Annual Statistical Report. Performance and costs of retail investment products in the EU*. Available at https://www.esma.europa.eu/sites/default/files/library/esma50-165-731-asr-performance_and_costs_of_retail_investments_products_in_the_eu.pdf

calculation of the costs for this type of product, with the intention of providing an understanding of them and comparing them with one another despite the existence of the KID. Another key topic consulted upon was the methodology of the return scenarios and how they are presented.

In the area of **financial stability**, one of the main focuses of ESMA's activity in 2019 was the liquidity of investment funds. The identification of this factor as a potential source of systemic risk is aligned with the work of other international organisations such as the FSB, IOSCO and the European Systemic Risk Board (ESRB).

In March 2019, ESMA published its first statistical report on alternative investment funds in the European Union. This report shows how real estate investment funds have the highest liquidity risk.

It also published a framework methodology during the year for conducting stress tests in the investment funds sector. This tool will be especially useful to NCAs for assessing the risks of their asset management industry. ESMA carried out a simulation in the UCITS bond funds sector using this methodology, which revealed that the most vulnerable funds are those that invest in high yield bonds. The CNMV is also developing a methodology along the lines of the general principles indicated by ESMA to allow the aforementioned stress tests to be carried out with the aim of more precisely estimating the possible effects of an increase in redemption orders. As a follow-up to this work, ESMA published guidelines in September on stress tests relating to the liquidity of UCITS and alternative investment funds. The objective is to ensure that all managers who carry out these tests adhere to a series of minimum standards, in addition to achieving convergence on how NCAs should supervise them. In July, another set of guidelines was published related to stress test scenarios under the regulation governing money market funds, which include a series of common benchmarks that managers performing these tests must take into account.

Lastly, it should be mentioned that following the controversy generated by the problems detected in two European Union funds, ESMA has agreed to carry out a joint supervisory action on the liquidity management of UCITS, which will take place in 2020. This measure will be carried out by the NCAs of all the Member States simultaneously, subject to agreement on the applicable methodology. The CNMV will participate in this exercise, in which it will contribute its experience in receiving the quarterly breakdown of the portfolio of Spanish UCITS and the periodic analysis of their liquidity in situations of market stress.

In relation to its objective of **ensuring the orderly functioning of markets**, one of the most significant tasks carried out by ESMA in 2019 was the report published in December on the development of prices for pre- and post-trade transparency data and the establishment of an EU consolidated tape.

One of its main conclusions is that the application of the provisions relating to market data introduced by MiFID II/MiFIR has not had the expected effect of reducing costs; in fact, costs have increased, particularly those of products for which there is a greater demand. The report points out that the rise could be due to the fact that in order to set the prices for these data, not only is the cost of producing and disseminating the information taken into account, but also its value for users. However, ESMA does not consider it appropriate to move to a price regulation model at this time.

In the report, ESMA states that it is in favour of setting up a consolidated tape provider for equities and equity-like financial instruments in the European Union to help redress the current fragmentation of the markets. In addition, with regard to the main characteristics of this tape, ESMA proposes that the contribution of post-trade transparency data by trading venues and authorised publishing agents be mandatory and free of charge, sharing the profit with the entities that provide this information and that its use be mandatory at least during its first years of life. Not all national supervisors agree with this proposal.

The report was prepared in compliance with the mandate set forth in MiFID II/MiFIR, which obliges ESMA to review certain aspects of both in order to assess the impact that the application of certain provisions has had on the sector, and report to the European Commission. However, this was not the only task. Other issues that are also being reviewed by ESMA within the MiFID II/MiFIR framework, and for which in 2019 it decided to seek the opinion of market participants through consultations, are as follows: i) position limits and position management controls in commodity derivatives; ii) the impact of the obligation to report all payments, commissions and non-monetary benefits in relation to the provision of an investment service or other ancillary service (inducements), along with certain aspects related to costs and charges, and iii) the effects of the product intervention measures adopted in relation to financial contracts for difference and binary options.

Apart from this, in the markets area, the authority started to review the provisions in MiFID II/MiFIR on the transparency regime for pre-trading and post-trading of equity and equity-like financial instruments, in addition to structured products, derivatives, fixed income and issue rights. This will include a review of other important aspects such as systematic internalisers, the double volume cap mechanism and the derivatives trading obligation, which will be subject to public consultation in 2020. In February 2020, a consultation was published on equity and equity-like financial instruments[2] and another on systematic internalisers in non-equity financial instruments.[3]

In 2019, ESMA also worked on the review of certain sector rules such as the Market Abuse Regulation (MAR), the Alternative Investment Fund Managers (AIFM) Directive and the Benchmark Regulation.

Regarding the new functions and powers that ESMA had to start exercising from 2019 on simple, transparent and standardised securitisation (STS), pursuant to Regulation (EU) 2402/2017 of the European Parliament and of the Council, of 12 December, it should be noted that some of these have not yet been exercised by this authority because the necessary regulatory developments are pending approval and subsequent publication in the *Official Journal of the European Union*, such as the new power assumed by ESMA regarding the registration and supervision of securitisation repositories.

2 Consultation on MiFID II / MiFIR Review Report on the transparency regime for equity and equity-like instruments, the double volume cap mechanism and the trading obligations for shares. https://www.esma.europa.eu/press-news/consultations/consultation-mifid-ii-mifir-review-report-transparency-regime-equity-and

3 ESMA (2020). *Consultation Paper on MiFIR report on Systematic Internalisers in non-equity instruments.* Available at https://www.esma.europa.eu/sites/default/files/library/esma70-156-1757_consultation_paper_-_mifir_report_on_si.pdf

Lastly, a significant part of ESMA's activity in 2019 once again focused on identifying and monitoring the risks that could arise from the United Kingdom's withdrawal from the European Union (Brexit) in regard to the securities markets, especially if there is a no-deal Brexit (see Chapter 5, Exhibit 9).

Other standouts of ESMA's work in 2019 are described briefly below.

Product intervention measures

ESMA renewed its temporary product intervention measures in relation to binary options and financial contracts for difference (CFDs) on three occasions. The measures were initially adopted on 2 July and 1 August 2018 and ceased to have effect on 2 July 2019 and 31 July 2019, respectively. Since March 2019 and to date, NCAs have adopted permanent measures to replace the ESMA recommendations. 26 Member States have banned the marketing, distribution or sale of binary options and 27 have restricted the marketing, distribution or sale of CFDs, and ESMA has issued an opinion on whether these actions are justified and proportionate. The measures adopted by the CNMV are in line with those initially adopted by ESMA, so the opinion of this authority was favourable. In the last quarter of the year, ESMA worked on a report for the European Commission relating its experience in the exercise of the new intervention powers, which includes the practical effects of the measures and covers both the measures applied by ESMA and those established by national authorities.

In addition, ESMA has published two FAQ sheets related to this matter: one for retail clients who request to be treated as professional clients in this context, and another related to the marketing, distribution and sale of CFDs by third-country entities.

Secondary markets and market integrity

In June 2019, ESMA published a "supervisory briefing" with the object of achieving harmonised compliance with the pre-trade transparency requirements in bilateral trades of commodity derivatives. Specifically, in order to ensure that trading venues that carry out these types of trades apply the appropriate pre-trade transparency waivers (on large orders, when there is no liquid market, exchange of physical products or order packages), while always complying with the applicable exemption requirements.

In June 2019, it published a report on batch auctions, assessing whether these systems – which have grown rapidly especially since MiFID II/MiFIR came into force – can be used to circumvent transparency requirements, especially to avoid suspensions from trading in accordance with the double volume cap mechanism. ESMA also published a consultation in October to collect information to assist the European Commission in its assessment of the need to align the MiFIR derivatives trading obligation with the clearing obligation (the latter was recently amended in EMIR Refit). Among other things, EMIR Refit, applicable since June 2019, introduces an exemption from the latter obligation for small financial counterparties and amends the mechanism that establishes the obligations of non-financial counterparties, in such a way that they are only subject to such obligations when they are above the clearing threshold for an asset class. As no similar amendments were made in the MiFIR, small financial counterparties and some non-financial counterparties are still required to comply with the former although they are exempt from the latter, so there is a discrepancy in the approach applied for the two obligations. In July, ESMA had published a statement temporarily advising NCAs not to prioritise their supervisory activity in relation to the two obligations for counterparties that are exempt in accordance with EMIR Refit. Other proposed changes include the adoption of a suspension mechanism that is independent of the derivative trading obligation.

In the field of market abuse, it should be noted that the consultation published by ESMA in October 2019 on the revision of the regulation governing this matter included a question regarding cross-border practices relating to dividend arbitrage (cum/ex and multiple withholding tax reclaim schemes), on which it has been working for the past year at the request of the European Parliament. This practice consists in shareholders temporarily transferring their shares to persons residing in more favourable tax jurisdictions on dates close to the dividend payment date and settlement of their taxes to reduce their tax bill. In this context, in some jurisdictions there have been cases in which taxes on dividends are withheld through the issuers or custodians and, at the same time, certificates are issued by the issuer and the custodian separately confirming this retention so that shareholders can claim a tax refund. The problem detected is that, in some cases, both the original and the temporary shareholder have requested this refund. At the moment, the supervision of these issues is not included in the legal framework governing market abuse, but ESMA believes that they can be considered as practices that threaten the integrity of the market and, therefore, proposes to include them in the regulation so they can be tackled. It also proposes to modify the legal framework to allow closer collaboration with the tax authorities, both nationally and cross-border.

Asset management

In the area of asset management, ESMA continued to work to prevent many passive management schemes from being marketed as active management. In 2019, to support the ongoing monitoring work carried out by NCAs, ESMA included in its UCITS FAQ document a question aimed at clarifying certain issues relating to the information provided to investors on the use of benchmarks in UCITS management. In the first place, the information must clearly indicate whether a fund is actively or passively managed. Secondly, ESMA includes a broad definition of an “index-linked” fund, as one in which the benchmark plays a role in portfolio composition or performance objectives and measurement.

Financial reporting

In October 2019, ESMA announced the areas of financial reporting on which all NCAs will focus their reviews of the 2019 financial statements. These are: i) specific issues relating to the application of International Financial Reporting Standard (IFRS) 16, ii) follow-up of specific issues related to the application of IFRS 9 for credit institutions and IFRS 15 for corporate issuers and iii) specific issues related to the application of IAS 12 (including the application of IFRIC 23).

In December, ESMA published a report on issuers’ use of alternative performance measures (APMs) and compliance with the guidelines issued by this authority based on the review of the management reports and results presented by a sample of 123 European issuers.

Lastly, in July, it issued a statement on considerations for the recognition of deferred tax assets deriving from the possibility of offsetting losses, in which it mainly addresses two aspects that supervisors assess in regard to the application of IAS 12: i) the likelihood of future taxable profits being available against which tax credits can be utilised; and ii) how the concept of "convincing other evidence" should be understood to justify the recognition of deferred tax assets when an entity is making losses.

Supervisory convergence

Over the year, ESMA continued to focus on the convergence of supervisory practices among NCAs as one of the central lines of its activity. Two peers reviews were carried out in 2019.

The first of these centred on monitoring the quality of the data relating to derivative contracts reported by counterparties to the trade repositories in accordance with EMIR provisions, which was focused on six NCAs – in the United Kingdom, Cyprus, the Netherlands, Germany, Ireland and France –, as the supervisors of the counterparties, as well as ESMA, as supervisor of the trade repositories. The exercise highlighted a need to improve the quality of the reported data, for which short- and long-term measures were proposed, aimed at both ESMA and the national competent authorities. The second assessment, on the reception and use of communications related to suspicious transactions – as a source of information in investigations of this type under the Market Abuse Regulation – was coordinated by a representative of the CNMV. The evaluation covered all national competent authorities and included visits to the authorities in Germany, Greece, Ireland, Italy, Romania and Sweden. In the final report, four recommendations were made to the national competent authorities: i) that they ensure that all persons required to report these transactions are involved in the procedure, with special attention to the wholesale market and cross-border operations; ii) that they question entities that never report these types of transactions; iii) that they make proper use of the tools to encourage the participation of obligated persons (with measures ranging from organising information days or meetings, to imposing penalties), and iv) that they have sufficient IT tools to analyse and make good use of the information provided in these communications.

It should be noted that ESMA has started to use two new tools to strengthen supervisory convergence. The first of these is the Senior Supervisory Forum, which aims to detect the main risks facing the Member States and then design a strategy at European Union level. The second is called "common supervisory actions" and consists of identifying common risks or issues in all Member States and arranging a coordinated and simultaneous supervisory activity involving all the national competent authorities. In addition to the common supervisory action on the liquidity of UCITS planned for 2020 as mentioned above, ESMA plans to organise another action on suitability in the framework of MiFID II this same year and will publish the report on appropriateness that it drew up in 2019.

Sustainability

One of ESMA's main strategic lines in 2019 was collaboration with the European Commission on the implementation and development of its action plan on sustainable finance.

Specifically, one of the priority actions in this area was to provide technical advice to the European Commission on the integration of environmental, social and governance (ESG) considerations in the investment chain. At the end of April, ESMA sent the European Commission its technical advice on integrating risks and sustainability factors into MiFID II (in terms of organisational requirements, risk management, conflicts of interest and product governance), and into the UCITS and AIFM Directives (in terms of organisational requirements, operating conditions and risk management).

In addition, ESMA – through the Joint Committee – is working on regulatory developments (proposals for technical standards) that require the application of certain aspects of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November, on sustainability-related disclosures in the financial services sector and of Regulation (EU) 2019/2089, of the European Parliament and of the Council, of 27 November, amending Regulation (EU) 2016/1011, as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks. Lastly, also in regard to tasks related to the European Commission's Action Plan, mention should be made of the report published by ESMA in December on undue short-term pressures on companies, in which it proposes recommendations such as amending the Non-Financial Reporting Directive (NFRD), promoting a single set of international ESG disclosure standards, requiring the inclusion of non-financial statements in annual financial reports, reviewing the White List under the Takeover Bids Directive, a potential shareholders vote on the non-financial statement and monitoring the application of the Shareholder Rights Directive (SRD II).

Fintech

As a continuation of the advice published in January 2019 addressed to the European Commission, the Council and the European Parliament on Initial Coin Offerings (ICO) and crypto-assets, in which the circumstances under which the latter would be considered financial instruments and the options for their future regulation were indicated, in August, ESMA – jointly with the European Banking Authority (EBA) – published a letter addressed to the European Commission on crypto-assets, including stablecoins. In this letter, ESMA and the EBA stated the need to move towards a future legislation and described the different lines of work in which they were participating. Specifically, these two European authorities are collaborating with the FSB, the Basel Committee on Banking Supervision (BCBS), the Financial Action Task Force (FATF) and the IOSCO Committee on Payments and Market Infrastructures (CPMI) on the analysis of the prudential treatment of exposures to crypto-assets, as well as on the regulatory treatment of the platforms on which they are traded. Additionally, in July, ESMA published a report on current authorisation and licensing approaches for innovative business models in the Fintech sector in the European Union, which stated that: i) the national competent authorities do not generally distinguish between innovative Fintech business models and traditional business models in their authorisation and licensing activities; ii) the subjects raising the most legal questions – since they are not an easy fit with existing regulations – are crypto-assets, ICOs and the technology known as DLT (Distributed Ledger Technology); iii) there is need for greater clarity in governance and risk management associated with cybersecurity and cloud computing, and iv) there is a direct link between innovation facilitators and the authorisation approaches for innovative models.

Lastly, in early 2019, the Joint Committee of the European supervisory authorities (ESMA, EBA and EIOPA) published a report on innovation facilitators, which are controlled testing environments (known as regulatory sandboxes) and innovation centres. This report performs a comparative analysis of these instruments in the European Union, concludes with a series of principles or best practices for their implementation and operation with the aim of promoting convergence and describes the options for future work at EU level, such as creating a network or issuing guidelines that facilitate cooperation between Member States.

The Capital Markets Union: Current situation and next steps EXHIBIT 21

With the mandate of the "Juncker Commission" coming to an end, the European Commission has undertaken the measures announced in 2015 as part of its Action Plan on Building a Capital Markets Union in 2019, as well as the nine priority measures identified in the review of this Plan carried out in June 2017. Specifically, in March 2019 the Commission informed the Council of the progress achieved, highlighting that ten of the 13 measures initially proposed had been completed. While the three initiatives related to sustainable finance have not been completed, an agreement has been reached for two of the three measures initially proposed.

However, although the original action plan had almost been concluded, the European Commission decided to carry out several additional initiatives to meet the objectives that had been set, since, although progress has been noted, a single and competitive capital market is still more of an aspiration than a reality. Regulatory and other obstacles continue to hinder the movement of investments.

As a first step, a high-level group established by the Finance Ministers of Germany, France and the Netherlands, with the support of the Ministries of Finance of Spain, Sweden, Poland and Italy and made up of academics and experts in the field, published a report in October 2019 that included a series of additional recommendations to strengthen global competitiveness and the attractiveness of the EU financial markets to finance the economy, its growth and job creation (https://www.nextcmu.eu/).

As a continuation of this work, the European Commission decided to form a new group, which it has called the High Level Forum on Capital Markets Union, and which includes industry executives, as well as experts and academics. This group is made up of 28 experts, including Spaniards Belén Romana and Ignacio Izquierdo, and aims to develop the Capital Markets Union project to mobilise capital for companies, offer better opportunities for investment and boost economic growth in Europe. The first meetings of this group have already taken place and it is expected to publish a report with its proposals in the first half of 2020.

9.2 International Organisation of Securities Commissions (IOSCO)

In 2019, IOSCO published its work plan in line with other similar institutions. The following five priorities were identified: i) crypto-assets, ii) artificial intelligence and machine learning, iii) passive investment and index providers, iv) retail distribution and digitisation and v) market fragmentation. The organisation also carried out significant work in the area of sustainable finance, an issue that had already been identified as important in 2018, in addition to liquidity and leverage analyses in the investment fund industry.

In the field of crypto-assets **IOSCO issued a report on the issues, risks and regulatory considerations related to crypto-asset trading platforms (CTP).** The report, addressed to supervisory authorities designated as competent authorities when a crypto asset, or a related activity, falls under its jurisdiction, outlines the key issues and risks identified to date associated with crypto-asset trading, providing a number of tools to assist the regulatory authorities in their assessment of crypto-asset trading platforms, in the context of their regulatory frameworks. The sections covered in the report are: access to CTPs, custody of participants' assets, conflicts of interest, CTP operations, market integrity, the price formation process, clearing and settlement of these assets and technology.

Regarding **the use of artificial intelligence (AI) and machine learning (ML),** the committee of intermediaries carried out an analysis through a survey carried out with entities and collected information on the extent to which market agents use these technologies. Details were also requested of any regulations or guidance in the different jurisdictions that apply to the use of AI and ML technologies. Some of the issues and risks identified through the survey related to: governance, controls and supervision; transparency and dissemination of information; decision-making and civil liability risk, and lastly, ethical concerns.

Given the risks that may arise from poor governance and oversight in the use of artificial intelligence and machine learning by intermediaries, the IOSCO Board asked the working group to develop guidelines for the supervision of market intermediaries that use these tools. In regard to **market fragmentation**, IOSCO released a report analysing the current situation and proposing various measures to prevent and mitigate any possible adverse effects. These include building greater understanding among the various international regulatory frameworks, deepening cooperation in the field of supervision and regulation and, lastly, improving the processes for recognising equivalence applied to third-country authorities ("deference"), as well as the tools associated with these (passports, recognition, equivalence, etc.). IOSCO has also proposed acting as a forum for the exchange of information on the different practices and approaches contained in cross-border regulations and helping to identify good practices in the above processes that may serve as a reference for its members.

Adhering to the priorities of its work programme and taking into account the systemic importance of the sector, IOSCO is paying special attention to the asset management industry, especially with regard to leverage and liquidity risk in investment funds. In the area of leverage, in December 2019, IOSCO approved and published four recommendations on standardising the measurement of this variable.

In addition to its priority areas, the organisation's work focused on auditing and sustainable finance.

In regard to auditing, the work of the Monitoring Group focused on improving the supervision and governance of Standard Setting Bodies (SSBs), in the area of issuing international audit and ethics standards. The main objective is to establish a more independent, financially sustainable and effective SSB governance structure, as well as broadening the professional experience and diversity of SSB members, reducing the influence of the auditing profession in the development of auditing standards and ethics and strengthening the process of issuing these standards, giving special attention to the need to preserve the public interest in this process.

In regard to sustainable finance, we would point out that this area is now established as a key trend in the financial services industry, with ever increasing demand for financial instruments that take environmental, social and governance (ESG) factors into account. One point of discussion is the availability of information and its disclosure to investors.

In February 2017, the IOSCO Board agreed that one of its Focus Areas for 2017-2018 would be "analysing the role of securities markets in capital-raising and sustainability issues, and the related role of securities regulation".

Since then, IOSCO has created the Sustainable Finance Network, with the aim of exchanging information among regulators on this matter and analysing the initiatives carried out by IOSCO members, the main market participants and other international organisations in the area of sustainable finance.

IOSCO also published:

i) A "Statement on Disclosure of ESG Matters by Issuers" in January 2019. In this statement, IOSCO emphasises that ESG matters, though sometimes characterised as non-financial, may have a material short-term and long-term impact on the business operations of the issuers as well as on risks and returns for investors and their investment and voting decisions.

ii) A report by the Growth and Emerging Markets Committee on sustainable financing in these markets and the role of securities market supervisors and regulators. This report states that issues related to sustainable finance are particularly relevant to these emerging markets as they strive to develop capital markets in their jurisdictions.

At the end of 2019, the IOSCO Committee on Emerging Risks (CER) presented a series of (relatively prioritised) proposals for the institution's 2020 work plan, which were established following the analysis of the risks identified by both this committee and IOSCO's other committees. The proposals selected for inclusion in the programme were those related to leveraged finance and collateralised loan obligations (CLOs), due to the risks that these operations may entail in a context of economic slowdown and given the growing use of non-bank financing. As in most institutions, the arrival of COVID-19 has made it necessary to change the focus of the work to be carried out, and more urgent matters have been given priority. Standouts included the creation of the Financial Stability Expert Group (FSEG) to monitor and support FSB activities from the perspective of market supervisors.

9.3 Financial Stability Board (FSB)

In 2019, the Financial Stability Board (FSB) continued to develop and implement the financial reforms required by the G20, particularly in the areas declared as priorities: strengthening the resilience of the financial sector, procedures to address global systemically important institutions, non-bank financial intermediation and OTC derivatives.

The FSB also looked at new emerging risks for the international financial system, such as the implications of new technologies for regulation and supervision and the increase in the volume of financial instruments linked to collateralised loan obligations. Lastly, the FSB continued to assess the implementation and effects of the financial reforms developed by the G20 since the start of the global financial crisis and their usefulness in providing financing to the real economy.

The main lines of action of the FSB in the framework of the G20 recommendations are indicated below.

Technology

Analysis of the implications for financial stability of the provision of financial services by large technology firms (Bigtechs) in both emerging markets and developed economies. Additionally, the FSB is analysing the implications of the use of technology in regulation (Regtech) and in supervision (Suptech) and in the development of stablecoins, where it considers it necessary to prepare a common regulatory and supervisory response.

Non-bank financial intermediation

According to FSB estimates, the non-bank financial intermediation (NBFI) sector accounts for approximately half of global financial assets. Given the growth and development of the sector and, in particular, of some activities such as asset management and securitisation, the FSB is considering how to reorganise future work in this area.

Assessment of financial reforms

The FSB continues to regularly assess whether the global financial reforms developed by the G20 are working as planned. In addition to the assessments already carried out on their effects on the financing of infrastructure and small- and medium-sized enterprises, current and future assessments of moral hazard associated with lenders considered to be globally systemically important and therefore "too big to fail" and money market mutual funds respectively also stand out. Additionally, in 2019, the FSB started to review the possible consequences of the financial reforms in terms of market fragmentation.

Implementation of financial reforms

To the extent that a large majority of the financial reforms developed by the G20 have been adopted by FSB jurisdictions, the FSB has reinforced the monitoring of their effective implementation through peer reviews of both countries, e.g. Mexico and South Africa, and topics, e.g., the review of the implementation of the Legal Entity Identifier (LEI). We would point out that the peer review of Mexico, focused on the derivatives markets, was chaired by a CNMV director.

Lastly, the FSB continues to recommend the full and consistent adoption of pending reforms, which will also contribute to establishing a level playing field and avoid regulatory arbitrage. It also considers that a common framework for cross-border cooperation and exchange of information should be favoured to preserve an integrated and open global financial system.

9.4 European Systemic Risk Board (ESRB)

In 2019, the European Systemic Risk Board (ESRB) continued its supervisory work in the macro-prudential area in order to assess, prevent and mitigate the impact of systemic risk. Unlike sector regulators, the ESRB's scope of action covers the entire financial system of the European Union, including banks, insurers and pension funds, asset managers and all other activities and entities related to NBFI.

The CNMV is a member of the ESRB and participates both in the Technical Advisory Committee and in the expert groups that analyse the formation of systemic risk in areas related to the securities markets and non-bank financing, in addition to attending the ESRB General Meeting as a member with voice but without vote.

The most relevant issues discussed in the CNMV's areas of interest were: i) general analysis of the main risks and vulnerabilities related to financial stability, reflected in the quarterly reports; ii) the risk inherent to NBFI activities and entities, which during the past year focused mainly on the activity of certain types of investment funds with specific illiquidity or leverage risk, and iii) the possible systemic consequences of a cyber incident (systemic cyber risk). The risks deriving from procyclical behaviour in setting margins and haircuts were also analysed in depth, and measures proposed to mitigate risk; analyses of interconnections in derivatives markets continued, with a focus on the potential impact of the United Kingdom's departure from the European Union (Brexit); the effects of accounting standards IFRS 9 and IFRS 17 on the calculation of expected losses and the valuation of assets with reduced liquidity (level 2 and level 3 assets) were investigated, and assessments performed to quantify the impact of different scenarios of climate change on the European financial sector.

In addition to its contribution to the Technical Advisory Committee, the CNMV actively participated in the NBFI expert group. The main work of this group was to analyse trends, risks and vulnerabilities in this area, and it published the EU Non-bank Financial Intermediation Risk Monitor report in mid-2019. In addition, a report assessing the risks related to excessive leverage was prepared, highlighting the lack of comparable leverage measures in different financial sectors, and the contribution of the ESRB to the revision of the AIFM Directive was initiated.

9.5 Other international forums

The Association of Mediterranean Regulators held its annual meeting of chairpersons in Cairo in January 2020. Members of this Association, which includes the supervisory authorities of securities markets of Portugal, Spain, Italy, Greece, Cyprus, Turkey, Egypt, Algeria, Tunisia and Morocco, exchanged experiences on sustainable finance, the promotion of IPOs of small- and medium-sized enterprises, venture capital, crowdfunding, protection of retail investors, data protection in financial markets and exchanges of information among supervisors, the digitisation and tokenisation of assets and cybersecurity.

The Ibero-American Securities Market Institute (IIMV), comprising the supervisory authorities of the securities markets of 20 Ibero-American countries, including Brazil and Portugal, carried out 11 face-to-face training, cooperation and informative sessions, lasting an average of three days. In 2019, 335 employees of IIMV members and nearly 400 people took part in the public events organised by the Institute in collaboration with local authorities. The main topics addressed in the sessions, in addition to the standard training activities on market supervision and inspection, and online activities in the areas of corporate governance and international financial reporting standards (IFRS), related to the capital markets, with a workshop on the development of equity markets in the region, and investor protection, focused on suitability and appropriateness requirements, as well as several conferences on Fintech and crowdfunding. Additionally, the IIMV has a website and a repository of Fintech projects based on a memorandum of understanding signed by its members in 2018. Many of the papers from the IIMV working sessions are subsequently published in its quarterly magazine.

9.6 Cooperation and information sharing with foreign authorities

The rising trend in collaboration and information sharing with foreign authorities seen in previous years became much more pronounced in 2019. The increase was particularly notable in terms of requests sent out by the CNMV.

The CNMV handled 253 requests for support from supervisors from other countries and issued 199 requests for support from its securities market supervision counterparts abroad. Most of this cooperation involved, on the one hand, the submission of information relating to investigations on cross-border transactions that allegedly involved market abuse (170 requests received and 109 sent) and, on the other hand, the sharing of information aimed at verifying the suitability and good repute of supervised entities and individuals in authorisation processes (49 requests received and 23 sent).

The figures on these acts of cooperation over the last four years are set out below.

Acts of cooperation with foreign authorities

TABLE 9.6.1

	2019		2018		2017		2016
Requests for support	**Requests**	**Annual increase (%)**	**Requests**	**Annual increase (%)**	**Requests**	**Annual increase (%)**	**Requests**
Sent	199	107	96	6	90	43	63
Received	253	62	156	47	106	-4	110
Total	**452**	**79**	**252**	**28**	**196**	**13**	**173**

Source: CNMV.

III Report by the Internal Control Body

Audit Report Pursuant to Article 17.4 of the Recast Text of the Securities Market Act - 2019

INTERNAL CONTROL DEPARTMENT
22 May 2020

1.- INTRODUCTION

The CNMV's Internal Control Department has performed the audit relating to the compliance of the decisions adopted by the governing bodies with 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 meeting of 3 March 2020, thus complying with Article 17.4 of the Recast Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October.

The work has been performed in accordance with the International Standards for the Professional Practice of Internal Auditing of the IIA (the Institute of Internal Auditors), as established by the Internal Audit Rules for the CNMV approved by a Resolution of the Board on 27 July 2016.

2.- OBJECTIVES AND SCOPE

The objective of the work is to verify compliance of the adoption of supervisory decisions by the CNMV's governing bodies in 2019 with the applicable procedural regulations.

The basic legislation applicable to CNMV procedures is as follows:

- Recast text of the Securities Market Act.
- Law 39/2015 of 1 October on the Common Administrative Procedure of Public Administrations.
- Law 40/2015 of 1 October on the Legal Regime of the Public Sector.
- The CNMV' s Internal Regulations.

In addition, the Agreements on the delegation of powers of the CNMV in force during 2019.[1]

No scope limitations arose during the course of the work.

1 Board delegation agreement of 27 September 2018 (BOE 9/10/2018).

3.- OPINION

In our opinion, having completed the audit work, it can be concluded that in 2019 the decisions adopted by the CNMV's governing bodies in the area of the supervision entrusted to it by the Recast Text of the Securities Market Act and other legislation met the requirements established in current legislation relating to the procedure and authority applicable in each case.

Manager of the Internal Control Department
Margarita García Muñoz

IV CNMV: Organisational, financial and institutional aspects

10 CNMV Strategy

10.1 2020 Activity Plan

On 12 February 2020, the CNMV presented its Activity Plan for the year.

This Plan, previously presented to the CNMV Advisory Committee for its consideration, set out 44 targets for the year 2020, and included a review of the degree of completion of the commitments taken on in the previous year's plan. Specifically, it explained that 84% of the targets had been achieved, in line with previous years (78% in 2018 and 86% in 2017) and showed the degree of completion of each of the objectives of the 2019 Plan.

Among the most important objectives achieved in the 2019 Plan were the amendment of CNMV Circular 1/2017, of 26 April, on liquidity contracts and the approval of two Technical Guides, one for CIS management companies on better execution and selection of intermediaries and another on the authorisation of new firms. The aim of these measures is for the CNMV to enhance transparency on its operating guidelines and to facilitate compliance with regulations by supervised firms.

A study was also carried out on the costs and returns of Spanish investment funds compared with other European funds, and two agreements were signed with the General Directorate of Police and the Civil Guard, an important aspect of which is collaboration on investigations of unauthorised entities.

Objectives pending completion amount to 16% of all objectives set for 2019, although most are at a very advanced stage and are expected to be completed in 2020.

When formulating the 2020 Activity Plan, after considering whether to maintain or amend its strategy, the CNMV considered it appropriate to reaffirm the strategic areas established at the beginning of 2019 for the period 2019-2020:

i) Supervision as a priority.

ii) Promoting the competitiveness of the Spanish market.

iii) Attention to technological developments in the financial sector.

The selection of these strategic lines for 2019-2020 does not imply relegating other objectives such as continuing to work in the area of financial education and sustainability, or paying special attention to financial stability.

In early May 2020, as a result of the situation created by the COVID-19 pandemic, which has affected various aspects of the financial markets and caused part of the institution's activity to be refocused, the CNMV published an update of its Activity Plan for the year.

This review does not imply a modification of the general strategy set for 2019-2020, which the CNMV reaffirms, stressing in particular the need to pay attention to technological developments affecting financial markets and investment services. The situation created by COVID-19 has also confirmed the importance of the CNMV's activities in the area of financial stability, which has become significant in recent years, especially following the creation of the Macroprudential Authority Financial Stability Board (AMCESFI), of which the CNMV is a member.

As a result of the review, it was decided that despite the circumstances, 33 of the 44 objectives initially set for 2020 would be maintained, and two new ones added (the Plan only includes a certain number of objectives or special actions each year, in addition to the Commission's ordinary activities of supervision, authorisation of entities and products, addressing complaints, international activity, etc.). Nevertheless, the CNMV continued to work on most of its delayed objectives, although, given the circumstances, there can be no assurance that they will be completed in 2020.

The CNMV and Brexit EXHIBIT 22

Since the United Kingdom took the decision to leave the European Union, and while the form of the withdrawal and future relations with the EU were being negotiated, the CNMV has worked, in coordination with the Ministry of Economic Affairs and Digital Transformation and other Spanish and European organisations, to preserve financial stability and protect investors, while constantly taking into account the need to foster the competitiveness of the Spanish market.

Although the negotiations between the European Union and the United Kingdom were completed in November 2018 and a draft Withdrawal Agreement was drawn up, this was not approved by the British Parliament, and therefore, uncertainty surrounding the process remained high throughout 2019.

In March 2019, as the initial Brexit date approached (29 March) without an agreement having been reached that would allow an orderly exit by the United Kingdom, Royal Decree-Law 5/2019, of 1 March, adopting contingency measures in Spain to prepare for a withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union without the conclusion of the agreement provided for in Article 50 of the Treaty on European Union, was published. However, it was also established that this Royal Decree-Law would not enter into force if, prior to that date, a withdrawal agreement between the European Union and the United Kingdom had been formalised.

Therefore, the CNMV created a new section on its website called "After Brexit: issues relating to the financial sector", with useful information for market participants and investors, such as a list of documents of interest on the possible consequences and implications of Brexit and some interpretative criteria, in the form of questions and answers, on the provisions relating to the securities market and investment services contained in the aforementioned Royal Decree-Law.

After the first Brexit date was postponed, in October 2019 negotiators from the European Commission and the United Kingdom reached a consensus on the Withdrawal Agreement, which was approved by the British Parliament and by the European Parliament in January 2020. Once the necessary internal procedures were completed by both parties, the Withdrawal Agreement entered into force at midnight on 31 January 2020, at which time the United Kingdom ceased to be a Member State of the European Union and became a third country.

This was the start of a transition period, which will end on 31 December 2020 and may be extended once for a maximum of one or two years, if the United Kingdom and the European Union so agree before 1 July 2020. During this time, entities will be able to continue to carry out their activities normally.

During this period, the European Union and the United Kingdom will negotiate the terms of their future relationship on the basis of the Political Declaration agreed in October 2019, a relationship that will cover trade, economic cooperation and security and must be based on a balance of rights and obligations and ensure a framework of equality.

Firstly, **two new objectives** were added to the 2020 Activity Plan: the adaptation of the CNMV contingency Plan to a full teleworking model, based on the present experience, and the amendment of Technical Guide 4/2017 for the assessment of the knowledge and competence of staff giving information and advice in order to allow online assessments to be carried out on a permanent basis.

The **11 objectives postponed** to the following year include the preparation of a strategic plan for information systems and a global sustainability plan (ESG) for the CNMV as a whole, since both objectives required public bidding processes, which the current situation has made more operationally complex, and the objective related to a possible code of good practice to encourage the long-term engagement of shareholders.

Standouts among the specific objectives originally included in the 2020 Activity Plan which have been maintained include, in the section on **Improvements to the functioning of the CNMV**, the implementation of a CNMV Comprehensive Digital Transformation Plan to speed up digital transformation and roll out a global project to cover the entire institution. They also include the formal establishment of a whistleblowing channel for CNMV staff to report irregular behaviour or infractions.

Objectives maintained in the **market supervision** area include the amendment of some of the recommendations of the Good Governance Code and the horizontal review of the degree of compliance with IFRS 16 (Leases).

Regarding the **supervision of financial intermediaries**, the preparation of a technical guide on controlling the liquidity of collective investment schemes (CIS) and supervisory action in this area, in coordination with ESMA, has been confirmed, in addition to the publication of a technical guide on cybersecurity. A review is also planned of the advertising activity of the main foreign entities that operate in Spain under the freedom to provide investment services regime and concrete proposals will be drawn up for restrictions on the advertising of especially complex products such as contracts for difference and binary options.

Lastly, in the area of **relations with investors and other interested parties**, it should be noted that the CNMV has maintained the objective of designing and conducting stress tests on investment funds.

In addition to the above, the CNMV still plans to carry out a study to analyse the extent to which tax rules are aligned with the objectives of the regulations relating to the distribution of financial products and, in general, to the provision of investment services; and in the area of **financial education**, it intends to publish a guide on basic investor skills.

10.2 Actions by the CNMV with regard to Fintech activity and cybersecurity

The CNMV considers it a priority to foster innovation and establish sufficient measures and controls to deal with technological risk in infrastructures and in the entities that provide services in the securities markets. This was reflected in the strategy for 2019-2020 and in the 2019 Activity Plan, which included key objectives in these areas.

The main lines worked on in 2019 are described below.

Fintech Portal

Through this portal (innovation hub), created in 2016, information on the application of the regulations is provided to promoters of innovative projects who, due to their business model, carry out activities related to the securities markets. It is an informal space visited by both small companies (start-ups) and the innovation departments of established financial sector entities.

Based on the enquiries received since the portal was created, an FAQ section was prepared and published, compiling the most common enquires relating to crowdfunding platforms, robo advice and management, and crypto-assets.

Through this space, the CNMV also learns about new services and products based on new technologies that are available and innovation in the financial sector.

The number of enquiries received since the Portal was created until 31 December 2019, broken down according to the type of associated project (verticals), is shown below:

Enquiries received on the Fintech Portal TABLE 10.2.1

Verticals	No. of enquiries (31/12/2019)
Crowdfunding platforms	88
Crypto-assets and blockchain	97
Token sales	49
Exchanges	20
Other	28
Robo advice and management	49
Customer relations	14
Technology provider	19
Other	73
Total	**340**

Source: CNMV.

In 2019, 82 enquiries were received,[1] those relating to crypto-assets and blockchain technology being the most frequent. Questions related mainly to the issue of tokens (18 enquiries), since these transactions can be considered issues of negotiable securities depending on the nature of the tokens.

The next most frequent enquiries were those relating to crowdfunding platforms and the application of Law 5/2015, of 27 April, on the promotion of business financing. In March 2019, three new questions on these platforms were added to the FAQ document.

Eight enquiries were submitted through the portal relating to robo advice and management. This is clearly a business model with a notable degree of innovation deriving from the services offered and the increasingly solid incorporation of artificial intelligence and machine learning in these algorithms and advisory and management processes.

Sandbox

The creation of a test area – known as a sandbox – announced by the Spanish Government will allow innovative projects with sufficient maturity and offering benefits for investors, or for any securities markets participants, to be tested in a controlled environment. For this purpose, the CNMV will organise the necessary human and technological resources to establish the specific test conditions, monitoring and assessment for each project. Where a project includes activities that affect the scope of more than one supervisor, these actions must be coordinated so as to allow a full test.

Cybersecurity

In compliance with the objectives of the 2019 Activity Plan, the CNMV sent out a questionnaire on cybersecurity to the entities under its supervision (investment firms and CISMCs).

1 After the publication of the FAQ sheet, the number of enquiries decreased, since many of the questions that were asked at the beginning now have an answer in the published document.

The objective is to ascertain the status of this type of entity in terms of the measures and controls implemented to deal with technological risk. With this information, the CNMV will prepare guides or best practices for the sector. This action was carried out in collaboration with the National Cryptologic Centre, which has also provided training in cybersecurity awareness to CNMV personnel.

Cybersecurity EXHIBIT 23

The Fintech Plan published by the European Commission in 2018[1] includes, as one of its three lines of action, an increase in cybersecurity through self-regulation by market participants and supervision by the authorities. Specifically, the Plan highlights the existence of barriers to the exchange of information on cyber threats in the financial sector and considers that it would be very useful to carry out Europe-wide stress tests. The European authorities (ESMA, EBA and EIOPA) are working in these areas to ensure that all member countries assume their responsibilities in an efficient and harmonised manner.

The main community standard in this area is the NIS[2] Directive, which establishes measures for a high common level of security of network and information systems across the Union. This Directive and its regulatory implementation define the requirements for reporting incidents to the corresponding CSIRTs,[3] the roles and responsibilities that the industry and the authorities must take on and the collaboration that must be established among EU countries.

Recently, the European Commission, aware of the relevance of this issue in the financial sector, published a consultation[4] to collect opinions on how to improve the requirements for managing risks relating to security, and information and communication technologies (ICT) in the EU's different regulations on financial services and how to harmonise the notification of ICT incidents within the sector.

In line with EU initiatives, the CNMV considers it a priority that entities under its supervision implement the necessary measures and controls in regard to technological risk. Therefore, in compliance with one of the objectives set out in the 2019 Activity Plan, the CNMV sent out a questionnaire to investment firms and CIS management companies that addresses the main organisational and operational issues in this area. The initiative seeks to provide an overview of the status of this sector in relation to cybersecurity.

Although there is a considerable degree of diversity among these entities and, therefore, the principle of proportionality must be applied in terms of the measures and controls that each of them should implement, there are certain basic factors that all entities must take into account. The questionnaire seeks information related to:

– The resources dedicated by each entity to this issue.

– The organisational framework (i.e., procedures, policies and responsibilities).

– The operational factors in place to provide proper risk management.

– The measures adopted with respect to service providers, with special reference to cloud services.

– The protection measures that the entity has implemented to ensure cybersecurity and data protection.

The information collected through the questionnaire will provide a better understanding of the situation of these entities in relation to cybersecurity and establish good practices, guides and recommendations that will shore up the resilience of the securities markets.

1 *FinTech action plan: For a more competitive and innovative European financial sector.*
2 Directive (EU) 2016/1148 of the European Parliament and of the Council, of 6 July 2016, on measures for a high common level of security of network and information systems across the Union.
3 Computer Security Incident Response Team.
4 *Consultation document. Digital Operational Resilience Framework for financial services: Making the EU financial sector more secure.*

In-house training

In addition to the cybersecurity sessions, in 2019, special training courses were organised for all staff on new technologies, specifically blockchain (the first sessions took place in 2018) and roboadvisor (automated advice and management) technology.

These sessions had an eminently practical orientation and focused on providing support for the authorisation and supervision processes of activities that use these technologies and are part of a training strategy that aims to cover the different technologies and innovative business models currently in use in the financial sector.

10.3 Advisory activity on draft legislation and other requests for information

As provided in Article 17.3 of the Securities Market Act, the CNMV advises the government and the Ministry of Economic Affairs and Digital Transformation and where appropriate, the equivalent bodies of the autonomous regions, on matters relating to securities markets.

As part of this advisory work, in 2019 the CNMV analysed and submitted observations in relation to various regulatory projects, although most of these were not approved during the year as parliamentary activity was affected by the general elections. These projects are expected to be processed during 2020. They include **establishing a regulatory sandbox** to facilitate innovation in financial services, as well as those related to other significant aspects of European Union law which began to apply in 2019, or the deadline for transposing which into domestic law was in 2019, notably the **Shareholders' Rights Directive**,[2] the **Securitisation Regulation**[3] and the new **Prospectus Regulation**.[4]

The CNMV also worked on a technical level, particularly with the Ministry of Finance, on various aspects of a possible "financial transaction tax" similar to that existing in countries such as France and Italy (and in line with the model on which some Member States, including Germany, are also working in close cooperation). The new tax would be applied, with certain exemptions, on acquisitions of shares of the main Spanish listed companies, whether they occur in Spain or outside of Spain.

In regard to European regulations, the CNMV worked with the General Secretariat of the Treasury and International Financing on the **Regulation as regards the promotion of the use of SME growth markets,**[5] which was approved in late 2019 and which amends certain aspects of the Market Abuse Regulation and the new Prospectus Regulation, with the aim of developing a proportionate regulatory framework that will facilitate access of small and medium-sized enterprises to financing.

Additionally, in 2019, the CNMV received more than thirty requests for information from the Ministry of Economic Affairs and Digital Transformation, of which five corresponded to parliamentary initiatives and questions on various issues.

CNMV digital transformation plan EXHIBIT 24

In recent years, new technologies have been included into practically all sectors and others that were already used are evolving to offer solutions that are sufficiently developed to be applied in various business models. Public authorities are no strangers to this phenomenon and many are undertaking what is known as the *digital transformation process*.

The CNMV has also embarked on a process of digital transformation to become a more effective, efficient, transparent and secure digital institution by incorporating new technologies, with the overarching aim of improving the execution of its purpose (market supervision, investor protection, boosting the competitiveness of the Spanish financial markets and promoting the financial education of citizens).

To this end, it is designing a comprehensive plan supported by a more intensive use of data, implementing new work tools and evolving towards more

2 Directive (EU) 2017/828 of the European Parliament and of the Council, of 17 May, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

3 Regulation (EU) 2017/2402 of the European Parliament and of the Council, of 12 December, laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No. 1060/2009 and (EU) No. 648/2012.

4 Regulation 2017/1129 of the European Parliament and of the Council, of 14 June, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

5 Regulation (EU) 2019/2115 of the European Parliament and of the Council, of 27 November, amending Directive 2014/65 / EU and Regulations (EU) No. 596/2014 and (EU) 2017/1129 as regards the promotion of the use of SME growth markets.

digital channels to access information and interact with both investors and the entities that it supervises. One of the main lines of this project is processing and analysis of data through the use of advanced technological tools and means, which may involve artificial intelligence and machine learning to automate processes and support the tasks of supervision and investor protection. It involves driving a global process that concerns technology but that will also have an impact on the organisation's culture, leading to a readjustment of work processes and changing the way in which the various areas of the organisation interact with their environment.

This plan is aimed at improving organisational performance by promoting more efficient ways of working so that supervisory functions can be improved, but also at responding to the growing technological demands of the financial sector and, specifically, investors, infrastructures and investment firms. Therefore, new ways of communicating with the supervisor and sharing information will be proposed, with a focus on creating initiatives aimed at regulatory compliance (RegTech) and new services.

This process is being promoted by the institution's most senior executives, who form the Digital Transformation Committee, which will approve initiatives that are part of the CNMV's digital ambition. A Digital Transformation Office has also been set up to manage and monitor the projects to implement these initiatives. Training will play a key role, not only in the area of technology, but particularly in regard to cultural change that will make it easier to undertake new projects. The digital transformation process has a time horizon of four years, although it marks the beginning of a process of continuous review of the status of digital maturity and proposals for improvement.

This, of course, does not imply that the CNMV will transform in the sense of changing its lines of action as a supervisor, which are established in the Securities Market Act. The objective is to optimise resources and tasks, as well as digitising its actions and services.

10.4 Key Performance Indicators of the CNMV

In 2018, in accordance with its Activity Plan for that year, the CNMV began to develop a series of performance indicators (Key Performance Indicators, KPIs), to which a series of activity indicators were added. The publication of these indicators aims to increase the transparency of the activities carried out by the institution, assess performance and serve as a basis to improve the process efficiency.

The first performance and activity indicators were defined and published in the 2018 Annual Report, and in 2019 other key indicators were identified, notably including those related to information systems, the number of requests sent and reports prepared in the markets area.

The key performance indicators of the CNMV for 2019 are shown below. 2018 data are presented for comparative purposes.

Performance indicators

TABLE 10.4.1

Areas	Indicator	
	2018	**2019**
Authorisation and registration of IFs	**105 proceedings**	**123 proceedings**
Total average time[1]	1.2 months[2]	1.1 months[2]
Authorisation of service providers (CISMCs, closed-ended investment scheme MCs, IFs and CPs)	**48 proceedings**	**45 proceedings**
Average time from last documentation[3]	0.8 months[4]	0.4 months[4]
Total average time from initial application[5]	8.1 months	7.8 months
Corresponding:		
To the promoter	3.1 months	2.5 months
To the CNMV	3.8 months	2.9 months
To report procedures of other authorities	1.2 months	2.4 months
Fixed income issues for wholesale investors	**256 proceedings**	**263 proceedings**
Percentage processed in the agreed period[6]	96.9	90.5
Complaints by investors	**1,018**	**1,077**
Percentage of complaints concluded in the year with regard to those filed that year and outstanding from the previous year	84.2	81
Average time to resolve complaints	75 days	81 days
Investor enquiries	**10,772**	**7,560**
Average time for responding to enquiries	21 days	22 days
Disciplinary proceedings		
Average time to process disciplinary procedings	180 calendar days	179 calendar days
Average time for processing requests for cooperation with the courts:		
Submission to competent D.G.	4 calendar days	4 calendar days
Final submission to the court	15 calendar days	8 calendar days
Requests for international cooperation		
Average response time	50 days	32 days
Excluding suspicious transaction and order reports	58 days	49 days
Average response time received	53 days	36 days
Average response time sent	72 days	58 days
Suspicious transaction and order reports	32 days	14 days
Average processing time received	6 days	3 days
Average processing time sent	101 days	43 days

Source: CNMV. (1) The maximum legal period is two months following receipt of the application or from the time when the required documentation is completed. (2) The figure shown is the total period from the initial application, although it is common in the vast majority of cases for it to be necessary to provide additional documentation to that initially provided. (3) Depending on the type of entity, the maximum legal period is three or six months from the request or from the time when the required documentation is completed. (4) The figure shown is the period elapsed from the time when the documentation is completed to the date the proceedings are resolved. (5) The breakdown reflects the time periods taken by the promoter to complete the documentation required by the CNMV for its analysis and for obtaining the mandatory reports (from other supervisors or SEPBLAC). (6) Essentially includes three stages: Three days from receipt of the application in order to submit the first comments, two days for sending comments relating to the modifications resulting from the first comments, where appropriate, and three days for admission of the securities from when the information is complete. In any event, given the usual nature of the operations, most of them do not require comments and hence they are fully completed in 3 days or less.

Activity indicators

TABLE 10.4.2

Areas	Indicator	
	2018	2019
Collective investment schemes - Venture capital undertakings		
Number of deficiency letters		
For late filing of information	511	538
Requests for information	121	151
Corrective measures or recommendations	610	622
Other notifications	79	153
Number of actions (including inspections)	218 (of which 14 inspections)	223 (of which 11 inspections)
Markets		
Number of deficiency letters		
Equity	n/a	107
Compliance and development	n/a	42
Derivatives	n/a	4
Fixed income	n/a	0
Number of reports	n/a	175
Financial and accounting information		
Corrective actions (additional breakdowns, correction in future years, restatements or reformulations) as a percentage of the number of annual financial reports subject to substantive review (overall)	38.5	40.5
Infringements		
Number of notifications of possible infringements (notifications that may be anonymous)	525	464
Including factual elements that may constitute possible infringements	316	305
Without sufficient factual elements	209	159
Disciplinary proceedings		
Number of disciplinary proceedings:		
Open	21	18
Concluded	23	17
Fines	39	39
Periodic publications	**14**	**14**
Annual Report	1	1
Quarterly Bulletin	4	4
Financial Stability Note	4	4
Annual report on complaints and enquiries	1	1
Annual Corporate Governance Report (ACGR)	1	1
Annual accounts supervision report	1	1
Annual Directors' Remuneration Report	1	1
Non-bank financial intermediation in Spain	n/a	2
Activity Plan	1	1
Descriptive or research articles on matters of interest to the CNMV	**12**	**13**
Contained in the Quarterly Bulletin	11	11
Working documents	1	2
Seminars	**13**	**11**
Internal	4	1
Open	9	10

Activity indicators *(continuation)*

TABLE 10.4.2

Areas	Indicator	
	2018	2019
Statistical publications		
Primary securities market statistics	4	4
Statistics on commercial paper placements registered with the CNMV	4	4
Statistics on economic and financial information relating to securitisation funds	4	1
Statistics on asset securitisation funds	12	12
Statistics on collective investment schemes	4	4
Statistics on investment firms	12	12
Statistics on corporate governance of listed companies	1	1
Statistics on remuneration of directors of listed companies	1	1
Statistical Annex of the Quarterly Bulletin	4	4
Statistical Annex of the Annual Report	1	1
Updated public series	30,558	31,217
Institutional relations		
Number of requests from the Ministry of Economic Affairs and Digital Transformation processed: parliamentary initiatives and questions, internal approvals, other reports	116	71
Number of regulatory proposals on which advice has been given	16	14
Number of public interventions or appearances	66	82
Chair	44	42
Vice-Chair	20	38
Directors	2	2
Number of enquiries received through the FinTech Portal	128	82
Number of reports submitted to the Advisory Committee for assessment	25	16
Financial education		
Financial Education Programme in schools		
Number of centres	762	472
Number of teachers	885	660
Number of students	26,772	22,939
Financial Education Programme Partner Network: number of partnership agreements entered into	33	42
Financial Education Day: number of events and activities performed and coordinated for that day	129	125
Publications on the website and on social networks (news, infographics, etc.)		
Posts	35	79
Facebook	50	215
Twitter	167	325
Investor Section	8	11
Number of emails	72,000	77,600
General Register		
Incoming	145,825	137,774
Register of incoming paper documents	14,632	12,045
Register of incoming electronic documents	130,614	125,729
Electronic registration received by the SIR registered exchange system	579	1,076
Outgoing	163,180	160,584
Register of outgoing paper documents	24,157	21,756
Register of outgoing electronic documents	139,023	138,828

Activity indicators *(continuation)*

TABLE 10.4.2

Areas	Indicator	
	2018	**2019**
Enquiries received and responses issued regarding official records	n/a	1,195
Certificates of registration in the various official registers	n/a	563
Finances		
Number of fee settlements issued	23,133	20,681
Number of supplier invoices	2,392	2,134
International activity		
Requests for international cooperation	252	452
Received	156	253
Sent	96	199
Number of actions carried out	1,190	2,159
Received	742	1,064
Sent	448	1,095
International collaboration requests (excl. suspicious transaction and order reports)	175	237
Number of actions carried out	1,015	1,455
Received	100	95
Number of actions carried out	627	537
Sent	75	142
Number of actions carried out	388	918
Suspicious transaction and order reports	77	215
Number of actions carried out	175	704
Received	56	158
Number of actions carried out	115	527
Sent	21	57
Number of actions carried out	60	177
Number of technical staff attending international meetings	91	96
Attendance at international meetings	401	470
ESMA	212	225
IOSCO	52	65
European Union	57	81
Colleges	12	9
Other forums	68	90
Staff attending courses	27	25
Systems		
Computers in workstations	n/a	532
Number of laptops	n/a	350
Software products purchased with licences	n/a	75
End user applications developed and in production	n/a	257
Files received by electronic registration and automatically processed	n/a	108,683
Procedures available at the electronic office	n/a	69
Users of the CIFRADOC service (for supervised entities) of the electronic office	n/a	1,716

Source: CNMV.

11 Organisation

11.1 Human resources and organisation

Changes in workforce and staff selection processes

At the end of 2019, the CNMV had 441 employees. There were 15 new hires and 20 departures during the year.

Tables 11.1.1 and 11.1.2 show the distribution of CNMV staff by professional category and by department.

CNMV staff: Composition by professional category TABLE 11.1.1

Number of employees at the end of each year

	2018			2019		
	Total	Men	Women	Total	Men	Women
Services	**8**	8	–	**8**	8	–
Clerical staff / Computer operators	**59**	11	48	**54**	10	44
Technical staff	**354**	165	189	**354**	164	190
Management	**25**	17	8	**25**	17	8
Total	**446**	**201**	**245**	**441**	**199**	**242**

Source: CNMV.

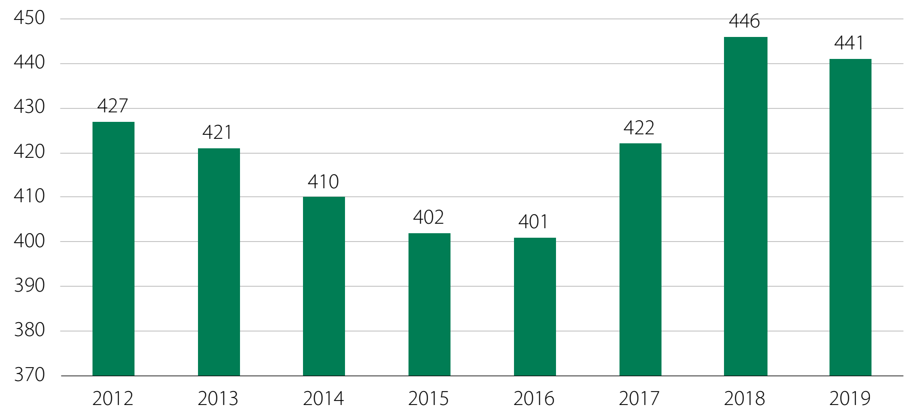
In 2019, several selection processes were carried out, as described in the corresponding Public Employment Offers, to cover the vacancies arising in 2017 and 2018. As shown in Figure 11.1.1, after seeing net growth in staff in both years, in 2019 the workforce decreased by 1.1%.

As a result of the 2017 Public Employment Offer, three selection processes were completed during the year to cover four technical positions for several divisions and departments of the CNMV: One position in the Financial and Corporate Reports Department, one position in the Internal Control-General Secretariat and two positions in the Human Resources-General Secretariat. The selected candidates joined the CNMV between the last quarter of 2019 and early 2020.

As a result of the 2018 Public Employment Offer, which was authorised to cover a total of 15 positions, three selection processes were undertaken in the first half of the year to cover vacancies for clerical and technical staff in various departments: six positions for clerical staff in several areas and departments, three positions for technical specialists in risk measurement and quantitative techniques of investment firms (IFs) and central counterparties (CCPs) and six technical positions for various CNMV divisions and departments. Both the selection processes and the entry of the new staff will take place over 2020.

Changes in the CNMV workforce

FIGURE 11.1.1



Source: CNMV.

As a result of the 2019 Public Employment Offer, which was authorised to cover a total of nine positions, one selection process was undertaken in the second half of the year to cover seven vacancies for technical positions in the Information Systems Department. Both the selection process and the entry of the new staff will take place over 2020.

In the second half of the year, cover of a vacancy for a statistics technician in the Research and Statistics Department was authorised, drawn from the group of State-Employed Qualified Statisticians. The selection and entry process was carried out in 2020, but no hire was made.

With the aim of promoting and facilitating internal mobility, ten internal selection calls were made during the year for a total of 11 vacancies, to cover deputy manager, technician and secretary positions in different departments.

Breakdown of staff by department

TABLE 11.1.2

Number of employees at the end of each year

	2018			2019		
	Total	**Men**	**Women**	**Total**	**Men**	**Women**
Directorates-General	348	139	188	346	153	193
Entities	130	57	73	128	56	72
Markets	122	57	65	121	56	65
Legal Affairs	44	18	26	44	19	25
Strategic Policy and International Affairs	52	21	31	53	22	31
Departments	86	45	41	84	43	41
Chair, Vice-Chair and Board	12	3	9	11	3	8
Total	**446**	**201**	**245**	**441**	**199**	**242**

Source: CNMV.

Training

The initiatives implemented by the CNMV in 2019 in the context of its training programme included the following:

– Training actions developed and given in cooperation with different specialised schools and training centres. A total of 2,841 training hours were given (45% of total training given), which were attended by 68% of the staff.

– Training delivered internally, with participation by 47% of the workforce. A total of 1,661 hours were taught.

– International training actions, planned and given by ESMA, which were attended by 37 CNMV employees.

In 2019, the training programme comprised a total of 50 training actions and 6,363 training hours. Each employee received, on average, 14 hours of training, and 80% of the workforce took part in at least one of the planned training actions.

Breakdown of training by training area

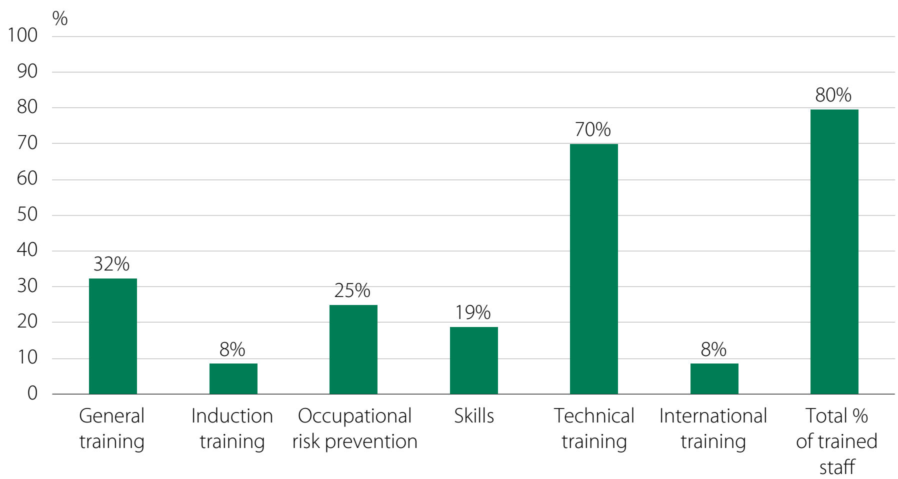
TABLE 11.1.3

	No. of participants	Employees trained (% of workforce)	Hours of training
General training	160	32	1,093
Skills training	83	19	83
Technical training	610	70	4,396
International training	41	8	791
Total	**894**	**80**	**6,363**

Source: CNMV.

Employees trained by type of training

FIGURE 11.1.2



Source: CNMV.

As in previous years, a new edition of the language programme was implemented, with participation by 48% of the workforce. The participants received a total of 10,932 hours of training, an average of 24.5 hours per student. As part of this programme, and with the aim of perfecting the language (English, French or German), the possibility of attending a summer course abroad was offered, both in Spain and in a native environment. In total, 8% of staff took part in the summer programme, with over 1,300 hours of training carried out.

Breakdown of the language programme. 2019 TABLE 11.1.4

	No. of participants	% of staff taking part[1]	Training hours taught
Language programme, 2018-2019	**266**	**48**	**10,932**
Annual English programme	196	44	8,626
Annual programme for other languages	37	7	967
Summer language programme	33	8	1,339

Source: CNMV. (1) Employees trained as a % of staff.

Other significant human resources initiatives

The number of employees that participated in the telework programme in 2019 stood at 94.

In addition, four editions of the internal magazine *Entre Nosotr@s* were published in the year to offer information on human resources to CNMV employees.

In the last quarter of the year, the eighth edition of the CNMV Drawing Competition took place under the theme of "Christmas". A total of 103 children of employees, aged between 3 and 14, took part in this edition. The results were published among employees in December and the awards were presented.

New organisational developments

At the beginning of this year, negotiations on the First CNMV Collective Agreement began.

On 20 November 2019, the Chair of the CNMV appointed Jorge Pereiró Couceiro as head of the Primary Markets Department.

The CNMV Board, at its meeting on 19 December, resolved to amend the CNMV's Internal Regulation.

Among other aspects, the new regulation introduced significant changes in the rules applicable to transactions with financial instruments made by employees, aligning these more closely with those of their European peers, and reinforcing the legal protection of employees in the exercise of their functions. The new regulation also updated legislative references and some organisational aspects, and introduced several improvements to regulatory technique.

11.2 Information systems

Introduction

To perform the functions entrusted to it by the CNMV's Internal Regulation (chapter 33, point 2), the Information Systems Department is structured in two areas: Development and Infrastructure.

The Development area is primarily responsible for:

– Planning, designing, programming, implementing and maintaining the computer applications used by the CNMV.

– Managing the Electronic Office.

– Supervising securities market information systems.

– Directing and managing international IT projects.

The Infrastructure area is primarily responsible for:

– Planning, testing, installing and maintaining the physical, logical and communications equipment of the IT infrastructures.

– Requesting bids, evaluating and proposing selections in acquisition procedures for IT items.

– Managing fixed and mobile voice and data communications.

Information received

The CNMV receives information from the various securities market participants:

– Issuers of securities: prospectuses, voting rights, periodic economic disclosures, price-sensitive information, annual financial statements, audits, etc.

– Investment firms: registry data, financial statements, transactions carried out, audits, etc.

– Financial markets.

– Settlement systems.

– Collective investment schemes: registry data, financial statements, prospectuses, regulations, by-laws, etc.

– Other regulators.

Transactions performed on securities markets and through the Spanish Financial Futures Market (MEFF) are received in real time.

As discussed later, more than 90% of this information is received through the electronic register.

The bulk of the information received relates to transactions made by financial intermediaries.

Investment firms and credit institutions that trade with financial instruments must report full and accurate data corresponding to these transactions to the competent authority (in Spain, the CNMV) as swiftly as possible, in accordance with Article 26 of Regulation (EU) 600/2014 of the European Parliament and of the Council, of 15 May, on markets in financial instruments (MiFIR). This MiFIR article is supplemented by Commission Delegated Regulation (EU) 2017/590, of 28 July, with regard to regulatory technical standards for the reporting of transactions to competent authorities. In turn, ESMA published reporting instructions (*MiFIR transaction reporting instructions*) that include the file formats for reporting, in addition to their validation rules, to facilitate the development of the systems to be implemented and reporting procedures.

To report transactions correctly to the CNMV, entities use the CIFRADOC service available at the electronic office. If the report is not made directly by the entity but through a market management company or an information system authorised by the CNMV or another competent authority, the systems established for this purpose are used. In all cases, the information must be received in the electronic format defined by ESMA and with the corresponding signature.

All the information received from market participants, together with that generated internally, form the basis of the computer applications used by the CNMV to perform its functions:

– Monitoring of official files and records (entities, prospectuses, voting rights, audits, etc.).
– Real time market monitoring and warnings.
– Market and entity supervision activities.
– Different types of economic and financial analysis.
– Inspection.
– Dissemination of information to investors and other institutions and entities.
– Preparation of research and statistics.
– Management of investor enquiries and complaints.
– Calculation of fees, etc.

Dissemination of information

The main channel for dissemination of information by the CNMV is its website: www.cnmv.es. Its main sections are:

- About CNMV. Institutional information.
- Press room: press releases and other information for the sector.
- Public statements.
- Price-sensitive information.
- Official registries.
- Registered prospectuses.
- Investors' website.
- Legislation, publications and other content.

Other established channels for the dissemination of information are:

- FTP (File Transfer Protocol) service for professional entities. The information disseminated is:
  - Interim financial disclosures, voting rights and audits of issuers
  - Real time price-sensitive information.
  - Changes in ISIN codes of securities registered with the National Securities Numbering Agency (ANCV)
- FTP service available to collective investment scheme management companies with information necessary to carry out the transfers.
- FTP service for the Bank of Spain with highly varied information, in terms of both content and frequency, on CNMV-supervised entities.
- Various online services with information on ISIN codes, price-sensitive information, etc.

Annual activity

In order to improve the services that the Department of Information Systems provides to the other units of the CNMV, the development of a global strategic plan for information systems has been commissioned.

The plan will define the objectives, guidelines and lines of action in the area of information systems and information and communication infrastructure.

The purpose of the plan is to optimise and modernise the technological environment so that it meets the CNMV's present needs and its expected needs in the next three years.

It must also define lines of action to:

– Identify the most appropriate hardware and software for carrying out the various functions to be performed by the CNMV's information systems.

– Establish the procedures for using these tools.

– Optimise technological resources to guarantee the quality, availability and continuity of the services provided by information technologies.

– Identify the actions and projects to undertake to carry out the defined plan, with the estimated costs, time and resources required.

The CNMV continues to renew obsolete applications and develop other new applications to support the published rules and processes necessary to comply with the functions entrusted to it.

The **modules** and **applications** developed during the year include the following:

i) Development and implementation of functionalities related to the international projects driven by ESMA for the implementation of MiFID II, mainly the TR (Transaction Reporting) project. Further consultation and new functions were implemented that have as their main source the data received from the various market participants and other authorities. A part of the quality tests were conducted on the information received as defined by ESMA.

ii) New version of the file tracking application of the Entity Registration and Authorisation Department. Given the obsolescence of the application, it was considered necessary to completely reprogram it with new functions and technology to process files as efficiently as possible.

iii) New register of brokers of financial advisory firms. Regulations oblige the CNMV to have a register of financial advisory firm agents. The corresponding modules and functions similar to those already available for agents of IFs and collective investment scheme management companies (CISMCs) have been developed.

iv) Management of statements of foreign management companies. The new regulations require registered foreign management companies to submit their financial statements to the CNMV. A procedure was developed at the electronic office to allow information to be submitted by managers and an internal application set up for the reception, validation, control and management of the information received.

v) Implementation of the new prospectus management application of the Primary Markets Department. The variety of prospectuses to be processed and the complexity of the functions required for the department to carry out the tasks entrusted to it, in addition to regulatory changes, have greatly complicated the development of the new version of the application completed in 2019.

vi) Automatic publication of the notices relating to issuers' voting rights. Until the end of 2019, notices of voting rights were published on the CNMV website, once they had been verified by technicians from the Financial and Corporate

Reports Department. The new regulations require notices to be published when the information is received.

vii) Access to holders of securities registered with the Trade & Companies Register. After the agreement was signed between the CNMV and the College of Registrars, the necessary functions were developed to access the dissemination channel established for holders of securities registered with the Trade & Companies Register.

The electronic channel continues to increasingly take over from paper in the CNMV's registers of incoming and outgoing documents. As shown in Table 11.2.1, the electronic channel was used for 91% of the documents received and 86% of the documents sent. A significant volume of the incoming and outgoing documents on paper correspond to claims, complaints and enquiries submitted by natural persons, who are not required to submit or receive them electronically.

Incoming and outgoing documents at the CNMV TABLE 11.2.1

	2018		2019	
	Number	**%**	**Number**	**%**
Incoming				
Total	**145,825**	**100**	**137,774**	**100**
Electronic channel	130,612	90	125,729	91
On paper	15,213	10	12,045	9
Outgoing				
Total	**163,180**	**100**	**160,584**	**100**
Electronic channel	138,722	85	138,828	86
On paper	24,458	15	21,756	14

Source: CNMV.

12 Finances

The bulk of the funding of the CNMV comes from the fees collected from supervised entities in accordance with the items and tariffs established in Law 16/2014, of 30 September, regulating CNMV fees. In 2019, income from fees decreased by 2.9%, mainly due to the fall in fees from market supervision activities. At the same time ordinary expenses increased by 8.1% compared with the previous year.

12.1 Revenue and expenses

In 2019, the CNMV obtained €63.3 million in revenue and incurred €48.6 million in expenses. Therefore, the surplus for the year amounted to €14.7 million, a decline of 30.1% compared with the previous year.

The surplus for ordinary activities amounted to €13.9 million. Ordinary revenue, which mostly came from fees received, was €61.4 million, 3.1% down on 2018. Ordinary expenses were €47.5 million, 8.1% up on the previous year. Personnel expenses, which accounted for 69.9% of total ordinary expenses, increased by 7.2%, due to the growth of the average workforce and the salary increase provided for in Royal Decree-Law 24/2018, of 21 December, approving urgent measures on public sector remuneration.

Other ordinary expenses grew by 10.1% on 2018. This increase was mainly in the external supplies and services heading, which registered €9.4 million and growth of 14.0%, from items such as information services, independent professional services and research and development expenses (computer applications in progress), which increased due to the contracting of new services to improve the efficiency of the CNMV in carrying out its functions and to move forward in the technological updating of the institution.

Profit from financial operations amounted to €0.7 million.

On 11 October 2019, the government, at the proposal of the CNMV, resolved to allocate the entire profit obtained in 2018 to the Public Treasury, in the amount of €20,962,503.81.

12.2 Fee structure

As shown in Table 12.2.1, which depicts the different types of fees established for the services provided by the CNMV, fee revenue decreased by 2.9% in 2019 relative to the previous year.

This reduction can mainly be explained by the fall in the amount of fees collected for the supervision of market activity (-12.3%).

CNMV fee revenues

TABLE 12.2.1

Amounts in thousands of euros

Activity or service	2018	2019	% change 19/18
Registration of prospectuses and entities	**9,531.3**	**9,520.2**	**-0.1**
Registration of prospectuses	3,334.5	3,773.3	13.2
Issue prospectuses	273.8	363.4	32.7
Listing prospectuses	3,060.7	3,409.9	11.4
Securitisation funds and bank asset funds	31.2	75.3	141.7
Authorisation and registration of entities	5,217.2	4,957.1	-5.0
Authorisation of takeover bids	948.4	714.5	-24.7
Market supervision	**21,031.2**	**18,451.0**	**-12.3**
Activity of stock market and MTF members	6,954.7	6,027.0	-13.3
Activity of MEFF members	161.4	155.8	-3.5
Activity of Sociedad de Sistemas members	4,823.9	4,786.8	-0.8
Activity of CCP clearing members	1,698.4	525.9	-69.0
Activity of market management companies	1,441.4	1,173.1	-18.6
Activity of listed issuers	5,951.4	5,782.4	-2.8
Supervision of entities	**31,472.3**	**32,276.1**	**2.6**
CIS solvency supervision	12,804.8	12,998.4	1.5
Solvency supervision of CIS and securitisation fund management companies	157.5	166.4	5.7
CIS management companies	142.5	151.4	6.2
Securitisation fund management companies	15.0	15.0	0.3
IF solvency supervision	491.7	500.3	1.8
Venture capital solvency supervision	464.6	549.3	18.2
Management companies of closed-ended collective investment schemes	89.8	98.9	10.2
Close-ended collective investment schemes	374.8	450.4	20.1
Supervision of CIS and venture capital firm depositories	3,041.8	3,130.1	2.9
Supervision of rules of conduct of IFs, credit institutions and CISMCs	9,229.5	9,012.3	-2.4
Marketing of foreign CIS	5,282.3	5,919.1	12.1
Issue of certificates	**21.0**	**16.4**	**-22.0**
Total	**62,055.9**	**60,263.7**	**-2.9**

Source: CNMV.

13 National Securities Numbering Agency

The CNMV discharges the functions of the Spanish National Securities Numbering Agency (ANCV), the main purpose of which is to assign and administer International Securities Identification Numbers (ISIN)[1] and Classification of Financial Instruments (CFI)[2] codes to facilitate their dissemination and use among users. It also assigns the Financial Instrument Short Name (FISN).[3] In Spain, the ISIN code is used as the primary identifier in securities trading, clearing and settlement. In its role as ANCV, the CNMV is a founder and full member of the Association of National Numbering Agencies (ANNA), which at 2019 year-end had a total of 92 full member countries and 24 associates.

As part of its international activity, the ANCV actively participates in various international working groups and management bodies relating to its activity, such as WG2: ISIN Quality and Guidelines, which belongs to ANNA. This group comprises representatives from several national agencies and is responsible for drawing up uniform rules and criteria for ISIN allocation worldwide, as well as for CFI and FISN codes.

As a consequence of the ISIN-LEI project, which is being performed under an agreement between ANNA and the Global Legal Entity Identifier Foundation (GLEIF), the ANCV also participated in the recent WG6, which has been entrusted with the task of establishing criteria and resolving any incidents that might arise in the linking of an issuer's ISIN with its LEI code.

The ANCV also contributes to the preparation and review of the ISO standards mentioned above, through its Technical Subcommittee 8 (SC8).[4]

With regard to the figures of the ANCV's activities, the number of securities and financial instruments assigned an ISIN in 2019 totalled 51,509, a slight increase on 2018 (see Table 13.1.1).

The number of equity issues increased by 2.02%. Numbers assigned to fixed income issuances rose by 24.20% due to the increase in private fixed income issues. The number of new medium-term corporate bond issues rose by 11.76%, while the number of codes assigned to long-term bond issues grew by 6.67%. Numbers assigned to covered bond issuances remained unchanged; while those assigned to securitisation bonds increased significantly (33.33%). In the public debt section, numbers

1 International Securities Identification Number: ISO standard 6166.
2 Classification of Financial Instruments: ISO standard 10962.
3 Financial Instrument Short Name: ISO standard 18774.
4 SC8 is responsible for the standards on baseline data for financial instruments and is a subcommittee of the ISO Technical Committee 68.

assigned to issues were very similar to the previous year. However, there was an increase in rights issues (20.51%), while warrants and structured products issues suffered a small reduction.

Numbers assigned to issues by the ANCV in 2018 and 2019 TABLE 13.1.1

	2018	2019	% change 19/18
Equity	**642**	**655**	**2.02**
Shares	141	126	-10.64
CIS and venture capital firms	501	529	5.59
Fixed income	**653**	**811**	**24.20**
Public sector debt	51	50	-1.96
Treasury bills and commercial paper	12	12	0.00
Medium- and long-term bonds	39	38	-2.56
Private fixed income	602	761	26.41
Commercial paper	505	648	28.32
Medium term bonds	17	19	11.76
Long-term bonds	15	16	6.67
Covered bonds	26	26	0,00
Securitisation bonds	39	52	33.33
Additional Tier 1 financing securities	**4**	**2**	**-50.00**
Structured products	**191**	**187**	**-2.09**
Rights	**39**	**47**	**20.51**
Warrants and certificates	**1,940**	**1,817**	**-6.34**
Options	**46,178**	**46,583**	**0.88**
Futures	**932**	**1,117**	**19.85**
Swaps	**290**	**290**	**0.00**
Total	**50,869**	**51,509**	**1.26**

Source: CNMV.

At the end of the year, the number of active securities and other financial instruments with an ISIN code in the ANCV database totalled 36,560. Listed securities and financial instruments accounted for 79% of the total.

The total number of enquiries submitted to the ANCV stood at 352, 4% up on 2018. Enquiries regarding Spanish codes, which accounted for 89% of the total, increased by 4% compared with the previous year. The number of enquiries regarding foreign codes was the same as in the previous year.

Enquiries handled by the ANCV TABLE 13.1.2

	2018	2019	% change 19/18
Enquiries about Spanish codes	300	314	4
Enquiries about foreign codes	38	38	0
Total enquiries	**338**	**352**	**4**

Source: CNMV.

14 CNMV Advisory Committee

The Advisory Committee is the body which provides advice to the CNMV's Board. Its functions and composition are provided for in Articles 30 and 31 of the recast text of the Securities Market Act and its implementing legislation – Royal Decree 303/2012, of 3 February, regulating the CNMV Advisory Committee. The Committee is chaired by the CNMV's Vice-Chair and includes representatives of market infrastructures, issuers, investors, credit institutions and insurance companies, professional groups designated by the CNMV, the Investment Guarantee Fund and each of the autonomous regions with authority with regard to securities markets and in which there is an official secondary market. The Advisory Committee must meet at least once every three months, but in practice it holds a meeting every month. The appointment of the members of the Committee was approved by CNMV Resolution of 4 March 2016 and will be renewed in 2020.

As a body providing advice to the CNMV's Board, the Advisory Committee informs on such issues as may be referred to it by the Board. In particular, its report is mandatory in regard to: i) the CNMV provisions referred to in Article 21 of the recast text of the Securities Market Act (circulars and technical guides); ii) authorisations, revocations, mergers and takeovers of investment firms, and iii) authorisations and revocations of branches of investment firms from non-EU countries and other participants in securities markets when required by regulations, having due regard to the economic and legal significance of such participants. In addition, the Advisory Committee provides advice on draft regulations relating in general to the securities market which are referred to it by both the government and the Ministry of Economy and Digital Transformation.

As a consequence of the intense process of international integration affecting the CNMV's activity, the Committee's agenda also includes voluntary consultations from international bodies, such as IOSCO, ESMA or the European Commission, in addition to other initiatives of the CNMV or the Committee itself. In addition, since 2012 the Committee has been analysing many of the recommendations and standards issued by ESMA prior to their application in Spain. This allows greater participation by the sector, in line with international recommendations on analysing the impact of regulations.

Actions by the Advisory Committee in 2019

Table 14.1.1 provides a statistical summary of the cases handled by the Advisory Committee in 2019, from which it can be seen that the CNMV continued to apply its policy of publishing technical guides and criteria to increase transparency on its operating guidelines and facilitate compliance with regulations by supervised firms.

While the number of mandatory reports decreased, the number of voluntary consultations increased slightly, reflecting the scale and intensity of the CNMV's international activity, as well as its determination to canvass opinions in the sector, through the Advisory Committee, as often as possible, beyond the frequency required by legislation.

Type of issues referred to the Advisory Committee TABLE 14.1.1

	No. of issues	
	2018	**2019**
Mandatory reports on regulations	10	2
Voluntary consultations (IOSCO, ESMA and others)	13	14
Total	**23**	**16**

Source: CNMV.

Table 14.1.2 provides a breakdown of the issues addressed.

List of CNMV Advisory Committee actions in 2019 TABLE 14.1.2

Mandatory reports on regulations:

- Draft Royal Decree creating the Macroprudential Authority Financial Stability Board (session of 21 January).
- Draft Law amending the recast text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, to adapt them to Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (session of 10 June).

Voluntary consultations (IOSCO, ESMA and others):

European Securities and Markets Authority (ESMA)

- Call for evidence. Impact of the inducements and costs and charges disclosure requirements under MiFID II (session of 17 September)
- Consultation MAR review (session of 12 November).

European Central Bank (ECB)

- Proposed transition path from EONIA to ESTER. On determining an ESTER-based term structure methodology as a fallback in EURIBOR-linked contracts (session of 21 January).
- Public consultation of the Working Group on euro risk-free rates on its draft recommendations to address the legal implications for new and legacy contracts as a result of the proposed transition from EONIA to €STR (session of 10 June).

Financial Stability Board (FSB)

- Financial resources to support CCP resolution and treatment of equity in CCP resolution (session of 21 January).

Spanish National Securities Market Commission (CNMV)

- CNMV Strategic Areas 2019-2020 and 2019 Activity Plan (session of 21 January).
- Code of conduct relating to the investments of not-for-profit entities (session of 21 January).
- Proposed Technical Guide on the provision of ancillary activities by investment firms (session of 8 April).
- Proposed Technical Guide on the selection procedures for financial intermediaries of the management companies of collective investment schemes (session of 10 June).
- Amendments to CNMV Circular 1/2017, of 26 April, on liquidity contracts (session of 10 June).
- Criteria for the publication of Advisory Committee reports (session of 17 September).
- Proposed Technical Guide on authorisation procedures for new firms (session of 17 September).

European Commission (EC)

- Proposed Regulation of the European Parliament and of the Council on the law applicable to the third-party effects of assignments of claims (session of 21 January).
- Consultation document on the update of the non-binding guidelines on non-financial reporting (session of March 20).

Source: CNMV.

15 Financial statements of the CNMV

15.1 Balance sheet

Assets	Notes in the accompanying report	Year 2019	Year 2018
A) Non-current assets		**122,519,135.34**	**128,393,389.59**
I. Intangible assets	**(7)**	**4,597,439.11**	**4,419,510.72**
1. Investment in research and development		1,434,721.52	1,261,825.65
3. Computer software		3,141,470.59	3,157,685.07
5. Other intangible assets		21,247.00	0.00
II. Property, plant and equipment	**(5)**	**74,673,678.45**	**75,810,580.44**
1. Land		43,621,179.71	43,658,835.32
2. Buildings		28,202,332.02	28,918,369.42
5. Other property, plant and equipment		2,850,166.72	3,233,375.70
IV. Long-term financial investments in group companies, jointly-controlled entities and associates	**(9)**	**42,982,244.82**	**47,946,642.86**
3. Loans and debt securities		42,982,244.82	47,946,642.86
V. Long-term financial investments	**(9)**	**265,772.96**	**216,655.57**
1. Financial investments in equity		935.36	935.36
2. Loans and debt securities		263,571.97	214,454.58
4. Other financial investments		1,265.63	1,265.63
B) Current assets		**64,660,523.49**	**62,869,964.73**
III. Trade and other receivables		**38,038,513.35**	**40,685,823.60**
1. Receivables for operating activities		32,493,638.12	35,749,249.98
2. Other receivables		5,544,862.80	4,936,471.19
3. Public authorities		12.43	102.43
IV. Short-term financial investments in group companies, jointly-controlled entities and associates	**(9)**	**8,938,063.74**	**8,727,106.16**
2. Loans and debt securities		8,938,063.74	8,727,106.16
V. Short-term financial investments	**(9)**	**209,502.81**	**172,801.38**
2. Loans and debt securities		209,502.81	172,801.38
VI. Accrual accounts		**479,514.75**	**337,845.86**
VII. Cash and cash equivalents		**16,994,928.84**	**12,946,387.73**
2. Cash		16,994,928.84	12,946,387.73
TOTAL ASSETS		**187,179,658.83**	**191,263,354.32**

15.1 Balance sheet *(continuation)*

Liabilities & Equity	Notes in the accompanying report	Year 2019	Year 2018
A) Equity		**180,791,214.35**	**186,606,725.69**
I. Contributed equity		**5,385,871.28**	**5,385,871.28**
II. Equity generated		**172,767,491.35**	**179,069,782.59**
1. Retained earnings/(accumulated losses)		10,428,334.09	10,428,334.09
2. Surplus for the year		14,660,212.57	20,962,503.81
3. Reserves		147,678,944.69	147,678,944.69
III. Valuation adjustments		**2,637,851.72**	**2,151,071.82**
2. Available-for-sale financial assets		2,637,851.72	2,151,071.82
B) Non-current liabilities		**1,388,534.86**	**1,045,222.88**
I. Long-term provisions	**(15)**	**1,388,534.86**	**1,045,222.88**
C) Current liabilities		**4,999,909.62**	**3,611,405.75**
I. Short-term provisions	**(15)**	**200,273.31**	**140,726.78**
II. Short-term debts	**(10)**	**407,046.18**	**6,952.81**
4. Other borrowings		407,046.18	6,952.81
IV. Trade and other payables		**4,392,590.13**	**3,463,726.16**
1. Payables for operating activities		1,870,800.53	1,273,335.05
2. Other payables		1,015,323.99	767,712.01
3. Public authorities		1,506,465.61	1,422,679.10
TOTAL LIABILITIES & EQUITY		**187,179,658.83**	**191,263,354.32**

Source: CNMV.

15.2 Income statement

	Notes in the accompanying report	Year 2019	Year 2018
1. Tax revenues and social contributions		**60,263,730.77**	**62,055,850.07**
b) Fees		60,263,730.77	62,055,850.07
5. Own work capitalised	**(7)**	**1,060,548.42**	**711,375.03**
6. Other ordinary revenue		**61,182.49**	**49,627.01**
7. Provision surplus		**0.00**	**552,358.48**
A) TOTAL ORDINARY REVENUE (1+2+3+4+5+6+7)		**61,385,461.68**	**63,369,210.59**
8. Personnel expenses		**-33,199,400.00**	**-30,958,804.25**
a) Salaries, wages and similar		-26,286,341.18	-24,644,552.80
b) Employee welfare expenses		-6,913,058.82	-6,314,251.45
9. Transfers and subsidies granted	**(14)**	**-2,093,668.42**	**-1,867,477.78**
11. Other ordinary expenses		**-9,906,123.36**	**-8,717,356.82**
a) Supplies and outside services		-9,413,032.72	-8,255,211.78
b) Taxes		-493,090.64	-462,145.04
12. Depreciation and amortisation	**(5), (7)**	**-2,278,780.02**	**-2,378,411.26**
B) TOTAL ORDINARY EXPENSES (8+9+10+11+12)		**-47,477,971.80**	**-43,922,050.11**
I. Profit/(loss) from ordinary activities (A+B)		**13,907,489.88**	**19,447,160.48**
13. Impairment of and net gains/(losses) on disposal of non-financial non-current assets and held-for-sale assets	**(5), (7)**	**59,263.39**	**59,662.94**
a) Impairment		59,263.39	60,357.41
b) Derecognitions and disposals		0.00	-694.47
14. Other non-ordinary items		**0.00**	**-2,127.68**
b) Expenses		0.00	-2,127.68
II. Profit/(loss) from non-financial operations (I+13+14)		**13,966,753.27**	**19,504,695.74**
15. Finance income	**(9)**	**1,436,786.68**	**1,661,093.30**
b) From negotiable securities and loans forming part of non-current assets		1,436,786.68	1,661,093.30
b.1) In group companies, jointly-controlled entities and associates		1,131,229.23	1,356,829.98
b.2) Other		305,557.45	304,263.32
16. Finance costs		**-13,428.98**	**-26,432.04**
b) Other		-13,428.98	-26,432.04
19. Exchange differences		**-6,824.45**	**-3,965.71**
20. Impairment, derecognition and disposal of financial assets and liabilities		**-723,073.95**	**-172,887.48**
b) Other		-723,073.95	-172,887.48
III. Profit/(loss) from financial operations (15+16+17+18+19+20+21)		**693,459.30**	**1,457,808.07**
IV. Net profit/(loss) for the year (II+III)		**14,660,212.57**	**20,962,503.81**

Source: CNMV.

15.3 Statement of cash flows

	Notes in the accompanying report	Year 2019	Year 2018
I. CASH FROM OPERATING ACTIVITIES			
A) Receipts		**63,791,498.38**	**55,487,235.98**
1. Tax revenues and social contributions		62,388,272.94	53,743,094.33
5. Interest and dividends received		1,227,128.65	1,531,962.31
6. Other receipts		176,096.79	212,179.34
B) Payments		**42,954,551.74**	**42,004,123.73**
7. Personnel expenses		31,940,396.76	29,851,960.61
8. Transfers and subsidies granted		1,936,729.48	1,834,687.44
10. Other operating expenses		8,878,584.08	8,618,476.63
13. Other payments		198,841.42	1,698,999.05
Net cash from operating activities (+A-B)		**20,836,946.64**	**13,483,112.25**
II. CASH FROM/(USED IN) INVESTING ACTIVITIES			
C) Receipts		**8,356,935.74**	**9,721,425.52**
2. Sale of financial assets		7,262,000.00	9,140,000.00
3. Other receipts from investing activities		1,094,935.74	581,425.52
D) Payments		**4,211,959.73**	**17,298,916.17**
5. Purchase of property investments		913,926.21	2,073,937.60
6. Purchase of financial assets		2,950,345.80	14,617,108.20
7. Other payments for investing activities		347,687.72	607,870.37
Net cash from/(used in) investing activities (+C-D)		**4,144,976.01**	**-7,577,490.65**
III. CASH FROM/(USED IN) FINANCING ACTIVITIES			
F) Payments to owning entity/entities		**20,962,503.81**	**20,741,431.70**
2. Return of contributions and distribution of profit to owner(s)		20,962,503.81	20,741,431.70
Net cash from/(used in) financing activities (+E-F+G-H)		**-20,962,503.81**	**-20,741,431.70**
IV. CASH FLOWS PENDING CLASSIFICATION			
I) Receipts pending application		**35,946.72**	**36,093.64**
J) Payments pending application		**0.00**	**85,509.52**
Net cash flows pending classification (+I-J)		**35,946.72**	**-49,415.88**
V. EFFECT OF VARIATIONS IN EXCHANGE RATES		**-6,824.45**	**-3,940.46**
VI. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**4,048,541.11**	**-14,889,166.44**
Cash and cash equivalents at the start of the year		**12,946,387.73**	**27,835,554.17**
Cash and cash equivalents at the end of the year		**16,994,928.84**	**12,946,387.73**

Source: CNMV.

15.4 Statement of comprehensive changes in equity

	Notes in the accompanying report	I. Contributed equity	II. Equity generated	III. Valuation adjustments	IV. Other equity increases	Total
A. Equity at the end of financial year N-1		**5,385,871.28**	**179,069,782.59**	**2,151,071.82**	**0.00**	**186,606,725.69**
B. Adjustments for changes in accounting criteria and error correction		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
C. Adjusted starting equity for financial year N (A+B)		**5,385,871.28**	**179,069,782.59**	**2,151,071.82**	**0.00**	**186,606,725.69**
D. Changes in equity in financial year N		**0.00**	**-6,302,291.24**	**486,779.90**	**0.00**	**-5,815,511.34**
1. Recognised income and expense in the year		0.00	14,660,212.57	486,779.90	0.00	15,146,992.47
2. Transactions with owner(s)		0.00	-20,962,503.81	0.00	0.00	-20,962,503.81
3. Other changes in equity		0.00	0.00	0.00	0.00	0.00
E. Equity at end of financial year N (C+D)		**5,385,871.28**	**172,767,491.35**	**2,637,851.72**	**0.00**	**180,791,214.35**

Source: CNMV.

Annexes

Statistical annexes I: Markets and issuers

Capital increases and initial public offerings[1]

I.1

Amounts in millions of euros

	Number of issuers			Number of issues		
	2018	2019	Change 19/18	2018	2019	Change 19/18
Capital increases with fund raising	**33**	**24**	**-9**	**63**	**37**	**-26**
With pre-emptive right	10	8	-2	10	9	-1
Without pre-emptive right (IPO)[2]	2	1	-1	2	1	-1
Of which, increases	0	1	1	0	1	1
Accelerated book builds	2	0	-2	2	0	-2
Increases with non-monetary consideration[3]	7	2	-5	9	2	-7
Capital increases by conversion	6	3	-3	10	4	-6
Other	14	13	-1	30	21	-9
Bonus issues	**12**	**10**	**-2**	**17**	**15**	**-2**
Of which, scrip dividend	10	9	-1	15	14	-1
Total capital increases	**45**	**33**	**-12**	**80**	**52**	**-28**
Initial public offerings of shares (IPOs)	**1**	**0**	**-1**	**1**	**0**	**-1**
Of which, increases	0	0	0	0	0	0

Source: CNMV. (1) Does not include data from the MAB, ETFs or Latibex. (2) Public subscription offering. (3) Capital increases for non-monetary consideration have been stated at market value.

Capital increases and initial public offerings in 2019: Cash amount

I.2

Amounts in millions of euros

Issuer	Cash amount [1]	Type of transaction	Date registered
Realia Business, S.A.	149.1	Capital increase with pre-emptive subscription rights	3-Jan-19
Solarpack Corporación Tecnológica, S.A.[2]	10.0	Execution of the over-allotment option in the IPO	9-Jan-19
Ecolumber, S.A.	21.8	Capital increase with pre-emptive subscription rights	21-Jan-19
Nueva Expresión Textil, S.A.	9.4	Other capital increases	21-Jan-19
Repsol, S.A.	174.9	Bonus issue to meet dividend payment	23-Jan-19
Promotora de Informaciones, S.A.	0.7	Capital increase by conversion	25-Jan-19
Faes Farma, S.A.	4.3	Bonus issue to meet dividend payment	30-Jan-19
Iberdrola, S.A.	131.4	Bonus issue to meet dividend payment	5-Feb-19
Coca-Cola European Partners Plc	0.8	Other capital increases	7-Feb-19
Natra, S.A.	12.3	Capital increase by conversion	11-Feb-19
Sacyr, S.A.	0.0	Bonus issue to meet dividend payment	19-Feb-19

Capital increases and initial public offerings in 2019: Cash amount *(continuation)*

Amounts in millions of euros

Issuer	Cash amount [1]	Type of transaction	Date registered
ACS, Actividades de Construcción y Servicios, S.A.	36.9	Bonus issue to meet dividend payment	19-Feb-19
Edreams Odigeo, S.A.	0.2	Other capital increases	26-Feb-19
Cellnex Telecom, S.A.	1,181.7	Capital increase with pre-emptive subscription rights	28-Feb-19
Arima Real Estate, SOCIMI, S.A.	40.0	Other capital increases	08-Apr-19
Promotora de Informaciones, S.A.	199.8	Capital increase with pre-emptive subscription rights	16-Apr-19
Coca-Cola European Partners Plc	0.0	Other capital increases	10-May-19
Audax Renovables, S.A.	351.6	Capital increase for non-monetary consideration	17-May-19
Laboratorio Reig Jofre, S.A.	0.5	Bonus issue to meet dividend payment	11-Jun-19
Almirall, S.A.	24.1	Bonus issue to meet dividend payment	11-Jun-19
Ferrovial, S.A.	102.3	Bonus issue to meet dividend payment	13-Jun-19
Airbus SE	132.7	Other capital increases	18-Jun-19
Fomento de Construcciones y Contratas, S.A.	13.4	Bonus issue to meet dividend payment	18-Jun-19
Laboratorio Reig Jofre, S.A.	24.0	Other capital increases	20-Jun-19
MásMóvil Ibercom, S.A.	100.0	Other capital increases	21-Jun-19
MásMóvil Ibercom, S.A.	120.0	Other capital increases	21-Jun-19
Lar España Real Estate, SOCIMI, S.A.	5.2	Other capital increases	28-Jun-19
Vértice Trescientos Sesenta Grados, S.A.	12.0	Capital increase with pre-emptive subscription rights	09-Jul-19
ACS, Actividades de Construcción y Servicios, S.A.	284.1	Bonus issue to meet dividend payment	18-Jul-19
Repsol, S.A.	564.4	Bonus issue to meet dividend payment	19-Jul-19
Oryzon Genomics, S.A.	20.0	Other capital increases	26-Jul-19
Sacyr, S.A.	28.2	Bonus issue to meet dividend payment	29-Jul-19
Iberdrola, S.A.	198.2	Bonus issue to meet dividend payment	01-Aug-19
Natra, S.A.	0.7	Capital increase by conversion	08-Aug-19
Edreams Odigeo, S.A.	0.4	Other capital increases	28-Aug-19
Sniace, S.A.	32.6	Capital increase with pre-emptive subscription rights	30-Aug-19
Banco Santander, S.A.	1,682.6	Capital increase for non-monetary consideration	11-Sep-19
Coca-Cola European Partners Plc	0.8	Other capital increases	10-Oct-19
Montebalito, S.A.	0.2	Other capital increases	23-Oct-19
Cellnex Telecom, S.A.	2,500.0	Capital increase with pre-emptive subscription rights	06-Nov-19
Edreams Odigeo, S.A.	0.4	Other capital increases	18-Nov-19
Arima Real Estate, SOCIMI, S.A.	150.0	Other capital increases	18-Nov-19
Coca-Cola European Partners Plc	0.4	Other capital increases	20-Nov-19
Distribuidora Internacional de Alimentación, S.A.	605.6	Capital increase with pre-emptive subscription rights	27-Nov-19
Airbus SE	4.9	Other capital increases	29-Nov-19
General de Alquiler de Maquinaria, S.A.	27.3	Capital increase with pre-emptive subscription rights	03-Dec-19
General de Alquiler de Maquinaria, S.A.	2.5	Other capital increases	03-Dec-19
Ferrovial, S.A.	1.3	Capital increase with pre-emptive subscription rights	05-Dec-19
Vidrala, S.A.	1.3	Bonus issue	20-Dec-19
Enagás, S.A.	500.0	Accelerated book build	20-Dec-19
Airbus SE	341.1	Capital increase by conversion	27-Dec-19

Source: CNMV. (1) Issues of new shares not paid for in cash have been valued at market prices. (2) Public subscription offering

Delistings in 2019[1]

I.3

Company	Market	Reason. Procedure	Date
Parques Reunidos Servicios Centrales, S.A.	SIBE	Technical. Due to merger.	05/12/2019
Adveo Group International	SIBE	By resolution of the CNMV Executive Committee.	30/09/2019
Natra	SIBE	The bid made by the company itself having been settled in accordance with Article 7.4 of Royal Decree 1197/1991	30/08/2019
Telepizza Group, S.A.	SIBE	Technical. Due to merger.	26/07/2019
Bayer Aktiengesellschaft	SIBE	At the request of the issuing entity.	11/07/2019
Bodegas Bilbaínas	Open outcry	Excluded by the Regional Government of the Basque Country	09/07/2019
Hispania Activos Inmobiliarios, SOCIMI, S.A.	SIBE	Technical. Due to merger.	17/04/2019
Papeles y Cartones de Europa, S.A.	SIBE	The bid made by the company itself having been settled in accordance with Article 7.4 of Royal Decree 1197/1991	20/02/2019

Source: CNMV. (1) Excludes MAB, Latibex and ETFs.

Sector indices in the Madrid and Barcelona stock exchanges

I.4

Yield in the period (%)

					2019			
	2016	**2017**	**2018**	**2019**	**I**	**II**	**III**	**IV**
Madrid Stock Exchange								
Oil and energy	0.8	3.9	6.1	14.4	9.6	2.3	5.4	-3.2
Electricity and gas	-4.3	2.0	8.9	18.4	9.9	5.6	5.7	-3.4
Basic materials, industry and construction	2.0	2.6	-8.6	24.9	18.2	-0.6	2.1	4.1
Consumer goods	0.2	-2.1	-16.7	34.8	14.3	0.9	5.0	11.3
Consumer services	-8.0	23.3	23.3	8.6	2.0	-1.4	-3.9	12.3
Financial and real estate services	-1.6	10.5	-27.1	-2.6	2.7	-3.0	-6.3	4.3
Banking	-1.8	10.6	-29.0	-3.4	2.7	-3.1	-6.5	3.8
Real estate and others	-2.3	17.6	-26.1	-11.0	-2.9	-6.7	-0.5	-1.3
Technology and telecommunications	-9.0	7.5	-5.5	4.5	9.0	-1.4	-2.5	-0.3
Madrid Stock Exchange General Index	**-2.2**	**7.6**	**-15.0**	**10.2**	**8.0**	**-0.6**	**-0.3**	**3.0**
Barcelona Stock Exchange								
Electricity	-3.2	1.7	8.5	24.2	10.0	8.4	7.8	-3.3
Banks	-3.0	9.3	-29.3	-3.2	1.6	-3.2	-6.1	4.8
Chemical and pharmaceuticals	27.0	11.9	-3.3	8.0	10.2	-7.0	2.9	2.4
Cement, construction and real estate	-5.6	15.6	-12.7	26.6	19.7	-1.1	7.0	-0.3
Metallurgy	47.6	-9.5	-20.8	18.9	17.2	-0.3	-1.3	17.2
Food, agriculture and forestry	-2.2	6.0	-23.3	-2.6	10.6	-10.9	-3.6	2.4
Textiles and paper	2.4	-8.2	-22.7	38.3	16.4	0.5	7.0	10.5
Trade and finance	3.9	-5.3	-50.0	-11.9	25.0	-9.9	-1.6	-20.5
Sundry services	-5.3	10.7	-6.3	8.6	11.8	-1.0	-3.2	1.3
BCN Global 100	**0.3**	**7.3**	**-17.4**	**8.2**	**8.6**	**-1.5**	**-1.8**	**2.9**

Source: Thomson Datastream.

Concentration of capitalisation by sector[1]

I.5

Number of companies required in order to achieve a specific percentage

	2018				2019			
Sector	**25%**	**50%**	**75%**	**100%**	**25%**	**50%**	**75%**	**100%**
Oil	1	1	1	1	1	1	1	1
Energy and water	1	2	3	9	1	2	3	10
Mining & base metals	1	2	2	4	1	2	2	9
Cement and construction materials	1	1	2	3	1	1	2	3
Chemical and pharmaceuticals	1	1	1	8	1	1	2	7
Textile and paper	1	1	1	10	1	1	1	8
Metal-mechanical	1	2	5	15	1	3	5	15
Food	1	2	3	14	1	2	3	11
Construction	1	2	3	7	1	2	3	7
Real estate and SOCIMI (Spanish REITs)	1	2	5	19	1	2	4	18
Transport and communications	1	2	3	7	1	2	3	7
Other non-financial	1	2	7	28	1	1	5	27
Banks	1	2	3	9	1	2	3	9
Insurance	1	1	2	2	1	1	2	2
Portfolio companies	1	2	2	6	1	2	2	6
SICAVs	0	0	0	0	0	0	0	0
Financial institutions	0	0	0	0	0	0	0	0

Source: CNMV. (1) Includes capitalisation only of companies that were traded at some time during the year. Excludes Latibex, MAB and ETFs.

Concentration of equity stock market trading

I.6

Number of companies required in order to achieve a specific percentage

	2018				2019			
	25%	**50%**	**75%**	**100%**	**25%**	**50%**	**75%**	**100%**
All markets[1]	**2**	**6**	**14**	**146**	**2**	**5**	**13**	**142**
Electronic stock market	2	6	14	135	2	5	13	133
Domestic	2	6	14	127	2	5	14	125
Foreign	1	1	1	8	1	1	1	8
Open outcry	1	1	1	8	1	1	2	8
Second market	1	1	2	3	1	1	1	1
ETFs	1	2	3	7	1	2	3	6
MAB	4	38	166	2.857	5	48	183	2.869
Latibex	1	2	2	20	1	1	2	18

Source: CNMV. (1) Excludes Latibex, MAB and ETFs.

Percentage of capitalisation by sector and the largest companies within each sector with respect to the overall market[1]

Sector	% sector/ market[2]	Companies with the largest capitalisation in the sector	% company/ market[3]
Oil	3.2%	Repsol YPF	3.19%
Energy and water	18.6%	Iberdrola	8.8%
Energy and water		Endesa	3.8%
Energy and water		Gas Natural SDG	3.3%
Mining & base metals	0.9%	CIE Automotive	0.4%
Mining & base metals		Acerinox	0.4%
Mining & base metals		Grupo Duro Felguera	0.0%
Cement and construction materials	0.5%	Vidrala	0.4%
Cement and construction materials		Cementos Molins	0.1%
Cement and construction materials		Uralita	0.0%
Chemical and pharmaceuticals	3.8%	Grifols	2.8%
Chemical and pharmaceuticals		Almirall, S.A.	0.4%
Chemical and pharmaceuticals		Faes Farma	0.2%
Textile and paper	15.0%	Industria de Diseño Textil, S.A. (Inditex)	14.7%
Textile and paper		Grupo Empresarial Ence	0.1%
Textile and paper		Miquel Costas & Miquel	0.1%
Metal-mechanical	1.7%	Zardoya Otis	0.5%
Metal-mechanical		Gestamp Automoción, S.A.	0.4%
Metal-mechanical		Construcciones y Auxiliar de Ferrocarriles, S.A.	0.2%
Food	1.2%	Ebro Foods, S.A.	0.4%
Food		Amrest Holdings, SE	0.3%
Food		Viscofan	0.3%
Construction	6.4%	Ferrovial, S.A.	3.0%
Construction		ACS, Actividades de Construcción y Servicios, S.A.	1.7%
Construction		Acciona, S.A.	0.8%
Real estate companies and SOCIMIs (Spanish REITs)	2.6%	Merlin Properties, SOCIMI, S.A.	0.9%
Real estate companies and SOCIMIs (Spanish REITs)		Grupo Inmocara	0.9%
Real estate companies and SOCIMIs (Spanish REITs)		Metrovacesa, S.A.	0.2%
Transport and communications	14.1%	Telefónica	4.8%
Transport and communications		Aena SME, S.A.	3.8%
Transport and communications		Cellnex Telecom, S.A.	2.2%
Other non-financial	9.4%	Amadeus IT Group, S.A.	4.7%
Other non-financial		Gamesa Corporación Tecnológica	1.6%
Other non-financial		Fluidra, S.A.	0.4%
Banks	19.8%	Banco Santander Central Hispano	9.3%
Banks		Banco Bilbao Vizcaya Argentaria	5.0%
Banks		Caixabank, S.A.	2.5%
Insurance	1.7%	Mapfre, S.A.	1.1%
Insurance		Grupo Catalana Occidente	0.6%
Portfolio companies	0.9%	Bolsas y Mercados Españoles, Sdad. Holding de Mdos. y Sist. Financieros	0.4%
Portfolio companies		Corporación Financiera Alba	0.4%
Portfolio companies		Alantra Partners, S.A.	0.1%

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

Amounts in millions of euros

Company	Market capitalisation[2]			Trading volume		
	2018	2019	% total[3]	2018	2019	% total[3]
Industria de Diseño Textil, S.A. (Inditex)	69,657.2	98,018.7	14.7	44,834.6	42,049.3	9.1
Banco Santander	64,507.9	61,985.6	9.3	97,160.8	77,788.6	16.8
Iberdrola	44,898.6	58,403.8	8.8	31,895.4	36,493.2	7.9
Banco Bilbao Vizcaya Argentaria	30,909.0	33,226.1	5.0	54,550.7	39,001.9	8.4
Telefónica	38,105.1	32,331.4	4.9	50,279.6	39,769.5	8.6
Amadeus IT Group, S.A.	26,698.0	31,396.3	4.7	23,345.7	24,731.1	5.3
Aena SME, S.A.	20,362.5	25,575.0	3.8	14,220.5	10,417.9	2.2
Endesa	21,312.7	25,187.7	3.8	10,382.5	9,279.7	2.0
Gas Natural SDG	22,275.3	22,044.3	3.3	12,127.0	7,884.7	1.7
Repsol YPF	21,505.7	21,276.6	3.2	29,556.2	28,540.5	6.2
Ferrovial, S.A.	13,067.0	19,828.8	3.0	7,331.7	12,281.7	2.6
Grifols	15,745.0	18,830.9	2.8	6,497.9	6,786.2	1.5
CaixaBank, S.A.	18,925.3	16,736.1	2.5	23,251.8	12,285.9	2.6
Cellnex Telecom, S.A.	5,187.4	14,785.0	2.2	4,375.5	8,311.2	1.8
International Consolidated Airlines Group, S.A.	13,784.9	14,382.5	2.2	5,417.5	5,452.4	1.2
ACS, Actividades de Construcción Y Servicios	10,645.1	11,217.8	1.7	8,982.9	7,955.2	1.7
Gamesa Corporación Tecnológica	7,247.4	10,649.7	1.6	6,842.0	6,329.6	1.4
Red Eléctrica de España	10,548.4	9,698.9	1.5	8,756.3	9,804.2	2.1
Mapfre, S.A.	7,144.6	7,267.7	1.1	3,767.4	3,061.0	0.7
Merlin Properties, SOCIMI, S.A.	5,066.5	6,008.4	0.9	4,080.4	3,017.9	0.7
Enagás	5,636.5	5,957.7	0.9	8,274.5	7,806.6	1.7
Bankinter, S.A.	6,308.2	5,871.4	0.9	5,314.9	4,283.4	0.9
Banco de Sabadell	5,629.8	5,852.0	0.9	10,343.4	7,300.6	1.6
Bankia, S.A.	7,897.5	5,839.8	0.9	6,862.0	4,091.0	0.9
Grupo Inmocaral	4,133.5	5,772.2	0.9	2,216.6	2,033.5	0.4
Acciona, S.A.	4,231.5	5,145.6	0.8	2,903.6	2,361.2	0.5
CIE Automotive	2,765.8	2,719.3	0.4	2,344.9	1,327.9	0.3
Acerinox	2,391.3	2,717.6	0.4	3,463.1	2,411.0	0.5
MásMóvil Ibercom, S.A.	2,344.1	2,679.1	0.4	45.2	2,279.1	0.5
Viscofan	2,242.6	2,190.2	0.3	1,671.7	1,230.8	0.3
Gestevisión Telecinco	1,797.6	1,853.3	0.3	2,590.5	1,777.7	0.4
Meliá Hotels International, S.A.	1,885.8	1,805.4	0.3	1,983.4	1,273.9	0.3
Indra Sistemas	1,454.7	1,798.3	0.3	1,688.5	1,334.9	0.3
Grupo Empresarial Ence	1,350.8	903.8	0.1	1,804.1	2,513.7	0.5
Arcelor	637.0	641.5	0.1	2,911.6	2,996.1	0.6

Source: CNMV. (1) Companies in the Ibex 35 at 31 December 2018. (2) Capitalisation on the last day of the year. (3) With respect to the market total.

Takeover bids authorised in 2019

I.9

Amounts in millions of euros

Company	Offeror	Purpose	% capital addressed by the bid	Amount paid	Result (%)[1]
Barón de Ley, S.A.	Mazuelo Holding, S.L.	Mandatory takeover bid due to acquisition of control	100.00	52.94	11.87
Distribuidora Internacional de Alimentación, S.A. (DIA)	L1R Invest1 Holdings S.à r.l.	Voluntary takeover bid to take control	100.00	169.98	40.76
Telepizza Group, S.A.	Tasty Bidco, S.L.U.	Voluntary takeover bid to take control	100.00	167.57	27.73
Bodegas Bilbaínas, S.A.	Ducde, S.A.	Mandatory takeover bid due to acquisition of control	100.00	1.87	4.06
Natra, S.A.	World Confectionery Group S.à r.l.	Voluntary takeover bid to take control	100.00	142.63	90.26
General de Alquiler de Maquinaria, S.A. (GAM)	Gestora de Activos y Maquinaria Industrial, S.L.	Mandatory takeover bid due to acquisition of control	100.00	4.00	6.98
Parques Reunidos Servicios Centrales, S.A.	Polin BidCo, S.A.U.	Voluntary takeover bid to take control	100.00	300.88	26.62
Total				**839.87**	

Source: CNMV. (1) Percentage of share capital admitted to trading. In the event of pro-rating, the co-efficient is indicated.

Companies listed on Latibex by sector

I.10

Amounts in millions of euros, unless indicated otherwise

	Number of companies		Market capitalisation			Trading volume		
Sector	**2018**	**2019**	**2018**	**2019**	**% change 19/18**	**2018**	**2019**	**% change 19/18**
Oil	1	1	32.8	33.9	3.31	25.7	10.9	-57.55
Energy and water	2	2	1.4	2.6	84.99	2.1	2.4	17.47
Mining & base metals	5	5	118.6	95.4	-19.58	69.3	27.2	-60.69
Chemical and pharmaceuticals	1	1	0.7	0.5	-26.25	0.5	0.1	-74.46
Textile and paper	0	0	0.0	0.0	-	0.0	0.0	-
Metal-mechanical	1	1	0.2	0.1	-23.47	0.2	0.0	-97.28
Food	0	0	0.0	0.0	-	0.0	0.0	-
Real estate companies and SOCIMIs (Spanish REITs)	1	1	0.0	0.0	0.00	0.0	0.0	-100.00
Transport and communications	1	1	0.4	0.5	12.83	0.3	0.3	-7.13
Other non-financial	1	1	0.1	0.0	-69.49	2.5	1.0	-58.24
Banks	4	4	5.6	4.5	-20.93	0.5	0.5	-1.32
Portfolio companies	1	1	0.0	0.0	-9.24	0.5	0.3	-52.72
Financial institutions	1	1	63.7	61.6	-3.38	50.0	94.0	87.95
Total	**19**	**19**	**223.5**	**199.0**	**-10.95**	**151.6**	**136.8**	**-9.76**

Source: CNMV.

Net issues by public authorities

I.11

Nominal amounts in millions of euros

	Amount				% year-on-year change		
	2016	2017	2018	2019	17/16	18/17	19/18
Central government	**27,847**	**46,962**	**41,684**	**17,117**	**68.6**	**-11.2**	**-58.9**
Short term	-73	-3,528	-8,393	-9,024	-4,759.4	-137.9	-7.5
Long term	27,920	50,490	50,077	26,141	80.8	-0.8	-47.8
Autonomous regions	**-2,549**	**106**	**-3,621**	**1,648**	**-**	**-**	**-**
Short term	70	0	-47	208	-99.3	-	-
Long term	-2,618	106	-3,574	1,440	-	-	-
Local authorities	**0**	**-165**	**-134**	**-53**	-	18.7	60.5
Short term	-	-	-	-	-	-	-
Long term	0	-165	-134	-53	-	18.7	60.5
Total public authorities	**25,299**	**46,903**	**37,929**	**18,712**	**85.4**	**-19.1**	**-50.7**

Source: Bank of Spain and CNMV.

Number of issuers and issuances filed with the CNMV: Breakdown by instrument

I.12

	Number of issuers[1]		Number of issues	
	2018	2019	2018	2019
Long term	**42**	**33**	**302**	**283**
Non-convertible bonds	12	13	215	201
of which, subordinated debt	1	1	1	3
Convertible bonds	0	0	0	0
Mortgage-backed securities	12	12	28	29
Public sector covered bonds	2	2	2	1
Securitisation bonds	14	13	40	48
asset-backed (ABS)	14	13	40	48
mortgage-backed (MBS)	0	0	0	0
Preferred shares	4	1	4	1
Other issues	0	1	0	1
Short term[2]	**13**	**11**	**13**	**11**
Commercial paper	12	11	12	11
of which, asset-backed	1	0	1	0
Total	**43**	**39**	**315**	**294**

Source: CNMV. (1) In the case of 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 2019

I.13

Nominal amounts in millions of euros

Name of issuing company	Nominal amount issued		
	Total	Short term[2]	Long term
Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria	20,505	0	20,505
Bankia, S.A.	18,135	15,000	3,135
Banco Bilbao Vizcaya Argentaria, S.A.	11,500	0	11,500
Banco de Sabadell, S.A.	11,476	7,000	4,476
Bankinter, S.A.	8,074	4,000	4,074
Santander Consumer Finance, S.A.	5,450	5,000	450
Banco de Santander, S.A.	4,750	0	4,750
Bankinter Sociedad de Financiación, S.A.	4,000	4,000	0

Source: CNMV. (1) Issuers that registered issues exceeding €4 billion in 2017. (2) Nominal amount of shelf registrations.

Main fixed income issuers[1] registered with the CNMV in 2019. Breakdown by instrument

I.14

Nominal amounts in millions of euros

Asset type	Issuer	Amount
Simple bonds	Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria	20,505
	Bankia, S.A.	2,500
Internationalisation certificates	Banco Bilbao Vizcaya Argentaria, S.A.	1,500
Mortgage-backed securities	Banco Bilbao Vizcaya Argentaria, S.A.	8,500
	Banco Santander, S.A.	4,750
	Banco de Sabadell, S.A.	2,750
	Bankinter, S.A.	2,698
Commercial paper programme[2]	Bankia, S.A.	15,000
	Banco de Sabadell, S.A.	7,000
	Santander Consumer Finance, S.A.	5,000
	Bankinter Sociedad de Financiación, S.A.	4,000
	Bankinter, S.A.	4,000
	Endesa, S.A.	3,000

Source: CNMV. (1) Issuers which issued more than €1.5 billion in 2019 in the corresponding financial instrument. (2) Nominal amount of shelf registrations.

Commercial paper issuers: Largest[1] outstanding balances at 31 December 2019

I.15

Amounts in millions of euros

Issuer	Amount	% of total	% accum.
Santander Consumer Finance, S.A.	1,750	27.25	27.25
Banco de Sabadell, S.A.	1,657	25.81	53.06
Bankinter, S.A.	1,096	17.06	70.12
Endesa, S.A.	796	12.39	82.51
Bankinter Sociedad de Financiación, S.A.	500	7.78	90.29

Source: AIAF. (1) Issuers with an outstanding balance greater than €500 million.

Main securitisation bond issuers in 2019[1]

I.16

Amounts in millions of euros

Issuer	Amount	Assets securitised
Fondo de Titulización Pymes Santander 15	3,150	SMEs[2]
Columbus Master Credit Cards, Fondo de Titulización	2,551	Other
Caixabank Pymes 11, Fondo de Titulización	2,450	SMEs[2]
Fondo de Titulización del Déficit del Sistema Eléctrico, FTA	2,270	Other
BBVA Consumo 10, Fondo de Titulización	2,010	Consumer loans
Caixabank Leasings 3, Fondo de Titulización	1,830	Leasing
BBVA RMBS 19, Fondo de Titulización	1,800	Mortgage loans

Source: CNMV. (1) Issuers with CNMV-registered issuances of more than €1.5 billion at year-end. (2) Includes funds whose pools include almost all loans to SMEs.

Securitisation bonds, by type of asset securitised

I.17

Nominal amounts in millions of euros

	2015	2016	2017	2018	2019
Via the FTH (Mortgage securitisation fund)	**0**	**0**	**0**	**0**	**0**
Via FTAs (Asset securitisation funds)	**28,370**	**35,505**	**29,415**	**18,145**	**18,741**
Mortgage securitisation funds	**9,458**	**19,621**	**14,885**	**683**	**3,025**
Mortgage loans	9,458	19,621	14,885	683	2,525
Mortgage-backed securities	0	0	0	0	500
Real estate developer loans	0	0	0	0	0
Corporate FTAs (asset securitisation funds)	**14,124**	**7,500**	**4,850**	**10,442**	**7,430**
SMEs[1]	11,124	5,000	3,750	10,442	2,450
FTPYME[1]	0	0	0	0	0
FTGENCAT[1]	0	0	0	0	0
Business loans[2]	3,000	2,500	0	0	3,150
Corporate loans[3]	0	0	0	0	0
Finance leases	0	0	1,100	0	1,830
FTA (asset securitisation funds), other	**4,788**	**8,384**	**9,680**	**7,020**	**8,286**
Subordinated debt	0	0	0	0	0
Treasury bonds	0	0	0	0	0
Loans to public authorities	0	0	0	0	0
Public sector covered bonds	0	0	0	0	0
Consumer loans	1,450	3,015	4,672	2,504	3,097
Auto loans	1,039	3,056	977	1,534	1,556
Accounts receivable	0	0	0	0	0
Rights to future loans	0	0	0	0	0
Securitisation bonds	0	0	0	0	0
Other loans	2,299	2,313	4,032	2,982	3,633
Total securitisation bonds	**28,370**	**35,505**	**29,415**	**18,145**	**18,741**
Total securitisation commercial paper issued[4]	**2,420**	**1,880**	**2,200**	**240**	**0**
Total bonds and commercial paper	**30,790**	**37,385**	**31,615**	**18,385**	**18,741**
Pro memoria:					
Mortgage subtotal	**9,458**	**19,621**	**14,885**	**683**	**3,025**

Source: CNMV. (1) Comprises funds the portfolios of which consist almost entirely of loans to SMEs. (2) Comprises funds the portfolios of which contain loans to any type of business: self-employed, micro-enterprises, SMEs and larger companies. (3) Comprises funds the portfolios of which consist only of loans to large companies. (4) Gross issues of asset securitisation funds with securitisation commercial paper programmes.

Proprietary trading on AIAF

I.18

Nominal amount in millions of euros

	2015	2016	2017	2018	2019	% change 19/18
Commercial paper	10,521	9,977	3,820	0	0	-
Bonds	176,151	21,816	8,413	27	15	-46.33
Securitisation bonds	122,259	10,361	6,207	0	0	-
Mortgage-backed securities	103,861	17,230	6,583	0	0	-
Public sector covered bonds	37,532	3,243	368	0	0	-
Matador bonds	0	0	0	0	0	-
Total private fixed income	**328,066**	**52,267**	**19,183**	**28**	**15**	**-47.29**
Treasury bills	11	0	0	0	0	-
Government bonds	82	18	9	442	0	-100.00
Total public debt	**93**	**18**	**9**	**442**	**0**	**-100.00**
Total	**328,159**	**52,285**	**19,192**	**470**	**15**	**-96.88**

Number, unitholders, assets and breakdown of changes in assets of securities and real estate investment funds[1]

II.1

Amounts in millions of euros

Category	Number of funds 2019	Number of funds Total vs. Dec-18	Number of unitholders 2019	Number of unitholders Total vs. Dec-18	Assets: Amount 2019	Assets: Amount Total vs. Dec-18	Assets: Change[2] Net subsc.	Assets: Change[2] Net yield	Assets: Change[2] Gross profits distributed	Pro memoria: Distribution of net subscriptions to investment funds (%)
Fixed income[3]	281	2	3,668,324	958,777	78,583.2	11,693.9	10,732.6	961.9	-0.6	382.0
Mixed fixed income[4]	173	5	1,087,881	-100,276	40,819.9	348.9	-1,506.1	1,866.9	-12.0	-53.6
Mixed equity[5]	185	1	707,159	82,869	28,775.8	5,519.8	3,288.8	2,231.0	0.0	117.1
Euro equity	113	0	598,901	-232,214	10,145.1	-2,032.6	-3,588.2	1,556.4	-0.8	-127.7
International equity	263	27	2,655,123	429,757	34,078.9	9,674.0	4,113.8	5,561.1	-0.8	146.4
Guaranteed fixed income	66	-1	154,980	-10,933	4,809.3	-78.1	-282.6	204.4	0.0	-10.1
Guaranteed equity[6]	155	-8	428,470	-66,190	13,229.1	-1,326.9	-1,857.0	530.0	0.0	-66.1
Global funds	255	13	1,359,915	-141,815	43,041.9	904.7	-2,553.9	3,460.8	-2.1	-90.9
Passive management[7]	133	-39	429,428	-113,764	14,073.8	-2,064.8	-3,026.8	1,133.2	-171.3	-107.7
Absolute return	84	-15	646,042	-284,599	11,818.3	-2,354.2	-2,852.9	498.7	0.0	-101.6
Total IFs	**1,710**	**15**	**11,739,183**	**521,614**	**279,377.4**	**20,282.4**	**2,467.5**	**18,002.8**	**-187.7**	**87.8**
Funds of hedge funds	6	0	2,752	53	298.3	84.2	71.4	12.8	0.0	2.5
Hedge funds	48	12	7,045	3,038	2,489.5	464.9	270.5	194.5	0.0	9.6
Total funds (Total IFs + funds of hedge funds + hedge funds)	**1,764**	**27**	**11,748,980**	**524,705**	**282,165.2**	**20,831.5**	**2,809.4**	**18,210.1**	**-187.7**	**100.0**
Real estate funds	**2**	**0**	**483**	**0**	**309.4**	**0.0**	**0.0**	**0.0**	**0.0**	-
Foreign CIS[8]	**1,033**	**9**	**3,361,901**	**188,656**	**178,841.5**	**16,506.5**	-	-	-	-

Source: CNMV. (1) Sub-funds which have sent confidential statements (excludes funds in dissolution or liquidation). The data of special purpose sub-funds are included only in the totals, not in the breakdowns by category. (2) For each category, the variation in assets is due to net subscriptions, including those due to changes in the investor profile, gross profits paid out and net yields on assets. (3) Until 1Q19 comprises the categories (CNMV Circular 3/2011): euro fixed income, international fixed income, money market and short-term money market. From 2Q19 comprises the categories (CNMV Circular 1/2019): Short-term public debt constant net asset value MMF, short-term low volatility net asset value MMF, short-term variable net asset value MMF, standard variable net asset value MMF, euro fixed income and short-term euro fixed income. (4) Comprises euro mixed fixed income and international mixed fixed income. (5) Comprises euro mixed equity and international mixed equity. (6) Comprises guaranteed variable return and partial guarantee. (7) Until 1Q19 comprises: passively managed CIS (CNMV Circular 3/2011). From 2Q19 comprises the categories (Circular 1/2019): Passively managed CIS, CIS that replicate an index and CIS with a specific non-guaranteed target return. (8) The number of foreign CIS includes only UCITS registered with the CNMV. The data of unitholders and investment volumes are estimated using the data received to date. The volume of investment is the result of multiplying the number of shares and units distributed in Spain by their value at the end of the corresponding period.

Fund portfolio: As a percentage of the outstanding balance of Spanish securities II.2

%

	2015	2016	2017	2018	2019
Listed equity[1]	**2.3**	**2.3**	**2.6**	**3.0**	**2.6**
Private fixed income	**2.6**	**2.3**	**1.9**	**1.6**	**1.3**
Short term	18.0	24.5	14.8	17.4	24.3
Long term	2.1	1.5	1.6	1.3	1.0
Public sector fixed income	**4.9**	**5.5**	**4.6**	**4.2**	**3.6**
Short term[2]	6.1	7.7	8.0	11.4	9.4
Long term	4.8	5.3	4.3	3.6	3.2

Source: CNMV and Bank of Spain. (1) Realisation value of the portfolio as a percentage of 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 investment funds II.3

% of average daily assets

	Management fees			Depository fees[1]		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
Total investment funds[2]	**0.91**	**0.86**	**0.85**	**0.08**	**0.07**	**0.07**
Fixed income	0.54	0.45	0.44	0.07	0.06	0.06
Mixed fixed income	1.05	0.96	0.92	0.09	0.08	0.08
Mixed equity	1.34	1.26	1.29	0.10	0.10	0.10
Euro equity	1.71	1.47	1.49	0.11	0.10	0.10
International equity	1.69	1.41	1.41	0.10	0.09	0.09
Guaranteed fixed income	0.48	0.38	0.36	0.05	0.05	0.05
Guaranteed equity	0.58	0.53	0.47	0.05	0.05	0.05
Global funds	1.07	0.98	1.03	0.09	0.08	0.08
Passive management	0.52	0.48	0.42	0.06	0.05	0.05
Absolute return	0.91	0.79	0.81	0.07	0.06	0.06
Funds of hedge funds	**2.93**	**3.94**	**2.45**	**0.08**	**0.10**	**0.07**
Hedge funds[3]	**2.75**	**1.86**	**1.26**	**0.00**	**0.01**	**0.00**

Source: CNMV. (1) Except in hedge funds where they are financing fees. (2) The data of the special purpose sub-funds are included only in the totals, not in the breakdowns by category as this is not available. (3) Percentage of average monthly assets.

Yields and net subscriptions of investment funds

II.4

Yield (%) and net subscriptions (in millions of euros)

	2015		2016		2017		2018		2019	
	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.
Fixed income[1]	0.10	-4,816	0.52	8,244	-0.13	-3,638	-1.44	-2,766	1.38	10,733
Mixed fixed income[2]	0.16	20,903	0.27	-4,751	1.10	2,891	-4.27	-1,064	4.75	-1,506
Mixed equity[3]	0.15	8,227	1.19	-5,195	3.23	5,499	-6.45	2,486	9.25	3,289
Euro equity[4]	3.44	467	2.61	-538	11.16	2,550	-13.01	1,790	14.27	-3,588
International equity[5]	7.84	4,110	4.15	-33	8.75	4,514	-12.34	3,864	22.18	4,114
Guaranteed fixed income	0.27	-8,094	-0.03	-3,700	0.72	-3,263	0.09	-576	3.98	-283
Guaranteed equity[6]	1.07	-2,396	0.19	5,466	1.61	-310	-1.33	-667	3.62	-1,857
Global funds	2.45	5,788	1.99	7,801	4.46	13,406	-5.69	9,449	8.45	-2,554
Passive management[7]	0.53	-6,275	1.16	5,603	2.13	-4,585	-3.16	-2,790	7.45	-3,027
Absolute return[7]	0.12	4,803	0.38	944	1.44	4,287	-4.81	-1,900	3.94	-2,853
Total IFs[8]	**0.89**	**22,764**	**0.98**	**13,823**	**2.42**	**21,325**	**-4.89**	**7,842**	**7.12**	**2,468**
Funds of hedge funds	-0.86	-47	-0.39	-28	0.44	193	-2.99	177	4.91	71
Hedge funds	5.18	321	4.40	-110	7.41	209	-5.63	83	10.15	270
(Total IFs + Funds of hedge funds + Hedge funds)	**0.93**	**23,038**	**1.00**	**13,685**	**2.76**	**21,727**	**-4.90**	**8,102**	**7.14**	**2,809**
Real estate funds	**-6.66**	**-1**	**-5.35**	**0**	**-2.60**	**-1**	**0.24**	**-52**	**0.00**	**0**

Source: CNMV. (1) Until IQ09 comprises: short-term fixed income, long-term fixed income, international fixed income and money market. From 2Q09 comprises: euro fixed income, international fixed income and money market. From 3Q11 comprises: euro fixed income, international fixed income, money market and short-term money market. (2) Until 1Q09 comprises: mixed fixed income and international mixed fixed income. From 2Q09 comprises: euro mixed fixed income and international mixed fixed income. (3) Until 1Q09 comprises: mixed equity and international mixed equity. From 2Q09 comprises: euro mixed equity and international mixed equity. (4) Until 1Q09 comprises: Spanish equity and euro equity. From 2Q09 comprises: euro equity (including Spanish equity). (5) Until 1Q09 comprises: international equity Europe, international equity Japan, international equity USA, international equity Emerging countries and international equity Other. From 2Q09 comprises: international equity. (6) Until 1Q09 comprises: guaranteed equity. From 2Q09 comprises: guaranteed equity and partial guarantee. (7) New categories from 2Q09. All absolute return funds were previously classified as global funds. (8) The data of the special purpose sub-funds are included only in the totals, not in the breakdowns by category as this is not available.

Foreign CIS marketed in Spain[1]

II.5

	2018	2019	Change (%)
Number of schemes	**1,024**	**1,033**	**0.9**
Number of investors	**3,173,245**	**3,361,901**	**5.9**
Investment volume (millions of euros)	**162,335**	**178,842**	**10.2**
Breakdown by country of origin			
Germany	42	48	14.3
Austria	24	30	25.0
Belgium	5	5	0.0
Denmark	1	1	0.0
Finland	9	11	22.2
France	263	222	-15.6
Ireland	200	220	10.0
Liechtenstein	4	4	0.0
Luxembourg	447	462	3.4
Netherlands	2	4	100.0
Portugal	0	3	-
United Kingdom	27	23	-14.8

Source: CNMV. (1) The number of undertakings and their distribution by country of origin includes only UCITS (companies and funds) registered with the CNMV. Data relating to assets and the number of unitholders are estimated using the data received to date.

CIS management companies (CISMCs): Registrations and de-registrations in 2019 II.6

	Controlling group
CIS management company	
Registrations	
Sassola Partners, SGIIC, S.A.	Independent
Orfeo Capital, SGIIC, S.A.	Independent
MCH Investment Strategies, SGIIC, S.A.	Independent
AFI Inversiones Globales, SGIIC, S.A.	Independent
True Value Investments, SGIIC, S.A.	Independent
360 Cora, SGIIC, S.A.	Independent
Olea Gestión de Activos, SGIIC, S.A.	Independent
Deregistrations	
Popular Gestión Privada, SGIIC, S.A.	Banco Santander, S.A.
ICR Institutional Investment Management, SGIIC, S.A.	Independent
Santander Real Estate, S.A., SGIIC	Banco Santander, S.A.
Foreign management companies with branches	
Registrations	
Adepa Asset Management, S.A., Spain Branch, Sucursal en España	Adepa Asset Management, S.A.
Pictet Asset Management (Europe), S.A., Sucursal en España	Pictet Asset Management (Europe), S.A.
Capital International Management Company S.à r.l., Sucursal en España	Capital International Management Company S.à r.l.
T. Rowe Price (Luxembourg) Management S.à r.l., Sucursal en España	T. Rowe Price (Luxembourg) Management S.à r.l.
Franklin Templeton International Services S.à. r.l., Sucursal en España	Franklin Templeton International Services S.à r.l.
Jupiter Asset Management International, S.A., Sucursal en España	Jupiter Asset Management International, S.A.
Financière de L´Echiquier, S.A., Sucursal en España	Financière de L´Echiquier, S.A.
Legg Mason Investments (Ireland) Limited, Sucursal en España	Legg Mason Investments (Ireland) Limited
Henderson Management, S.A., Sucursal en España	Henderson Management, S.A.
BMO Asset Management Netherlands B.V., Sucursal en España	BMO Asset Management Netherlands B.V.
Neuberger Berman Asset Management Ireland Ltd, Sucursal en España	Neuberger Berman Asset Management Ireland Limited

Source: CNMV.

Foreign investment firms with community passport: Home Member State[1] II.7

	2018	2019
Number of investment firms		
Free provision of services	**2,894**	**3,020**
Germany	73	95
Austria	20	21
Belgium	9	10
Bulgaria	10	11
Cyprus	208	208
Croatia	1	1
Denmark	23	21
Slovakia	2	2
Slovenia	1	1
Estonia	1	1
Finland	13	13
France	53	61
Greece	11	11
Netherlands	106	120
Hungary	2	2
Ireland	46	66
Iceland	1	1
Italy	10	12
Latvia	2	2
Liechtenstein	26	28
Lithuania	1	1
Luxembourg	36	44
Malta	27	30
Norway	29	30
Poland	1	2
Portugal	9	11
United Kingdom	2,157	2,197
Czech Republic	3	3
Sweden	13	15
Branches	**61**	**65**
Germany	4	9
Cyprus	0	3
France	2	4
Greece	1	0
Netherlands	3	4
Ireland	1	5
Luxembourg	3	3
Norway	1	1
Poland	1	1
Portugal	1	1
United Kingdom	43	33
Sweden	1	1
Total	**2,955**	**3,085**
***Pro memoria:* Foreign investment firms from outside the EEA with freedom to provide services**	**3**	**3**
Argentina	1	1
Brazil	1	1
Chile	1	1

Source: CNMV. (1) Countries indicated in the notifications of investment firms of EU Member States and authorisations of investment firms of non-EU countries.

Broker-dealers, brokers, portfolio management companies, financial advisory firms and foreign investment firms with branches: Registrations and deregistrations in 2019

II.8

Institution	Controlling group
Broker-dealers and brokers	
Registrations	
Accurate Quant, AV, S.A.	Independent
Arfina Capital, AV, S.A.	Independent
Batlle & Partners, AV, S.A.	Independent
Haltia Capital, AV, S.A.	Independent
Kersio Global Investment, AV, S.A.	Independent
King & Shaxson Capital Markets, SV, S.A.	Phillip (UK) Holdings Ltd.
PI Director, AV, S.A.	Independent
PKF Attest Capital Markets, AV, S.A.	Independent
Deregistrations	
Aegon Activos, AV S.A.	Aegon España, S.A.
Finaduero, SV, S.A.	Unicaja Bank
MCH Investment Strategies, AV, S.A.	MCH Investment, S.A.
Q-Renta, AV, S.A.	Independent
Financial advisory firms	
Registrations	
25 Delta, EAF, S.L.	Independent
Ennos Value, EAF, S.L.	Independent
Gestcap Asesores, EAF, S.L.	Independent
Nextep Asesores Financieros, EAF, S.L.	Independent
Prestian Financial Advisors, EAF, S.L.	Independent
Deregistrations	
360 CorA, EAF, S.L.	Independent
Accurate Quant, EAF, S.L.	Independent
AFI Inversiones Financieras Globales, EAF, S.A.	Independent
Arfina Capital, EAF, S.A.	Independent
Batlle & Fernandez Partners, EAF, S.L.	Independent
Global Coverage, EAF, S.L.	Independent
Cristina Badiola Guerra	Independent
Ecomt, EAF, S.L.	Independent
Haltia Capital, EAF, S.L.	Independent
Iceta Private Wealth Solutions, EAF, S.L.	Independent
Interconsult Asesores Financieros, EAF, S.L.	Independent
Isidre Blanch Alonso	Independent
Juan Carlos Costa Tejedor	Independent
Livemarkets, EAF, S.A.	Independent
McLaren Wealth Management, EAF, S.L.	Independent
Orfeo Capital, EAF, S.L.	Independent
Pi Asesores Financieros, EAF, S.L.	Independent
Poniente Capital Management, EAF, S.L.	Independent
Quantica Empresa de Asesoramiento Financiero Independiente, EAF, S.L.	Independent
Sassola Partners, EAF, S.L.	Independent
Summa Patrimonia, EAF, S.L.	Independent
Valores Financieros y Valores Éticos, EAF, S.L.	Independent
Veritas Capital, EAF, S.L.	Independent

Broker-dealers, brokers, portfolio management companies, financial advisory firms and foreign investment firms with branches: Registrations and deregistrations in 2019 *(continuation)*

II.8

Institution	Controlling group
Foreign investment firms with branches	
Registrations	
Aberdeen Standard Investments Ireland Limited, Sucursal en España	Aberdeen Standard Investments Ireland Limited
Ares Management Limited, Sucursal en España	Ares Management Limited
Aurel BGC SAS, Sucursal en España	Aurel BGC SAS
BGC Brokers L.P., Sucursal en España	BGC Brokers L.P.
Blackrock (Netherlands) B.V. Madrid Branch, Sucursal en España	Blackrock (Netherlands) B.V. Madrid Branch
Citigroup Global Markets Europe AG, Sucursal en España	Citigroup Global Markets Europe AG.
Depaho Ltd, Sucursal en España	Depaho Ltd.
Equities First (London) Limited, Sucursal en España	Equities First (London) Limited
Fisher Investments Ireland Limited, Sucursal en España	Fisher Investments Ireland Limited
IG Europe GmbH, Sucursal en España	IG Europe GmbH
Jefferies GmbH, Sucursal en España	Jefferies GmbH
Key Way Investments Ltd, Sucursal en España	Key Way Investments Ltd
Macquarie Capital (Ireland) Designated Activity Company, Sucursal en España	Macquarie Capital (Ireland) Designated Activity Company
Mex Asset Management GmbH, Sucursal en España	Mex Asset Management GmbH
Mizuho Securities Europe GmbH, Sucursal en España	Mizuho Securities Europe GmbH
Morgan Stanley Investment Management (Ireland) Limited, Sucursal en España	Morgan Stanley Investment Management (Ireland) Limited
Muzinich & Co. (Dublin) Limited, Sucursal en España	Muzinich & Co. (Dublin) Limited
Nomura Financial Products Europe GmbH, Sucursal en España	Nomura Financial Products Europe GmbH
TP ICAP (Europe) S.A., Sucursal en España	TP ICAP (Europe) S.A.
Trade Capital Markets (TCM) Limited, Sucursal en España	Trade Capital Markets (TCM) Limited
Deregistrations	
Aberdeen Asset Managers Limited, Sucursal en España	Aberdeen Asset Managers Limited
BMO Asset Management Limited, Sucursal en España	BMO Asset Management Limited
BNY Mellon Investment Management EMEA Limited, Sucursal en España	BNY Mellon Investment Management EMEA Limited
Capital International Limited, Sucursal en España	Capital International Limited
Fisher Investments Europe Limited, Sucursal en España	Fisher Investments Europe Limited
Franklin Templeton Investment Management Limited, Sucursal en España	Franklin Templeton Investment Management Limited
GKFX Financial Services Limited, Sucursal en España	GKFX Financial Services Limited
Hanseatic Brokerhouse Financial Services GmbH, Sucursal en España	Hanseatic Brokerhouse Financial Services GmbH
Jupiter Asset Management Limited, Sucursal en España	Jupiter Asset Management Limited
Legg Mason Investments (Europe) Limited, Sucursal en España	Legg Mason Investments (Europe) Limited
Nuntius Crimatistiriaki Anonimos Etaireia Paroxis Ependutikon Upiresion, SE	Nuntius Crimatistiriaki Anonimos Etaireia Paroxis Ependutikon Upiresion
Pictet Asset Management Limited, Sucursal en España	Pictet Asset Management Limited
Pioneer Global Investments Limited, Sucursal en España	Pioneer Global Investments Limited
Schroder Investment Management Limited, Sucursal en España	Schroder Investment Management Limited
Stormharbour Securities LLP, Sucursal en España	Stormharbour Securities LLP
T. Rowe Price International Ltd., Sucursal en España	T. Rowe Price International Ltd.

Source: CNMV.

Broker-dealers, brokers, portfolio management companies and financial advisory firms. Changes of control in 2019

II.9

Institution	Buyer
Acquisitions of control by financial institutions	
Activotrade Valores, AV, S.A.	Independent
Alantra Wealth Management, AV, S.A.	Mutual Madrileña
Beka Finance, SV, S.A.	Antracita Capital
Fidentiis Equities, SV, S.A.	Bestinver (Grupo Acciona)

Source: CNMV.

Spanish investment firms with community passport: Host Member State[1]

II.10

	2018	2019
Number of investment firms with cross-border activity		
Free provision of services	49	50
Branches	7	6
Breakdown by country of Spanish investment firms providing cross-border services[2, 3]		
Free provision of services		
Germany	21	22
Austria	13	15
Belgium	18	20
Bulgaria	3	5
Cyprus	2	4
Croatia	1	3
Denmark	11	13
Slovakia	3	5
Slovenia	2	4
Estonia	2	4
Finland	10	11
France	21	21
Greece	11	13
Hungary	3	5
Ireland	14	16
Iceland	2	4
Italy	20	21
Latvia	2	4
Liechtenstein	3	5
Lithuania	2	4
Luxembourg	24	25
Malta	8	10
Norway	9	11
Netherlands	16	18
Poland	5	7
Portugal	33	33
United Kingdom	22	22

Spanish investment firms with community passport: Host Member State[1] *(continuation)*

II.10

	2018	2019
Czech Republic	3	4
Romania	4	6
Sweden	14	15
Branches		
France	1	1
Italy	4	4
Netherlands	1	1
Portugal	1	0
United Kingdom	3	3
***Pro memoria:* Number of investment firms with cross-border activity outside EEA**		
Free provision of services	4	6
Branches	1	1
Breakdown by country[3]		
Free provision of services		
Andorra	1	1
Canada	0	1
Chile	2	2
United States	0	1
Peru	1	1
Switzerland	2	4
Branches		
Peru	1	1

Source: CNMV. (1) Does not include the cross-border activity of financial advisory firms. (2) Countries indicated in notifications relating to free provision of services and in authorisations of branches. (3) Number of Spanish investment firms providing services in other countries. A single firm may provide services in one or more countries.

Spanish financial advisory firms with community passport: Host Member State II.11

	2018	2019
Number of financial advisory firms with cross-border activity		
Free provision of services	29	29
Branches	2	2
Breakdown by country		
Free provision of services[1, 2]		
Germany	5	5
Belgium	1	1
France	5	5
Ireland	2	2
Italy	3	3
Luxembourg	23	23
Malta	2	2
Netherlands	1	2
Portugal	3	3
United Kingdom	6	5
Branches		
Portugal	1	1
United Kingdom	1	1

Source: CNMV. (1) Countries indicated in notifications relating to free provision of services and in authorisations of branches. (2) Number of Spanish financial advisory firms providing services in other countries. A single firm may provide services in one or more countries.

Foreign credit institutions authorised to provide investment services in Spain: Home Member State II.12

	2018	2019
Number of foreign credit institutions providing investment services in Spain		
EU credit institutions		
Free provision of services	403	417
Subsidiaries of EU credit institutions under the free provision of services regime	0	0
Branches	51	54
Non-EU credit institutions		
Free provision of services	3	2
Branches	3	3
Breakdown by home State		
Free provision of services	**406**	**419**
EU credit institutions	**403**	**417**
Germany	51	54
Austria	33	34
Belgium	8	8
Cyprus	2	3
Denmark	10	9
Slovakia	0	1
Finland	9	9

Foreign credit institutions authorised to provide investment services in Spain: Home Member State *(continuation)* II.12

	2018	2019
France	43	48
Greece	1	1
Hungary	6	6
Ireland	26	26
Iceland	1	1
Italy	8	10
Latvia	1	2
Liechtenstein	7	8
Luxembourg	51	50
Malta	9	9
Norway	3	4
Netherlands	26	28
Poland	1	1
Portugal	14	14
United Kingdom	85	82
Czech Republic	0	1
Sweden	8	8
Non-EU credit institutions	**2**	**2**
Australia	1	1
Canada	1	1
Switzerland	1	0
Subsidiaries of EU credit institutions under the free provision of services regime	**0**	**0**
Branches	**56**	**55**
EU credit institutions	**52**	**52**
Germany	6	8
Austria	1	1
Belgium	1	1
France	9	9
Ireland	3	5
Italy	4	4
Luxembourg	8	9
Netherlands	7	8
Portugal	6	5
United Kingdom	6	4
Non-EU credit institutions	**3**	**3**
Argentina	1	1
United States	1	1
Switzerland	1	1

Source: Bank of Spain and CNMV.

Number of shareholders of Ibex 35[1] companies with significant shareholdings

III.1

	Shareholding				
Entities	**3-5%**	**5-10%**	**10-25%**	**25-50%**	**50-100%**
Acciona	-	1	-	2	-
Acerinox	2	-	2	-	-
ACS	1	1	1	-	-
AENA	1	1	-	-	1
Amadeus	1	3	-	-	-
BBVA	-	1	-	-	-
B. Sabadell	1	1	-	-	-
B. Santander	-	1	-	-	-
Bankia	1	-	-	-	1
Bankinter	1	1	1	-	-
Caixabank	1	-	-	1	-
Cellnex	3	2	-	1	-
Cie Automotive	2	5	-	-	-
Enagás	6	-	-	-	-
Ence	1	3	-	1	-
Endesa	-	-	-	-	1
Ferrovial	4	1	1	-	-
Grifols	3	4	-	-	-
Iberdrola	1	2	-	-	-
IAG	1	-	2	-	-
Indra	1	1	2	-	-
Inditex	-	1	-	-	1
Inmobiliaria Colonial	2	2	2	-	-
Mapfre	-	-	-	-	1
MásMóvil	1	4	1	-	-
Mediaset	-	-	-	-	1
Meliá	-	1	-	1	-
Merlin	1	-	1	-	-
Naturgy	2	-	3	-	-
REE	1	1	1	-	-
Repsol	1	1	-	-	-
Siemens Gamesa	-	1	-	-	1
Telefónica	-	3	-	-	-
Viscofan	4	1	2	-	-
Total	**43**	**43**	**19**	**6**	**7**

Source: CNMV. (1) Composition of the Ibex 35 at the end of the year (not including Arcelor, for which Spain is not the home Member State).

Outcome of disciplinary proceedings in 2019

Reference	Resolutions
(1/19)	**Resolution of the CNMV Board of 28 January 2019**
	Resolution of the disciplinary proceedings brought against a credit institution, in its capacity as CIS depository, for the alleged commission of a serious infringement of Article 81 h) of the Spanish Collective Investment Scheme Act (LIIC), for failing to act in the interest of unitholders of an investment fund. A fine €135,000 was imposed.
(2/19)	**Resolution of the CNMV Board of 28 January 2019**
	Resolution of the disciplinary proceedings brought against an investment firm for the alleged commission of a serious infringement of Article 283.3 of the recast text of the Spanish Securities Market Act (TRLMV), in relation to its records of client orders. A fine of €70,000 was imposed.
(3/19)	**Resolution of the CNMV Board of 20 February 2019**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a serious infringement of Article 295.4 of the TRLMV, for practices constituting market manipulation. A fine of €15,000 was imposed.
(4/19)	**Resolution of the CNMV Board of 20 February 2019**
	Resolution of the disciplinary proceedings brought against an investment firm and a natural person for the alleged commission of a serious infringement of Article 295.4 of the TRLMV, for practices constituting market manipulation). They were fined €60,000 and €20,000 respectively.
(5/19)	**Resolution of the CNMV Board of 28 March 2019**
	Resolution of the disciplinary proceedings brought against eight insurance companies belonging to the same group, in their capacity as public interest entities (as per Article 529 *quaterdecies* of the Corporate Enterprises Act), for the alleged commission of a serious infringement of Article 296.1 of the TRLMV, for not having an audit committee. All of them, except for one against which the case was dismissed, were fined in amounts ranging from €10,000 to €400,000, for a total combined amount of €915,000.
(6/19)	**Resolution of the CNMV Board of 28 March 2019**
	Resolution of the disciplinary proceedings brought against two natural persons for the alleged commission of serious infringements of Article 295.4 of the TRLMV, for practices constituting market manipulation. One of them was also charged with committing a serious infringement of Article 295.7 of the same legal text, for failing to comply with the provisions regarding investment recommendations. One person was fined €150,000 and the other was ordered to pay two fines, of €50,000 and €15,000.
(7/19)	**Resolution of the CNMV Board of 28 March 2019**
	Resolution of the disciplinary proceedings brought against a venture capital company (SCR) for the alleged commission of a minor infringement of Article 95 a) of the Spanish Criminal Procedure Act (LECR). A fine of €30,000 was imposed.
(8/19)	**Resolution of the CNMV Board of 28 March 2019**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a serious infringement of Article 295.4 of the TRLMV, for practices constituting market manipulation. A fine of €100,000 was imposed.
(9/19)	**Resolution of the CNMV Board of 29 April 2019**
	Resolution of the disciplinary proceedings brought against a foreign legal person for the alleged commission of a very serious infringement of Article 282.3 of the TRLMV, for failing to report significant shareholdings in a listed company. A fine of €200,000 was imposed.
(10/19)	**Resolution of the CNMV Board of 29 May 2019**
	Resolution of the disciplinary proceedings brought against a listed credit institution and the members of its board of directors for the alleged commission of a serious infringement of Article 296.1 of the TRLMV in relation to the content of the annual directors' remuneration reports over three years. The institution was fined €1,000,000 and the directors were fined amounts ranging from €14,000 to €25,000, for a total of €141,000.
(11/19)	**Resolution of the CNMV Board of 29 May 2019**
	Resolution of the disciplinary proceedings brought against a listed company for the alleged commission of a very serious infringement of Article 282.7 of the TRLMV, for submitting inaccurate key information to the CNMV and omitting significant data). Following a legislative amendment, the legal charge was reduced to a serious infringement of Article 295.15 of the TRLMV and a fine of €150,000 was imposed.

Outcome of disciplinary proceedings in 2019 *(continuation)*

Reference	Resolutions
(12/19)	**Resolution of the CNMV Board of 27 June 2019**
	Resolution of the disciplinary proceedings brought against a crowd funding platform for various infringements of Law 5/2015, of 27 April, promoting business financing. The proceedings involved two very serious infringements and one serious infringement (relating to Article 92.1 d) and h) and Article 92.2 f) respectively). A total fine of €215,000 was imposed.
(13/19)	**Resolution of the CNMV Board of 24 July 2019**
	Resolution of the disciplinary proceedings brought against a legal person and the natural person controlling it for the alleged commission of a very serious infringement of Article 282.3 of the TRLMV, for failing to report significant shareholdings in a listed company. The legal person was fined €200,000 and the natural person €100,000.
(14/19)	**Resolution of the CNMV Board of 20 September 2019**
	Resolution of the disciplinary proceedings brought against a listed company and five members of its board of directors for the alleged commission of a serious infringement of Article 296.1 of the TRLMV in relation to the content of the annual directors' remuneration report. The entity was fined €100,000 and four of the directors were fined amounts ranging from €5,000 to €10,000, for a total amount of €25,000, the remaining director being cleared of any liability.
(15/19)	**Resolution of the CNMV Board of 24 October 2019**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a very serious infringement of Article 99 o) of the Securities Market Act, for the use of insider information. The case was dismissed as the person had been handed a criminal conviction for the same conduct.
(16/19)	**Resolution of the CNMV Board of 19 December 2019**
	Resolution of the disciplinary proceedings brought against a CIS management company for the alleged commission of a serious infringement of Article 81 b) of the Spanish Collective Investment Scheme Act (LIIC), for providing deficient information in its annual financial statements, confidential statements and periodic reports corresponding to several financial years. A fine of €90,000 was imposed.
(17/19)	**Resolution of the CNMV Board of 19 December 2019**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a very serious infringement of Article 282.3 of the TRLMV, for failing to report significant shareholdings in a listed company. A fine of €150,000 was imposed.

List of judicial rulings on contentious-administrative appeals against penalties in 2019

No.	Date	Court	Appeal No.	Resolution	Ruling appealed
1	31/01/2019	National High Court	830/2016	Ruling	Resolution MEC 12/09/2016
Upholds the penalties imposed on a listed company and members of its board of directors in relation to a serious infringement of Article 100 b) of the Securities Market Act, by CNMV Board Resolution of 28 October 2015, upheld on appeal by the Ministry of Economic Affairs and Competition Resolution of 12 September 2016.					
2	31/01/2019	National High Court	3053/2014	Ruling	Order MEC 24/11/2014
Upholds the penalties imposed on a listed company and members of its audit committee in relation to a very serious infringement of Article 99 m) of the Securities Market Act, by order of the Ministry of Economy and Competitiveness of 23 May 2014, upheld on review in an order from the same Ministry of 24 November 2014.					
3	12/02/2019	National High Court	482/2017	Ruling	Resolution MEIC 19/04/2017
Upholds the penalty imposed on a natural person in relation to a very serious infringement of Article 99 o) of the Securities Market Act by CNMV Board Resolution of 18 May 2016, upheld on appeal by the Ministry of Economy, Industry and Competitiveness Resolution of 19 April 2017.					
4	12/02/2019	National High Court	731/2017	Ruling	Resolution MEIC 7/09/2017
Upholds the penalty imposed on a natural person, in relation to a very serious infringement of Article 99 o) of the Securities Market Act, by CNMV Board Resolution of 20 May 2016, upheld on appeal by the Ministry of Economy, Industry and Competitiveness Resolution of 7 September 2017.					
5	19/02/2019	National High Court	554/2017	Ruling	Resolution MEIC 8/05/2017
Upholds the penalty imposed on a credit institution, in relation to a very serious infringement of Article 99 z) *bis* of the Securities Market Act, by CNMV Board Resolution of 15 July 2016, upheld on appeal by the Ministry of Economy, Industry and Competitiveness Resolution of 8 May 2017.					
6	26/02/2019	National High Court	701/2017	Ruling	Resolution MEIC 18/09/2017
Upholds the penalty imposed on a natural person, in relation to a very serious infringement of Article 99 o) of the Securities Market Act, by CNMV Board Resolution of 17 February 2017, upheld on appeal by the Ministry of Economy, Industry and Competitiveness Resolution dated 18 September 2017.					
7	4/03/2019	National High Court	673/2017	Ruling	Resolution MEIC 7/09/2017
Upholds the penalties imposed on an investment firm and its Chief Executive Officer, in relation to two very serious infringements of Article 99 o) of the Securities Market Act, by CNMV Board Resolution of 20 May 2016, upheld on appeal by the Ministry of Economy, Industry and Competitiveness Resolution of 7 September 2017.					
8	13/03/2019	National High Court	29/2018	Ruling	Resolution MEIC 20/07/2017
Dismisses the appeal lodged by the representative of an investment firm against the resolution of the Ministry of Economy, Industry and Competitiveness of 20 July 2017, upholding the penalty imposed by CNMV Board Resolution of 7 December 2016 in relation to a very serious infringement of Article 283.3 of the TRLMV.					
9	13/03/2019	National High Court	31/2018	Ruling	Resolution MEIC 20/07/2017
Dismisses the appeal lodged by an investment firm against the resolution of the Ministry of Economy, Industry and Competitiveness of 20 July 2017, upholding the penalties imposed by CNMV Board Resolution of 7 December 2016 in relation to several very serious infringements – three of Article 283.3 and one of Article 284.1 of the TRLMV.					
10	13/03/2019	Supreme Court	415/2015	Ruling	Ruling AN 02/11/2017
Dismisses the appeal in cassation lodged by the Central Government against the ruling of the National High Court of 2 November 2017, which annulled the penalties imposed on a credit institution in relation to two serious infringements of Article 99 z) *bis* of the Securities Market Act, by order of the Minister of Economy dated 7 May 2014, upheld on appeal by the Ministry of Economy and Competitiveness Resolution of 28 September 2015.					
11	13/03/2019	Supreme Court	242/2015	Ruling	Ruling AN 4/10/2017
Dismisses the appeal in cassation lodged against the ruling of the National High Court of 4 October 2017, upholding the penalty imposed on the appealing credit institution in relation to a very serious infringement of Article 99 z) *bis* of the Securities Market Act, by the Ministry of Economy and Competitiveness of 7 April 2015.					
12	13/03/2019	National High Court	679/2017	Ruling	Resolution MEIC 18/09/2017
Upholds the penalty imposed on a natural person, in relation to a serious infringement of Article 100 x) of the Securities Market Act, by CNMV Board Resolution of 15 June 2016, upheld on appeal by the Ministry of Economy, Industry and Competitiveness Resolution of 18 September 2017.					

List of judicial rulings on contentious-administrative appeals against penalties in 2019 *(continuation)*

No.	Date	Court	Appeal No.	Resolution	Ruling appealed
13	**19/03/2019**	**National High Court**	**678/2016**	**Ruling**	**Resolution MEC 30/06/2016**
Upholds the penalty imposed on a credit institution, in relation to a very serious infringement of Article 99 z) *bis* of the Securities Market Act, by the Ministry of Economy and Competitiveness Order of 21 April 2015, upheld on review in a resolution of the same Ministry dated 30 June 2016.					
14	**29/03/2019**	**National High Court**	**30/2018**	**Ruling**	**Resolution MEIC 20/07/2019**
Dismisses the appeal lodged by the director of an investment firm against the resolution of the Ministry of Economy, Industry and Competitiveness of 20 July 2017, upholding the penalty imposed by CNMV Board Resolution of 7 December 2016 in relation to a very serious infringement of Article 283.3 of the TRLMV.					
15	**29/05/2019**	**Supreme Court**	**1/2016**	**Ruling**	**Ruling AN 11/01/2018**
Dismisses the appeal in cassation lodged against the ruling of the National Court of 11 January 2018, which partially upheld the appeal filed against the resolution of the Ministry of Economy and Competitiveness of 23 December 2015, upheld on review in a resolution of the same Ministry dated 7 July 2015, for which the appealing natural person was fined in relation to a very serious infringement of Article 99 p) of the Securities Market Act.					
16	**7/06/2019**	**Supreme Court**	**135/2017**	**Court order**	**Ruling AN 11/10/2018**
Dismisses, as manifestly lacking in interest in cassation, appeal number 194/2019, lodged against the ruling of the National High Court of 11 October 2018.					
17	**13/06/2019**	**National High Court**	**287/2018**	**Ruling**	**Resolution MEIC 19/01/2018**
Upholds the penalty imposed on an investment firm, in relation to a serious infringement of Article 100 w) of the Securities Market Act, by CNMV Board Resolution of 27 February 2017, upheld on appeal by the Ministry of Economy, Industry and Competitiveness Resolution of 19 January 2018.					
18	**20/06/2019**	**National High Court**	**447/2018**	**Ruling**	**Resolution CNMV 17/04/2018**
Upholds the penalty imposed on a natural person, in relation to a serious infringement of Article 99 i) of the Securities Market Act, by CNMV Board Resolution of 17 April 2018.					
19	**21/06/2019**	**National High Court**	**348/2015**	**Ruling**	**Resolution MECC 18/06/2015**
Upholds the administrative appeal lodged by a natural person against the Ministry of Economy and Competitiveness Resolution of 18 June 2015 (upholding on review the resolution of the same Ministry dated 13 June 2014) and annulling the penalty imposed in relation to a serious infringement of Article 99 z) *bis* of the Securities Market Act.					
20	**25/06/2019**	**National High Court**	**1084/2018**	**Ruling**	**Resolution MEE 3/09/2018**
Upholds the penalties imposed on a natural person, in relation to a very serious infringement of Article 99 o) and a serious infringement of Article 1oo x) of the Securities Market Act, by CNMV Board Resolution of 25 October 2017, upheld on appeal by the Ministry of Economy and Business Affairs Resolution of 3 September 2018.					
21	**27/06/2017**	**National High Court**	**888/2016**	**Ruling**	**Resolution MEC 22/09/2016**
Upholds the penalty imposed on a credit institution, in relation to a serious infringement of Article 100 w) of the Securities Market Act, by CNMV Board Resolution of 20 April 2016, upheld on appeal by the Ministry of Economy and Competitiveness Resolution of 22 September 2016.					
22	**4/07/2019**	**National High Court**	**392/2018**	**Ruling**	**Resolution MEIC 06/02/2018**
Upholds the penalty imposed on an investment firm, in relation to a serious infringement of Article 295.4 of the TRLMV, by CNMV Board Resolution of 27 February 2017, upheld on appeal by the Ministry of Economy, Industry and Competitiveness Resolution of 6 February 2018.					
23	**15/07/2019**	**Supreme Court**	**911/2016**	**Ruling**	**Ruling AN 24/05/2018**
Dismisses the appeal in cassation lodged against the ruling of the National High Court of 24 May 2018, upholding the penalty imposed on the appealing credit institution, in relation to a serious infringement of Article 100 w) of the Securities Market Act, by CNMV Board Resolution of 25 March 2015, upheld on appeal by the Ministry of Economy and Competitiveness, resolution of 21 September 2016.					
24	**17/07/2019**	**National High Court**	**16/2018**	**Ruling**	**Resolution MEIC 20/07/2017**
Dismisses the contentious-administrative appeal lodged against the resolution of the Ministry of Economy, Industry and Competitiveness of 20 July 2017, upholding the penalty imposed on the director of an investment firm, in relation to a very serious infringement of Article 283.3 of the TRLMV, by CNMV Board Resolution of 7 December 2016.					
25	**23/07/2019**	**National High Court**	**1254/2018**	**Ruling**	**Resolution MEE 28/09/2018**
Upholds the penalties imposed on an investment firm and its Chief Executive Officer, in relation to a serious infringement of Article 100 w) of the Securities Market Act, by CNMV Board Resolution of 1 February 2018, upheld on appeal by the Ministry of Economy and Business Affairs Resolution of 28 September 2018.					

List of judicial rulings on contentious-administrative appeals against penalties in 2019 *(continuation)*

III.3

No.	Date	Court	Appeal No.	Resolution	Ruling appealed
26	**11/09/2019**	**National High Court**	**1157/2018**	**Ruling**	**Resolution MEE 28/09/2018**
Upholds the penalty imposed on a listed company, in relation to a serious infringement of Article 100 w) of the Securities Market Act, by CNMV Board Resolution of 17 April 2018, upheld on appeal by the Ministry of Economy and Business Affairs in its resolution of 28 September 2018.					
27	**13/09/2019**	**National High Court**	**790/2016**	**Ruling**	**Resolution MEC 12/09/2016**
Upholds the penalties imposed on a credit institution, in relation to two very serious infringements of Article 99 z) *bis* of the Securities Market Act, by the Ministry of Economy and Competitiveness Order of 5 June 2015, upheld on review in the resolution of the same Ministry dated 12 September 2016.					
28	**4/10/2019**	**Supreme Court**	**482/2017**	**Court order**	**Ruling AN 12/12/2019**
Dismisses, as manifestly lacking in interest in cassation, appeal number 2991/2019, lodged against the ruling of the National High Court of 12 February 2019.					
29	**9/10/2019**	**National High Court**	**1255/2018**	**Ruling**	**Resolution MEE 28/09/2018**
Upholds the penalty imposed on an investment firm, in relation to a serious infringement of Article 300.1 of the TRLMV, by CNMV Board Resolution of 17 April 2018, upheld on appeal by the Ministry of Economy and Business Affairs, Resolution of 28 September 2018.					
30	**22/10/2019**	**National High Court**	**104/2018**	**Ruling**	**Resolution MEIC 06/02/2018**
Upholds the penalty imposed on a credit institution, in relation to a very serious infringement of Article 99 z) *bis* of the Securities Market Act, by CNMV Board Resolution of 27 June 2017, upheld on appeal by the Ministry of Economy, Industry and Competitiveness, Resolution of 6 February 2018.					
31	**7/11/2019**	**Supreme Court**	**3053/2014**	**Court order**	**Ruling AN 31/01/2019**
Admits appeal in cassation number 2981/2019, lodged against the ruling of the National High Court of 31 January 2019, considering the issue raised to be of interest for judicial review and formation of case law.					
32	**7/11/2019**	**Supreme Court**	**678/2016**	**Court order**	**Ruling AN 19/03/2019**
Dismisses, as manifestly lacking in interest in cassation, appeal number 4316/2019, lodged against the ruling of the National High Court of 19 March 2019.					
33	**13/11/2019**	**National High Court**	**1082/2018**	**Ruling**	**Resolution MEE 03/09/2018**
Upholds the penalty imposed on a legal person, in relation to a serious infringement of Article 99 o) of the Securities Market Act, by CNMV Board Resolution of 25 October 2017, upheld on appeal by the Ministry of Economy and Business Affairs, Resolution of 3 September 2018.					

Legislative annexes

A Spanish legislation

A.1 Spanish National Securities Market Commission (CNMV)

– **Agreement of 20 February 2019** of the Board of the Spanish National Securities Market Commission (CNMV), approving the code of conduct relating to investments by non-profit entities.

– **Resolution of 25 February 2019** of the State Attorney's Office-State Legal Department, publishing the Legal Assistance Agreement with the Spanish National Securities Market Commission.

– **CNMV Circular 1/2019, of 28 March**, amending Circular 1/2009, of 4 February, on the categorisation of collective investment schemes (CIS) according to their investment objective, partially amending Circular 3/2011, of 9 June.

  The Circular contains new definitions of money market funds in accordance with the new EU rules in this area (Regulation (EU) 2017/1131). Managers must adapt their reporting on the investment objectives of their funds to reflect the new categorisation system. The regulation entered into force on 9 April 2019.

– **Resolution of 11 April 2019** of the Presidency of the CNMV, publishing the collaboration agreement with the College of Property and Companies Registrars of Spain, for the consultation of the real ownership of trading companies through the Trade & Companies Register and other information in Property and Companies Registers.

  The aim of this Resolution is to publish the agreement that defines access by the supervisor to the information of the Property and Trade & Companies Registers in the performance of its supervisory functions, including information on the real ownership of entities registered in said trade & companies registers.

– **CNMV Resolution, of 27 June 2019**, on product intervention measures related to binary options and contracts for difference.

  On 22 May 2018, the European Securities and Markets Authority (ESMA) adopted the decision to prohibit the marketing, distribution or sale of binary options to retail investors in the European Union from 2 July 2018 and the decision to restrict the marketing, distribution or sale of contracts for difference to retail investors in the European Union from 1 August 2018.

  The CNMV has considered it appropriate to adopt a resolution that allows the implementation of these measures in Spain indefinitely and which clarifies the manner of their application within the context of our regulatory framework, especially their interaction with CNMV Circular 1/2018, of 12 March, on warnings related to financial instruments.

The Resolution came into force the day after the expiry of the intervention measures established in the ESMA decisions on binary options and financial contracts for difference, respectively. Consequently, Chapter I, referring to binary options, entered into force on 2 July 2019 and Chapter II, referring to financial contracts for difference, entered into force on 1 August 2019.

The measures contained in this Resolution will continue to be applied within the Spanish jurisdiction as long as there are no changes in the market conditions that could allow its repeal.

– **Resolution of 11 July 2019** of the Technical General Secretariat, publishing the Agreement with the CNMV for the prosecution of financial fraud by unauthorised persons or entities.

  The purpose of this agreement is to set the framework for collaboration between the General Directorate of the Civil Guard, through the Judicial Police Headquarters, and the CNMV in matters of prosecution of financial fraud and of persons operating outside the legal channels provided for in the securities market regulations (unauthorised persons or entities).

– **CNMV Resolution, of 17 July 2019**, by which the Addendum is published to extend the management undertaking to the Bank of Spain, to perform support tasks in the supervision of internal solvency models of investment firms.

  On 12 July 2019, the Addendum was signed whereby the CNMV management commission is extended to the Bank of Spain to carry out support tasks in the supervision of internal solvency models of investment firms.

– **CNMV Resolution, of 24 October 2019**, amending Annex I to the Resolution of 16 November 2011, which creates and regulates the CNMV Electronic Register.

  Annex I of the aforementioned Resolution sets out the procedures that can be carried out through the CNMV Electronic Register using standardised electronic documents. The entry into force of numerous EU regulations that create and develop new types of entities and new reporting obligations to the CNMV require the inclusion of additional procedures. Therefore, Annex I of the Resolution of 16 November 2011 has been amended to include 13 new procedures and eliminate two previous procedures.

– **CNMV Circular 2/2019, of 27 November**, amending Circular 1/2017, of 26 April on liquidity contracts.

  Changes have been included in response to the demand of market participants aimed at providing access to liquidity contracts for a greater number of issuers (especially those with less liquid shares) and introduce certain restrictions on financial intermediary operations in auction periods.

The main amendments made are:

- A new alternative limit for the maximum daily volume applicable to MAB companies and to primary market companies with a lower level of liquidity.

- It eliminates, in general, the restriction on simultaneously maintaining purchase and sale orders for shares during the auction period.

This Circular was published in the *BOE* (Official State Gazette) on 10 December 2019 and will enter into force three months after publication.

– **Agreement of the CNMV Board, of 19 December 2019**, on starting the proceedings to renew the Advisory Committee.

– **Resolution of the CNMV Board, of 19 December 2019**, approving the CNMV Internal Regulation.

The previous CNMV Internal Regulation (IR) was approved by the resolution of the CNMV Board of 10 July 2003. Since then, as many as ten amendments have been made, differing in scope. This resolution, which approves a new IR, sets out these amendments in a single text and includes some new items to improve and update the regulation.

Most prominently, the rules applicable to transactions in financial instruments carried out by the CNMV's staff are modified for better alignment with those of European counterparts. Likewise, the staff incompatibility regime is updated bearing in mind the current regime in force for the public administration in general, an internal mechanism is established for reporting irregular conducts (whistleblowing mechanism), the existence of an internal risk committee and a systemic risk monitoring committee in the securities market is expressly envisaged, additional legal protection measures are established for the CNMV's staff when acting in the exercise of their functions, measures are incorporated into the text to facilitate certain procedures and additional rules are introduced on the operations of CNMV collegiate bodies.

The new IR also updates references to legislation and certain internal and external organisational issues, and introduces some technical improvements to certain rules and regulations.

A.2 Transposition of European regulations

– **Organic Law 1/2019, of 20 February**, amending Organic Law 10/1995, of 23 November, on the Criminal Code, in order to transpose European Union Directives in the areas of finance and terrorism, and address international issues.

The purpose of this Organic Law is to transpose Directive 2014/57/EU of the European Parliament and of the Council, of 16 April 2014, on criminal sanctions for market abuse; Directive 2017/541/EU of the European Parliament and of the Council, of 15 March 2017, on combating terrorism; and Directive (EU) 2017/1371 of the European Parliament and of the Council, of 5 July 2017, on the fight against fraud to the Union's financial interests by means of criminal law, as well as the further transposition of Directive 2014/62/EU of the European Parliament and of the Council, of 15 May 2014, on the protection of the euro and other currencies against counterfeiting by criminal law.

The transposition of Directive 2014/57/EU provides for three distinct types of criminal offences along the lines followed by the Directive itself, which requires Member States to classify insider trading operations as criminal offences (at least in serious cases and when committed intentionally), which includes recommending or inducing another person to engage in insider trading; the unlawful disclosure of inside information; and market manipulation, in the terms specified in Articles 3 to 5. This is all in order to guarantee, firstly, the integrity of the Union's financial markets and, secondly, to increase investor protection and confidence in those markets.

In addition, it requires classifying acts of incitement, complicity and attempts to perform the aforementioned operations as criminal offences, as well as taking into account the liability of legal persons in relation to the commission of such criminal acts.

This Directive is part of the package also comprising Regulation (EU) 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse, which has been supplemented by two further regulations: Commission Delegated Regulation (EU) 2016/522, of 17 December 2015, as regards an exemption for certain third countries' public bodies and central banks, the indicators of market manipulation, the disclosure thresholds, the competent authority for notifications of delays, the permission for trading during closed periods and types of notifiable managers' transactions; and Commission Delegated Regulation (EU) 2016/957, of 9 March 2016, with regard to regulatory technical standards for the appropriate arrangements, systems and procedures as well as notification templates to be used for preventing, detecting and reporting abusive practices or suspicious orders or transactions.

The legislator has opted for criminal classifications which, in the most severe cases of market manipulation and insider trading, are classified as serious offences. The legal principle protected is not so much concerned with the assets or the socioeconomic system itself, but rather with the integrity of the markets and the confidence of the investors acting in them.

The transposition of this Directive requires a specific amendment to the Criminal Code, in order to adjust the content of its Articles 284 and 285 to the provisions of the said Directive, as well as to include a precept that expands, in the terms of this Directive, the conceptual scope of those precepts.

In addition, three new precepts have been incorporated into the Criminal Code: Article 285 *bis*, to criminalise the unlawful communication of inside information when this endangers the integrity of the market or investor confidence; Article 285 *ter*, to link the conceptual contents (financial instruments, contracts, conduct, operations and envisaged orders) to European and Spanish regulations on the market and financial instruments, with full respect for the principle of legality; and Article 285 *quater*, to expressly establish the punishment of acts of proposition, conspiracy and provocation of the three aforementioned crimes. The criminal complaint applicable to acts committed by a legal person is also amended, when the criminal liability thereof is declared, to align it with the seriousness of the conduct of natural persons.

Directive (EU) 2017/1371 of the European Parliament and of the Council, of 5 July 2017, on the fight against fraud to the Union's financial interests by means of criminal law, involves the harmonised regulation of these types of fraud, as well as the criminalisation of other forms of conduct closely related to them: money laundering, bribery and embezzlement. One of the first new features of the Directive is the increase in the amount defrauded that must be considered a criminal offence against the European Union's finances, the corresponding articles having been adapted for this purpose. Similarly, and in order to resolve problems of concurrence that arose in practice in the application of Articles 306 and 308 of the Code of Criminal Procedure, a joint regulation has been opted for.

In addition, a new feature introduced by the Directive in Article 4.4 b) expands the concept of public official that must be taken into account in offences of bribery and embezzlement (foreign and European Union officials for bribery offences).

Furthermore, the transposition of Directive 2014/62/EU of the European Parliament and of the Council, of 15 May 2014, on the protection of the euro and other currencies against counterfeiting by criminal law, is completed.

Lastly, the regulation of corruption offences is finalised in accordance with the guidelines of the Group of States Against Corruption (GRECO).

This Organic Law will enter into force 20 days after its publication in the *BOE* (Official State Gazette).

A.3 Other regulations

– **Law 1/2019, of 20 February**, on business secrets.

– **Order ECE/228/2019, of 28 February**, on basic payment accounts, the payment account transfer procedure and comparison website requirements.

– **Royal Decree-Law 5/2019, of 1 March**, on contingency measures in the event of the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union without the agreement provided for in Article 50 of the Treaty on European Union having been reached.

  The purpose of this Royal Decree-Law is the adoption of measures to adapt the Spanish legal system in order to deal with the consequences of the withdrawal of the European Union from the United Kingdom of Great Britain and Northern Ireland, and the Colony of Gibraltar, without an agreement concluded in accordance with Article 50.2 of the Treaty on European Union.

  Worthy of note is Chapter IV, Economic Activities, Section 1, Financial Services. This establishes a framework for ensuring the continuity of financial service contracts provided in Spain by financial institutions established in the United Kingdom or Gibraltar. A withdrawal without agreement (no deal) by the United Kingdom from the European Union could have consequences for the financial system.

In order to avoid a situation in which increased uncertainty and loss of access to the European market could affect financial stability or even harm the customers of financial services, a section is included with contingency measures related to financial services. This section supplements the measures taken by the European Commission, which has limited its action to ensuring the critical functions of the European financial system that depend on access to the UK market.

This Royal Decree-Law will enter into force on the date on which the Treaties of the European Union cease to apply to the United Kingdom, in accordance with Article 50.3 of the Treaty on European Union.

However, this Royal Decree-Law will not enter into force if, prior to that date, a withdrawal agreement between the European Union and the United Kingdom has entered into force in accordance with Article 50.2 of the Treaty on European Union.

– **Royal Decree-Law 6/2019, of 1 March**, on urgent measures to guarantee equal treatment and opportunities for women and men in employment and occupation.

– **Royal Decree 102/2019, of 1 March**, creating the Financial Stability Board Macro-prudential Authority, establishing its legal regime and implementing certain aspects relating to macro-prudential tools.

  Its purpose is to create the Financial Stability Board Macro-prudential Authority (Spanish abbreviation: AMCESFI) as a national macro-prudential authority aimed at identifying, preventing and mitigating the development of systemic risk and ensuring a sustainable contribution of the financial system to economic growth and the development of the macro-prudential tools that may be adopted by the Bank of Spain, the CNMV and the Directorate-General for Insurance and Pension Funds, as well as the procedure for their communication to the AMCESFI prior to their adoption.

– **Resolution of 6 March 2019** of the Independent Office for the Regulation and Supervision of Contracting, issuing Instruction 1/2019, of 28 February, on smaller contracts, regulated by Law 9/2017, of 8 November.

– **Law 5/2019, of 15 March**, which regulates real estate loan agreements.

  The purpose of this Law is to establish certain rules for the protection of natural persons who are debtors or guarantors of loans that are guaranteed by means of a mortgage or other in rem rights of guarantee on immovable property for residential use, or whose purpose is to acquire or retain property rights on land or immovable property constructed or to be constructed.

  The First Final Provision amends the Mortgage Act in order to incorporate improvements to borrower protection in matters of early maturity and delay interest, as well as other improvements of a technical nature.

  The Third Final Provision amends Law 2/1994, of 30 March, on subrogation and modification of mortgage loans, amended by Law 41/2007, of 7 December, which amends Law 2/1981, of 25 March, on the Regulation of the Mortgage

Market and other rules applicable to the mortgage and financial system, on the regulation of reverse mortgages and dependency insurance and establishing specific tax legislation.

The Seventh Final Provision amends Law 44/2002, of 22 November, on Financial System Reform Measures, in order to give all real estate lenders access to the Bank of Spain's Risk Information Centre.

The Eleventh Final Provision amends Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions, in order to clarify the necessary conditions and requirements under which Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (asset management company for assets arising from bank restructuring, or SAREB) may bring enforcement proceedings for the purposes of effectively performing the functions entrusted to it, retaining its position to execute the collateral of the financial assets acquired. This measure falls under the sole corporate purpose of SAREB and is in the public interest as a result of its activity within the process to restructure and reorganise the Spanish banking sector.

This Law will enter into force three months after its publication in the *BOE* (Official State Gazette).

– **Bank of Spain Circular 2/2019, of 29 March**, on the requirements of the Informative Document on Fees and the Statement of Fees, and on websites to compare payment accounts, amending Circular 5/2012, of 27 June, for credit institutions and payment service providers, on the transparency of banking services and responsibility in granting loans.

– **Royal Decree 259/2019, of 12 April**, regulating central government equality units.

Article 77 of Constitutional Law 3/2007, of 22 January, on the effective equality of men and women, provides that "all ministerial departments shall entrust one of their management bodies to develop the functions related to the principle of equality between men and women in those matters under their jurisdiction".

This Royal Decree develops the aforementioned equality units, specifying their scope as instruments to guarantee the effective application of said principle within central government.

This provision applies to central government and to the equality units set up under public bodies, related bodies or other dependent bodies.

– **Royal Decree 309/2019, of 26 April**, partially implementing Law 5/2019, of 15 March, regulating real estate credit agreements and adopting other financial measures.

This Royal Decree seeks to develop those provisions of Law 5/2019, of 15 March, regulating real estate credit agreements, which are obligatory for the full transposition of Directive 2014/17/EU, of the European Parliament and of the Council, of 4 February 2014, on credit agreements for consumers relating to residential property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No. 1093/2010 and others necessary to guarantee the rights recognised to borrowers and guarantors under Law 5/2019, of 15 March.

Specifically, it establishes the requirements for the provision of advisory services and for the registration of real estate lenders; information obligations for real estate lenders to borrowers and the use of electronic means for lenders, real estate credit intermediaries and representatives appointed to the notary public, to send documents. It also determines the characteristics required of the professional civil liability insurance policy and bank guarantee of credit intermediaries and their conditions.

The Second Final Provision amends Royal Decree 1012/2015, of 6 November, implementing Law 11/2015, of 18 June, on the recovery and resolution of credit entities and investment firms, and amending Royal Decree 2606/1996, of 20 December, on deposit guarantee funds of credit institutions. It provides for the transposition of Article 108.6 of Directive 2014/59/EU, of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms, and Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/ EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012, of the European Parliament and of the Council. Said Article 108.6 was introduced by Directive (EU) 2017/2399, of 12 December 2017, in relation to the order of liabilities in the event of insolvency.

Accordingly, a Fourth Additional Provision is added to Royal Decree 1012/2015, of 6 November, implementing Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms, and amending Royal Decree 2606/1996, of 20 December, on deposit guarantee funds of credit institutions, with the following wording:

Fourth Additional Provision. Regime applicable in the event of the insolvency of an institution.

For the purposes of Section 2 b) of the Fourteenth Additional Provision of Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms, it will not be considered that debt instruments contain embedded derivatives merely due to the fact of being referenced to the variable interest rates derived from reference rates of general use, or because they are not in the national currency of the issuer, provided that the capital, the redemption and the interest are in the same currency.

This Royal Decree came into force on 16 June 2019, with the exception of the Second Transitory Provision, Section 2 of the Sole Repealing Provision and the Second Final Provision, which came into force on the day following their publication in the *BOE* (Official State Gazette).

– **Order ECE/482/2019, of 26 April**, amending Order EHA/1718/2010, of 11 June, on the regulation and control of the advertising of banking services and products, and Order EHA/2899/2011, of 28 October, on transparency and the protection of banking service clients.

This Order establishes the criteria for the determination of the representative example in relation to the basic information that must appear on advertising for real estate loans, the minimum requirements of knowledge and skills necessary for the personnel employed by the lender, credit intermediary or designated representative and the periods and terms in which information must be provided to the borrower in the event that the loan is granted in a foreign currency. The specific content of the fact sheet with the standardised warnings is developed.

This Order entered into force on 16 June 2019, with the obligation until such date to facilitate the fact sheet of personalised information (FIPER) with the exception of Article 2.7 and 2.12, which will enter into force three months after their publication in the *BOE* (Official State Gazette).

- **Order PCI/566/2019, of 21 May**, publishing the agreement of the Council of Ministers dated 12 April 2019, approving the Plan to boost socially responsible public procurement within the framework of Law 9/2017, of 8 November, on Public Sector Contracts, transposing into the Spanish legal system Directives 2014/23/EU and 2014/24/EU, of the European Parliament and of the Council, of 26 February 2014.

- **Resolution of 5 July 2019** of the Bank of Spain, publishing the list of direct participants in TARGET2-Bank of Spain, as well as the list of participating entities (associated and represented) and the modifications of participation in the National Electronic Clearing System.

- **Royal Decree-Law 14/2019, of 31 October**, adopting urgent measures for reasons of public security in matters concerning digital government, public procurement and telecommunications.

This Royal Decree-Law aims to regulate the regulatory framework regarding digital government transformation, which is already fairly advanced, and includes urgent measures on national identity documentation, electronic identification for the public administration service, data held by the public administration service, public procurement and the telecommunications sector.

Chapter I includes two measures relating to national identity documentation, aiming to establish the National Identity Document (DNI) as the sole document that, on its own, is sufficient to authenticate the identity and personal data of its holder. Article 1 of this Royal Decree-Law amends Article 8.1 of Organic Law 4/2015, of 30 March, on the protection of public safety. Article 2 of the Royal Decree-Law amends the regulation of the electronic national identity document established in Article 15.1 of Law 59/2003, of 19 December, on electronic signatures.

Chapter II, which contains Articles 3 and 4, establishes various measures regulating electronic identification for the public administration service, the location of certain databases and the transfer of data to other public administrations.

Article 3 of this Royal Decree-Law amends Articles 9 and 10 of Law 39/2015, of 1 October, on the common Administrative Procedure of Public Administration, while introducing a new sixth additional provision:

- The amendment of Articles 9 and 10, section 2 a) responds to the need to adapt its content to Regulation (EU) No. 910/2014 of the European Parliament and of the Council of 23 July 2014, on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC, known as the eIDAS Regulation, which establishes a common legal framework for electronic identification and electronic signature in the European Union.

- Articles 9 and 10, section 2 c) was amended to guarantee public safety in relation to the use of electronic identification and signature systems, when these require a personal password, or through any other system which involves prior user registration as proof of identity and that is considered to be valid by the public administration service.

- The new Section 3, added to both Article 9 and 10 of Law 39/2015, of 1 October, establishes, in relation to the systems provided for in Articles 9 and 10, section 2 c), that where citizens interact with the government electronically, the systems used to collect, store, process and manage personal data must be kept in the EU and they must be located in Spain if they involve the special categories of data described in Article 9 of Regulation (EU) 2016/679, of the European Parliament and of the Council, of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC. With the exemptions established in the law, such data may not be transferred to a third country or international organisation and must be accessible by the competent judicial and administrative authorities.

- A Sixth Additional Provision is added to Law 39/2015, of 1 October, establishing that the use of distributed ledger technology (DLT) based identification and signature systems is forbidden in citizen government exchanges, and therefore unauthorised, unless subject to specific regulation by the government within the framework of European Union law.

  Further, the new Sixth Additional Provision establishes that any identification system based on distributed ledger technology approved by state legislation must consider that the central government will act as an intermediary and execute the appropriate actions to guarantee public safety.

Law 40/2015, of 1 October, on the legal regime of the public sector is amended through the inclusion of a new article 46 *bis* (information and communication systems for the collection, storage, processing and management of the electoral roll), and a new wording of Article 155 (data transmission between public administration services).

The Royal Decree-Law regulates various measures in the area of public procurement, all aimed at reinforcing compliance with the regulations on personal data protection and public safety in this area: it amends Law 9/2017, of 8 of November, on public sector contracts, transposing into Spanish law the directives of the European Parliament and of the Council 2014/23/EU and 2014/24/EU, of 26 February 2014, to introduce measures to ensure that contractors and subcontractors adhere to EU data protection legislation (grounds for invalidation, arrangement of contracts by awarding authorities that do not include in their terms and conditions the obligations of the future contractor in terms of data protection as specified in the new Article 122.2 of Law 9/2017) in all stages of the contracting process (filing, tender and execution of the contract).

Five amendments are made to General Telecommunications Law 9/2014, of 9 May, with the aim of enhancing government powers, through the Ministry of Economy and Business, to address situations of public order, public security or national security.

Lastly, measures are included to strengthen coordination in the area of network security and information systems (amending Royal Decree-Law 12/2018, of 7 September, on network security and information systems).

– **Royal Decree 716/2019, of 5 December**, amending Royal Decree 773/2015, of 28 August that amends certain provisions of the General Regulations of the Public Sector Contracts Law, approved by Royal Decree 1098/2001, of 12 October, and Royal Decree 700/1988, of 1 July, on administrative records of accounting responsibility derived from the offences set forth in Title VII of the General Budgetary Law.

  Royal Decree 773/2015, of 28 August, amending certain precepts of the General Regulations of the Public Sector Contracts Law, approved by Royal Decree 1098/2001, of 12 October, modified the terms and conditions governing the granting of, requirements of and effectiveness of classification as a works contractor and a service contractor for the public administration service. To help companies with an existing classification upon entry into force of the new regulation standard adapt to the new terms and conditions, the Fourth Transitional Provision of Royal Decree 773/2015 established that the classifications existing prior to the entry into force of the royal decree would no longer be valid or effective from 1 January 2020.

  Therefore, it is considered essential to extend the transition period for the classifications applied under the rules in place prior to the entry into force of the aforementioned royal decree. The aim of this measure is to prevent a rush of review requests presented at the end of the transition period from overwhelming the capacity of the support bodies of the State Public Procurement Advisory Board to deal with the number of cases.

– **Royal Decree 736/2019, of 20 December**, on the legal regime for payment services and payment institutions, amending Royal Decree 778/2012, of 4 May, on the legal regime of electronic money institutions and Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on regulation, supervision and solvency of credit institutions.

  The legal regime of payment institutions mainly regulates the creation of this type of entity, as well as the fundamental aspects of their activities such as authorisation, amendments of by-Laws and expansion, in addition to structural changes in which payment entities are involved.

  One of the main features of Royal Decree-Law 19/2018, of 23 November, on payment services and other urgent financial measures was the change to a different competent body to authorise the creation of payment entities. From the date the Law entered into force, the Ministry of Economy and Finance was replaced by the Bank of Spain as the competent body for this procedure. The royal decree implements this provision, establishing the details of the procedure, the peculiarities for certain payment service providers, such as for account information services and the entities covered by the exemption set down in Article 14 (exemption regime for payment entities) of Royal Decree-Law 19/2018, of 23 November.

B European legislation

B.1 Trading venues

– **Commission Delegated Regulation (EU) 2019/1011, of 13 December 2018,** amending Commission Delegated Regulation (EU) 2017/565 as regards certain registration conditions to promote the use of SME growth markets for the purposes of Directive 2014/65/EU of the European Parliament and of the Council.

  Published in *OJEU* (L) No. 165 of 21 June 2019.

B.2 Issuers and listed companies

– **Commission Delegated Regulation (EU) 2019/885, of 5 February 2019**, supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying information to be provided to a competent authority in an application for authorisation of a third party to assess compliance with STS securitisation requirements.

  Published in *OJEU* No. 142 of 29 May 2019.

– **Commission Delegated Regulation (EU) 2019/979, of 14 March 2019**, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No. 382/2014 and Commission Delegated Regulation (EU) 2016/301.

  Published in *OJEU* (L) No. 166 of 21 June 2019.

– **Commission Delegated Regulation (EU) 2019/980, of 14 March 2019**, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No. 809/2004.

  Published in *OJEU* (L) No. 166 of 21 June 2019.

– **Commission Delegated Regulation (EU) 2019/1851, of 28 May 2019**, supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards on the homogeneity of the underlying exposures in securitisation.

Published in *OJEU* (L) No. 285 of 6 November 2019.

B.3 Investment firms and credit institutions

– **Regulation (EU) 2019/2033 of the European Parliament and of the Council, of 27 November 2019**, on the prudential requirements of investment firms and amending Regulations (EU) No. 1093/2010, (EU) No. 575/2013, (EU) No. 600/2014 and (EU) No. 806/2014.

  Published in *OJEU* (L) No. 314 of 5 December 2019.

– **Directive (EU) 2019/2034 of the European Parliment and of the Council, of 27 November 2019**, on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

  Published in *OJEU* (L) No. 314 of 5 December 2019.

B.4 Market infrastructures

– **Commission Delegated Regulation (EU) 2019/396, of 19 December 2018**, amending Delegated Regulation (EU) 2015/2205, Delegated Regulation (EU) 2016/592 and Delegated Regulation (EU) 2016/1178, supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council as regards the date at which the clearing obligation takes effect for certain types of contracts.

  Published in *OJEU* (L) No. 71 of 13 March 2019.

– **Commission Delegated Regulation (EU) 2019/397, of 19 December 2018**, amending Delegated Regulation (EU) 2016/2251 supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council as regards the date until which counterparties may continue to apply their risk-management procedures for certain OTC derivative contracts not cleared by a CCP.

  Published in *OJEU* (L) No. 71 of 13 March 2019.

– **Commission Delegated Regulation (EU) 2019/667, of 19 December 2018**, amending Delegated Regulations (EU) 2015/2205, (EU) 2016/592 and (EU) 2016/1178 to extend the dates of deferred application of the clearing obligation for certain OTC derivative contracts.

  Published in *OJEU* (L) No. 113 of 29 April 2019.

– **Regulation (EU) 2019/834 of the European Parliament and of the Council, of 20 May 2019**, amending Regulation (EU) No. 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories.

Published in *OJEU* (L) No. 141 of 28 May 2019.

– **Correction of errors of Commission Delegated Regulation (EU) No. 153/2013, of 19 December 2012**, supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties.

  Published in *OJEU* (L) No. 185 of 11 July 2019.

– **Regulation (EU) 2019/2099 of the European Parliament and of the Council, of 23 October 2019**, amending Regulation (EU) No. 648/2012 as regards the procedures and authorities involved for the authorisation of CCPs and requirements for the recognition of third-country CCPs.

  Published in *OJEU* (L) No. 322 of 12 December 2019.

– **Commission Implementing Decision (EU) 2019/2211, of 19 December 2019**, amending Implementing Decision (EU) 2018/2031 determining, for a limited period of time, that the regulatory framework applicable to central counterparties in the United Kingdom of Great Britain and Northern Ireland is equivalent, in accordance with Regulation (EU) No. 648/2012 of the European Parliament and of the Council.

  Published in *OJEU* (L) No. 332 of 23 December 2019.

B.5 European System of Financial Supervision

– **Regulation (EU) 2019/2175 of the European Parliament and of the Council, of 18 December 2019**, amending Regulation (EU) No. 1093/2010 establishing a European Supervisory Authority (European Banking Authority), Regulation (EU) No. 1094/2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), Regulation (EU) No. 1095/2010 establishing a European Supervisory Authority (European Securities and Markets Authority), Regulation (EU) No. 600/2014 on markets in financial instruments, Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, and Regulation (EU) 2015/847 on information accompanying transfers of funds.

  Published in *OJEU* (L) No. 334 of 27 December 2019.

– **Regulation (EU) 2019/2176 of the European Parliament and of the Council, of 18 December 2019**, amending Regulation (EU) No. 1092/2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board.

  Published in *OJEU* (L) No. 334 of 27 December 2019.

B.6 Other

- **Commission Implementing Regulation (EU) 2019/255, of 13 February 2019**, amending Implementing Regulation (EU) No. 821/2014 laying down rules for the application of Regulation (EU) No. 1303/2013 of the European Parliament and of the Council as regards detailed arrangements for the transfer and management of programme contributions, the reporting on financial instruments, technical characteristics of information and communication measures for operations and the system to record and store data.

  Published in *OJEU* (L) No. 43 of 14 February 2019.

- **Commission Implementing Regulation (EU) 2019/482, of 22 March 2019**, amending Commission Implementing Regulation (EU) 2016/1368 establishing a list of critical benchmarks used in financial markets pursuant to Regulation (EU) 2016/1011 of the European Parliament and of the Council.

  Published in *OJEU* (L) No. 82 of 25 March 2019.

- **Directive (EU) 2019/1153 of the European Parliament and of the Council, of 20 June 2019,** establishing rules to facilitate the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences, and repealing Council Decision 2000/642/JHA.

  Published in *OJEU* (L) No. 186 of 11 July 2019.

- **Regulation (EU) 2019/1156 of the European Parliament and of the Council, of 20 June 2019**, on facilitating cross-border distribution of collective investment schemes and amending Regulations (EU) No. 345/2013, (EU) No. 346/2013 and (EU) No. 1286/2014.

  Published in *OJEU* (L) No. 188 of 12 July 2019.

- **Directive (EU) 2019/1160 of the European Parliament and of the Council, of 20 June 2019**, amending Directives 2009/65/EC and 2011/61/EU with regard to the cross-border distribution of collective investment schemes.

  Published in *OJEU* (L) No. 188 of 12 July 2019.

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

  Published in *OJEU* (L) No. 317 of 9 December 2019.

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

  Published in *OJEU* (L) No. 317 of 9 December 2019.

- **Commission Implementing Regulation (EU) 2019/2091, of 28 November 2019**, amending Implementing Regulation (EU) 2015/2197 with regard to closely correlated currencies in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

  Published in *OJEU* (L) No. 317 of 9 December 2019.

- **Commission Implementing Regulation (EU) 2019/2103, of 27 November 2019**, amending and correcting Implementing Regulation (EU) 2015/2450 laying down implementing technical standards with regard to the templates for the submission of information to the supervisory authorities in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

  Published in OJEU (L) No. 318 of 10 December 2019.

- **Commission Regulation (EU) 2019/2075, of 29 November 2019,** amending Regulation (EC) No. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1, 8, 34, 37 and 38, International Financial Reporting Standards 2, 3 and 6, Interpretations 12, 19, 20 and 22 of the International Financial Reporting Interpretations Committee and Interpretation 32 of the Standing Interpretations Committee.

  Published in *OJEU* (L) No. 316 of 6 December 2019.

- **Commission Regulation (EU) 2019/2104, of 29 November 2019,** amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1 and 8.

  Published in *OJEU* (L) No. 318 of 10 December 2019.

B.7 Guidelines, decisions and recommendations of ESMA/EBA

- **Guidelines for the management of conflict of interests for central counterparties** (5/04/2019). European Securities and Markets Authority (ESMA).

- **Guidelines on EMIR anti-procyclicality (APC) margin measures for central counterparties** (15/04/2019). European Securities and Markets Authority (ESMA).

- **Decision (EU) 2019/679 of the European Securities and Markets Authority, of 17 April 2019,** renewing the temporary restriction on the marketing, distribution or sale of contracts for difference to retail clients.

- **Guidelines on Internalised Settlement Reporting under Article 9 of the CSDR** (30/04/2019). European Securities and Markets Authority (ESMA).

- **Guidelines on the application of the applications in points 6 and 7 of Section C of Annex 1 of MiFID II** (5/06/2019). European Securities and Markets Authority (ESMA).

- **Guidelines on risk factors under the Prospectus Regulation of 1 October 2019** (1/10/2019). European Securities and Markets Authority (ESMA).

  The purpose of these guidelines is to assist competent authorities when reviewing the specificity, materiality and presentation of risk factors, as well as the presentation of these risk factors by category according to their nature.

Annexes on CNMV Organisation

Composition of the CNMV Board at 31 May 2020

Chairperson	Mr Sebastián Albella Amigo
Vice-Chairperson	Ms Ana María Martínez-Pina
Board Members	Mr Juan Manuel Santos-Suárez Márquez
	Mr Ángel Benito Benito
	Ms María Dolores Beato Blanco
	Mr Carlos San Basilio Pardo (General Secretary of the Treasury and Financial Policy)
	Ms Margarita Delgado Tejero (Deputy Governor of the Bank of Spain)
Secretary	Mr Miguel Martínez Gimeno

Composition of the CNMV Executive Committee at 31 May 2020[1]

Chairperson	Mr Sebastián Albella Amigo
Vice-Chairperson	Ms Ana María Martínez-Pina
Board Members	Mr Juan Manuel Santos-Suárez Márquez
	Mr Ángel Benito Benito
	Ms María Dolores Beato Blanco
Secretary	Mr Miguel Martínez Gimeno

1 The creation, constitution and functions of the CNMV Executive Committee are regulated by Article 26 of the recast text of the Securities Market Act, approved by Spanish Royal Legislative Decree 4/2015, of 23 October, as written in Law 44/2002, of 22 November, on Measures to Reform the Financial System.

Composition of the CNMV Advisory Committee at 31 May 2020[2]

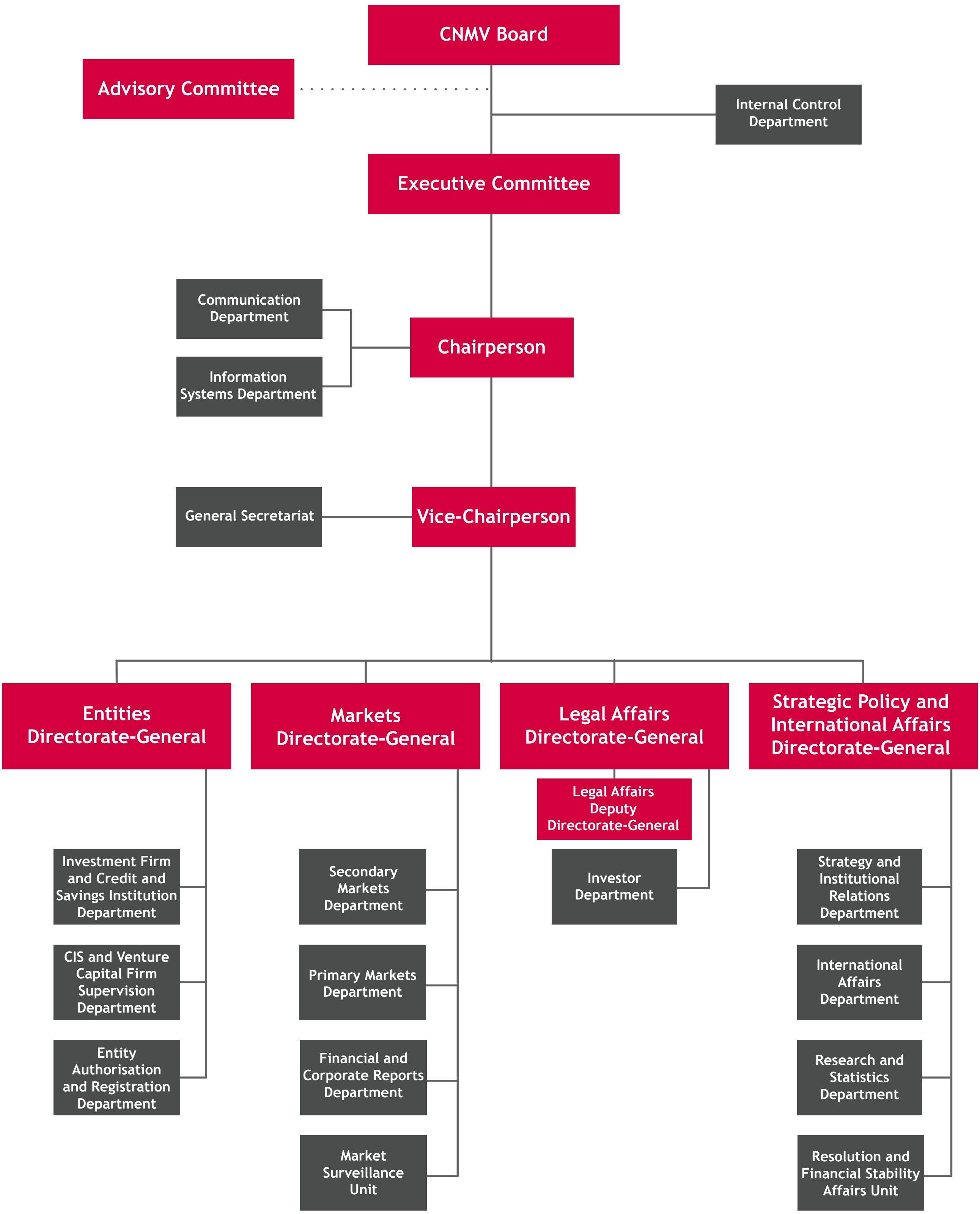
Chairperson	Ms Ana María Martínez-Pina
Secretary	Mr Miguel Martínez Gimeno
Technical secretary	Mr Víctor Rodríguez Quejido
Members	
Representatives of market infrastructures	
Member	Ms Beatriz Alonso-Majagranzas Cenamor
Alternate	Ms María Calvo Pérez
Member	Mr Jaime Aguilar Fernández-Hontoria
Alternate	Mr Gonzalo Gómez Retuerto
Member	Mr Ignacio Olivares Blanco
Alternate	Ms Aránzazu Ullivarri Royuela
Representatives of issuers	
Member	Mr Manuel García Cobaleda
Alternate	Mr Juan Ignacio Pardo García
Member	Mr Rafael Piqueras Bautista
Alternate	Mr Javier Rodríguez Vega
Representatives of investors	
Member	Mr Ángel Martínez-Aldama Hervás
Alternate	Ms Virginia Arizmendi Ortega
Member	Ms Elisa Ricón Holgueras
Alternate	Ms Marta Olavarría García-Perrote
Member	Mr Manuel Pardos Vicente
Alternate	Ms Karina Fábregas Márquez
Member	Mr Fernando Herrero Sáez de Eguilaz
Alternate	Ms Ana Solanas Forcada
Representatives of credit institutions and insurance companies	
Member	Mr Javier Rodríguez Pellitero
Alternate	Ms Patricia Rodríguez Fernández de Castro
Member	Mr José María Méndez Álvarez-Cedrón
Alternate	Mr Antonio Jesús Romero Mora
Member	Ms Cristina Freijanes Presmanes
Alternate	Ms Zorione Arregi Elkorobarrutia
Member	Ms Pilar González de Frutos
Alternate	Ms María Aránzazu del Valle Schaan

2 Royal Decree 303/2012, of 3 February, regulating the CNMV Advisory Committee.

Representatives of professional associations	
Member	Mr Valentín Pich Rosell
Alternate	Mr Ferrán Rodríguez Arias
Member	Mr Luis Alfredo Jiménez Fernández
Alternate	Mr Javier Méndez Llera
Member	Mr Fernando Vives Ruiz
Alternate	Mr Javier García de Enterría y Lorenzo-Velázquez

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	Mr Alberto Alberdi Arizgoitia
Alternate	Mr Francisco Javier Arnaez Arrecigor
Catalonia	
Member	Mr Josep María Sánchez i Pascual
Alternate	Ms Alba Currià Reynal
Valencia	
Member	Mr Juan Salvador Pérez Ballester
Alternate	Mr Nicolás Jannone Bellot


CNMV Board
Advisory Committee
Internal Control Department
Executive Committee
Communication Department
Information Systems Department
Chairperson
General Secretariat
Vice-Chairperson
Entities Directorate-General
Markets Directorate-General
Legal Affairs Directorate-General
Strategic Policy and International Affairs Directorate-General
Legal Affairs Deputy Directorate-General
Investment Firm and Credit and Savings Institution Department
CIS and Venture Capital Firm Supervision Department
Entity Authorisation and Registration Department
Secondary Markets Department
Primary Markets Department
Financial and Corporate Reports Department
Market Surveillance Unit
Investor Department
Strategy and Institutional Relations Department
International Affairs Department
Research and Statistics Department
Resolution and Financial Stability Affairs Unit