CNMV BULLETIN
July 2016

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Abbreviations

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

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

I Securities markets and their agents: Situation and outlook

Contents

List of exhibits

1 Executive summary

- Since the year's outset, the global macroeconomic and financial landscape has been dominated by concerns over the growth slowdown in China and other emerging market economies and the fallout from the oil price tumble. Financial market turbulence has tended to die down from mid-February onward, but some uncertainties persist; among them, the state of the banking sector, above all in Europe, where ultra-reduced rates are eating into business margins. In recent weeks, doubts about the outcome of the referendum in the United Kingdom and the timing of the next interest rate hike in the United States have kept the economy and financial markets significantly on edge. On the monetary policy front, the gap between US and euro-area business cycles explains the divergent paths pursued by their respective central banks. While the US economy is returning to interest-rate normality, the euro-area monetary authority has stepped up the size and scope of its asset purchase programme, which now extends to investment grade corporate bonds.

- Against this backdrop, world financial markets had a somewhat calmer ride over most of the second quarter, although volatility appeared to edge higher around mid-June.[1] After recouping some of the ground lost in the opening quarter, stock market indices tumbled anew in the year's central weeks leaving a trail of losses in Europe and Japan. Long-term government bond yields continued at lows in these two regions due to their expansionary monetary stances and also to safe-haven demand for certain benchmarks alongside US and UK sovereign debt. A growing number of bonds were trading at sub-zero yields on secondary markets, most of them for the first time ever. And the trend was not confined to shorter-dated instruments: by mid-June, the German ten-year benchmark had also slipped into negative territory. In currency markets, dollar and yen exchange rates against the euro and, latterly, the pound sterling experienced various surges in volatility.

- Spain's macroeconomic situation remains broadly favourable. Although the pace has slowed in recent months, GDP growth (3.4% in the first quarter of 2016) continues to far outstrip the euro area as a whole (1.5%). On the labour market front, employment is improving steadily (3.2% in the opening quarter), although the jobless rate remains extremely high at 21%. Falling energy prices have kept inflation moving at sub-zero rates (-1% in May), but the core rate (stripping out more volatile items) remains positive at just under 1%. The country's fiscal deficit was reined in significantly over full-year 2015 (from 5.9% of GDP to 5.1%), but still overshot the Government's target of 4.2%. Against this generally upbeat macroeconomic backdrop, certain risks hang over the country's mid-term outlook. Some are common to other euro-area economies (the repercussions of

1 The closing date for this report in 15 June.

ultra-reduced interest rates or bank sector weakness), while others affect Spain alone (political uncertainty, exposure to troubled economies...).

- Supportive economic conditions are allowing steady inroads into bank sector NPL ratios, although the volume of doubtful loans remains relatively high. Yet the low interest rates that have contributed to this progress are at the same time eroding banks' earning power to the extent that profitability ratios are trailing the historical average, in line with those of other euro-area countries. In Spain's case, moreover, banks have to cope with the risks entailed by the slowdown in Latin American economies, in view of their considerable exposure to the region.

- Non-financial listed companies obtained 17.16 billion euros profits in 2015, 6.9% less than in 2014. Almost all of this decline traced to firms in the energy sector as the oil price slide bit deeper into earnings. Other non-financial sectors reported stable or advancing profits. Aggregate debt levels inched up by 1.6% in 2015 to 255 billion euros, not enough to impede a small decrease in leverage.

- Prices on domestic equity markets slid backwards around mid-year after recovering strongly from February lows, pressured by doubts about the outcome of the UK referendum on European Union membership – the so-called Brexit – and the timing of rate hikes in the United States. The Ibex 35 accumulated two quarterly falls for a year-to-date loss of 13.6%, round about the median performance mark in Europe. The climate of uncertainty that has dominated much of the year also depressed trading volumes and reduced the volume of equity issuance.

- Domestic fixed-income markets remained strongly reactive to ECB monetary policy decisions in a period when the bank's latest programme of corporate debt purchases drove bond yields lower still (see Exhibit 2). Yields on short- and long-term government and corporate bonds are trading at historical lows or even in negative territory (the case, for instance, of short-dated public debt). The sovereign risk premium has likewise benefited from the direction of monetary policy, despite a small uptick around mid-year in response to the uncertain political climate. In June, concretely, the Spanish spread was 157 basis points (bp), 42 bp above the values of end-2015. Finally, the volume of fixed-income issues registered with the CNMV has expanded 6% year to date (to 62.38 billion euros), led by the modalities targeted in the ECB's asset purchase programme. These programmes have also impacted positively on long-term bond issuance abroad.

- Assets under management in mutual funds dropped by 1.7% in the first quarter of 2016 to 218 billion euros, breaking with the expansion trend of the last three years. The fall owed essentially to the decline in value of portfolio assets during the turmoil of the opening months. Also apparent was a certain shift in investor preferences towards fixed-income and guaranteed equity funds. Industry growth in 2015 translated as a 15% advance in profits of CIS management companies to 626 million euros, and a decrease in the number of loss-making entities to 11 at year-end 2015 (14 in 2014).

- This year's unsettled markets also impacted negatively on investment firm business, driving pre-tax profits down by 30.8% in the opening quarter to 49.2 million euros. Despite the bad patch, firms' solvency conditions held up strongly.

Financial advisory firms, meantime, went from strength to strength in 2015, closing with an 18.6% increase in assets under advice to 25.40 billion euros.

- This report includes three exhibits:

  – Exhibit 1 summarises a CNMV communication aimed at facilitating issuers' compliance with the obligation to consider engaging a small rating agency when they choose to engage two or more agencies.

  – Exhibit 2 looks at the repercussions of the extension of the ECB's asset purchase programme to corporate debt instruments.

  – Exhibit 3 describes the legal framework for the restructuring and resolution of credit institutions and investment firms, with particular attention to CNMV guidelines for the drawing-up of investment firm recovery plans.

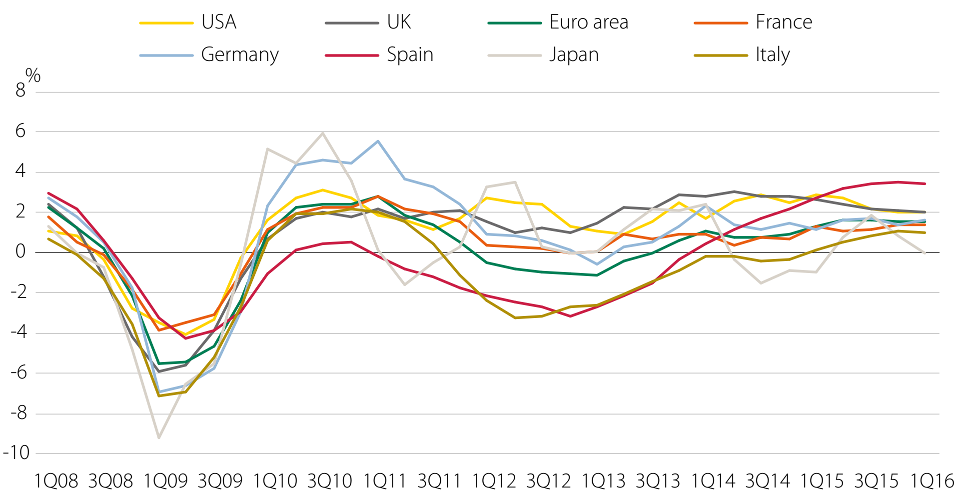
2 Macro-financial background

2.1 International economic and financial developments

First-quarter activity is reasonably buoyant, despite concerns over the outlook for world growth.

Despite the concerns aroused by what was a shaky start to 2016, activity figures for the opening quarter, published last May, showed GDP growth to be progressing on an even keel in the majority of advanced economies (see Figure 1) – annual rates of 2% in the United States and United Kingdom and 1.5% in the euro area were a near repeat of the registers of the fourth quarter of 2015. The sole exception was Japan where activity contracted sharply in the first months of 2016. Within the euro area, Germany and France advanced at a similar pace, close to 1.5%, and Italy and the Netherlands at just under 1%. Spain retained its lead with growth of 3.4%, just 0.1 points less than in the closing quarter of 2015. In Asia, the Chinese economy managed a robust advance of 6.7%, just short of the 6.9% of 2015.

Annual % change in GDP FIGURE 1



Source: Thomson Datastream.

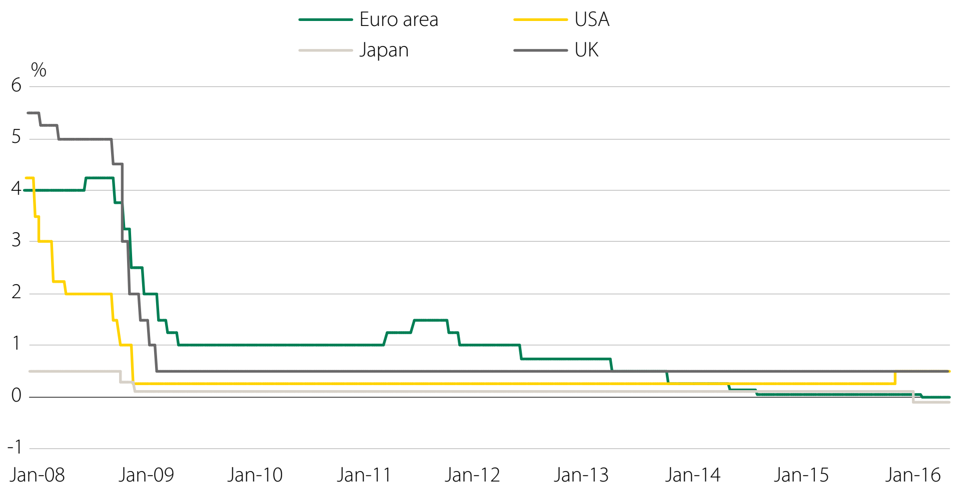
Divergent monetary policies in the United States and Europe reflect the gap between their business cycles. The ECB continues to enlarge the number and scope of easing measures…

Cyclical differences between the United States and the euro area kept their respective monetary policies moving along divergent paths. In the euro area, where recovery remains less than robust and, above all, inflation remains well below its mid-term target, the monetary authority has enlarged both the number and scope of its expansionary measures. From its conventional armoury, the ECB decided on a 5 bp rate cut in March 2016, leaving the official rate at an all-time low of 0%[2] (see Figure 2). At the same time it cut its marginal lending rate by 5 bp (to 0.25%) and its deposit facility rate by 10 bp (to -0.40%). Among non-standard measures, it opted to scale up monthly purchases under its bond-buying programme to 80 billion euros and to extend the programme to investment grade bonds issued by euro-area non-financial corporations.

… while the Federal Reserve presses on with its interest rate upcycle citing the firm tone of the economy.

In the United States, conversely, a set of solid activity and employment figures (despite a first-quarter growth rate slightly short of expectations) and an inflation upturn to almost 1% (with core rates topping 2%) has strengthened the Federal Reserve's resolve to raise policy rates. The next hike is expected in July, with forward rates already pricing in the move.

Official interest rates FIGURE 2



Source: Thomson Datastream. Data to 15 June.

Short-term rates are still moving at lows, albeit somewhat higher in the United States and United Kingdom, while rates in the euro area and Japan have in some cases slipped into negative territory.

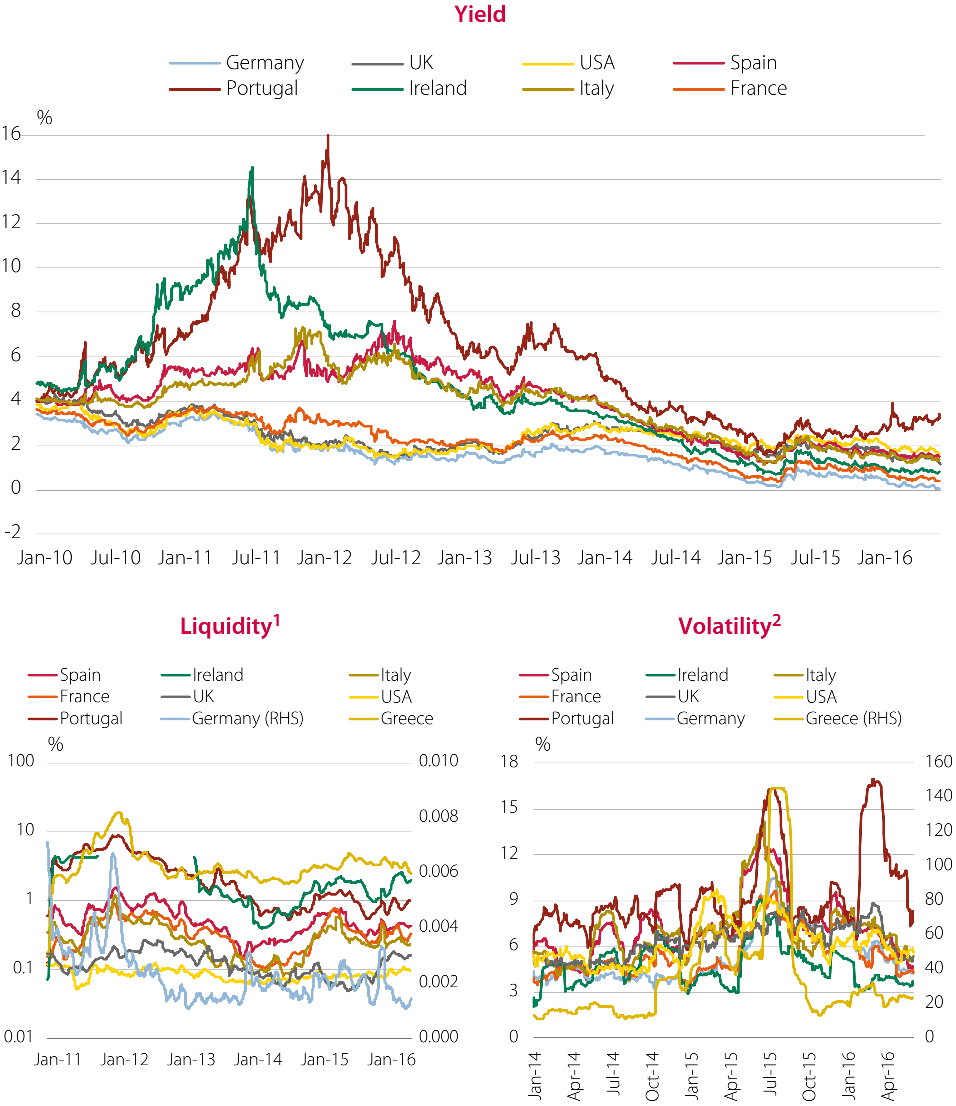
Short-term interest rates moved in tune with the monetary policies implemented in each of the advanced economies. Hence short rates in the United States and United Kingdom, though low, have held above the levels of the euro area or Japan. By mid-year, US interbank rates ranged from 66 bp at three months to 129 bp at one year (between 12 bp and 20 bp more than at end-2015). In the euro area and Japan, by contrast, a growing number of short-term instruments are trading at sub-zero yields. For instance, three-, six- and twelve-month interbank rates in the euro area were all below zero at mid-year 2016 (June averages of -26 bp, -16 bp and -2 bp respectively), as were numerous short-term governments.

2 In Japan, the central bank had decided a few days earlier (in mid-February) to cut the official rate from 0.1% to a historical low of -0.1%.

Yields on ten-year government bonds performed more unevenly on global debt markets after the widespread falls of the opening quarter. The second quarter began with yields edging higher, until the imminence of the EU referendum (Brexit) in the UK and doubts about the timing of Federal Reserve rate hikes prompted a fall among the bonds of more solid economies, on safe-haven demand, and minor rises across the rest of the board. Year to date, most of these assets have seen a decline in yields, exceeding 50 bp in many cases.

Long-term government bond yields diverge somewhat in the second quarter…

10-year sovereign debt market indicators FIGURE 3



Source: Bloomberg, Thomson Datastream and CNMV. Data to 15 June.

1 One month average of daily bid-ask spread for yields on ten-year sovereign bonds (logarithmic scale). In the case of the German bond, the one month average of the bid-ask spread is represented without dividing by the yield average to avoid the distortion introduced by its proximity to zero.

2 Annualised standard deviation of daily changes in 40-day sovereign debt prices.

… but continue, in most cases, to hover near historical lows.

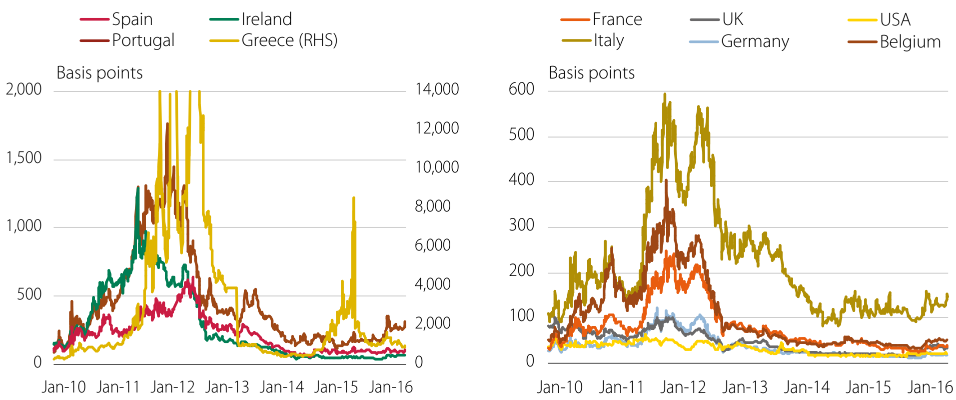
By mid-June, yields were highest in the United States and United Kingdom, true to the more advanced stage of their business cycles, and moving at lows[3] in the euro area, in tune with the ECB's ultra-expansionary policy. In Germany, sovereign yields actually turned negative around mid-June, as had occurred in late February in Japan. By mid-year, ten-year governments were yielding 1.59% in the United States and 1.12% in the United Kingdom (see Figure 3), substantially ahead of the levels recorded for most euro-area economies and Japan (-0.19% in Japan, -0.01% in Germany, 0.23% in the Netherlands and 0.40% in France).

European sovereign spreads hold more or less flat in the second quarter, except for mid-year surges in Portugal and Italy.

Sovereign risk premiums in Europe, as gleaned from the five-year CDS of government bonds, have barely moved so far this year. The only developments of note, as Figure 4 shows, were mid-February surges in Portugal and, to a lesser extent, Italy, which tended to unwind a few weeks later, followed by another surge in June. By mid-year, specifically, peripheral spreads stood at 70 bp in Ireland, 106 bp in Spain, 146 bp in Italy and 303 bp in Portugal.

Credit risk premiums on public debt (five-year CDS) FIGURE 4

Countries receiving financial assistance **Other countries**



Source: Thomson Datastream. Data to 15 June.

Spreads on high-yield corporate bonds also recover in part from their February spike, especially intense in the United States.

In corporate bond markets, high-yield spreads in the United States narrowed once more after their mid-February surge, albeit without recouping the pre-turbulence levels of the year's first weeks. These spreads, specifically, rebounded to over 850 bp in February before working their way back to mid-June levels of 600 bp (see left-hand panel of Figure 5). Meantime, high-yield spreads in the euro area traced a more moderate course than their US equivalents, from February highs of 650 bp to 542 bp in mid-June.

3 Except in Portugal, where doubts about the country's bank sector drove bond yields and volatility differentially higher.

Net long-term issuance on global debt markets summed 820 billion dollars in the first six months, almost half the total for the same period 2015. Although the reduction in net terms took in both government and corporate instruments, it was far more intense in the former case – just 197 billion dollars in the first six months against the 789 billion of full-year 2015, while corporate issuance was 622 billion dollars against 775 billion in 2015.

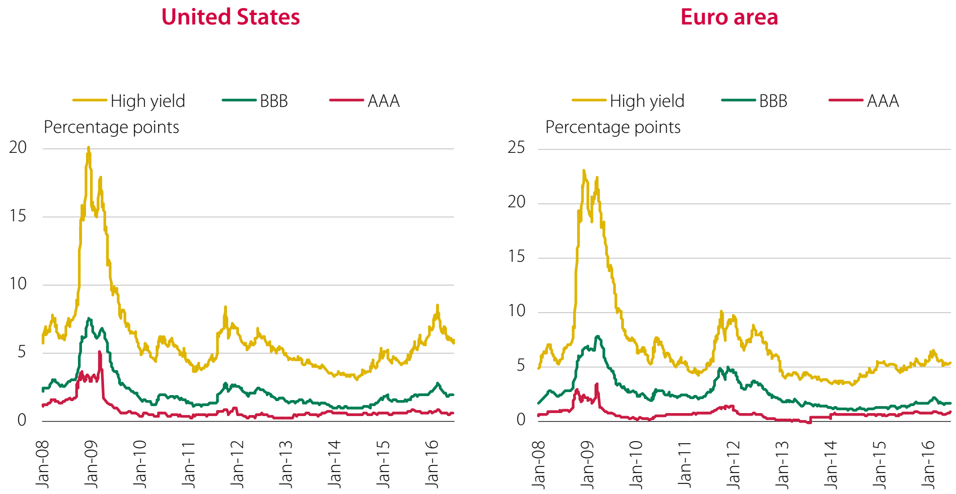
Net debt issuance recedes in the first half-year…

Lower net sovereign issuance had its dual origin in more subdued public sector borrowing requirements, derived from ongoing fiscal consolidation drives, and the persistence of large redemption volumes. In fact, net issuance was negative in both the euro area and Japan, with the redemptions bill exceeding the volumes borrowed (see upper right-hand panel of Figure 6).

… with the public sector leading the decline…

Corporate bond yields
Spread vs. ten-year governments[1]

FIGURE 5



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

1 In the euro area versus the German benchmark.

Corporate issuance dropped among financial sector borrowers (down 10% to 205 billion dollars) and non-financial corporations (down 24% to 417 billion). Net financial sector issuance slowed in both the United States and Europe, and in fact turned negative in the latter case on lower financing needs. Europe's banks are striving to cope simultaneously with ultra-low rates persisting over a lengthy period, and an upsurge in competition from new investment service providers and technological platforms.

… some way ahead of private-sector issuers.

Net international debt issuance

FIGURE 6

Source: Dealogic. Half-year data. Data for the first half of 2016 are to 15 June but restated on a semi- annual basis to facilitate comparison.

Net corporate bond issuance in Europe is spurred on by the ECB's announcement of its latest purchase programme.

Certain details may serve to contextualise this year-on-year decline in corporate issuance: i) first-half issuance was particularly high in the United States as corporations brought forward their placements to lock in lower costs ahead of the expected hike in interest rates; and ii) in Europe, corporate debt issuance climbed by 4% in first half 2016, encouraged in part by the ECB's announcement that it would extend its purchase programme to investment grade bonds issued by non-financial corporations. The result is that most of these firms are managing to fund themselves at exceptionally low costs (see Exhibit 2).

CNMV initiative to facilitate issuers' compliance with the obligation to consider engaging small rating agencies when they appoint two or more

EXHIBIT 1

Regulation (EU) No. 462/2013 of the European Parliament and of the Council, of 21 May 2013, amending Regulation (EC) No. 1060/2009 on credit rating agencies came into force on 20 June 2013. Among other novelties, the text placed new obligations on issuers planning to simultaneously engage two or more rating agencies.

According to its preamble, the measure seeks to increase competition in a market that has been dominated by the big credit rating agencies by encouraging issuers to make use of smaller agencies. As it is standard practice for issuers or related third parties to seek two or more credit ratings from distinct agencies, the regulator urges the issuer, where two or more credit ratings are sought, to consider appointing at least one credit rating agency which does not have more than 10% of the total market share. The final decision lies exclusively with the issuer, but the Regulation takes an approach based on "comply or explain" to require that when a smaller agency is not appointed, this should be documented.

Specifically, Article 8 *quinquies* on the use of multiple credit rating agencies states that where an issuer or a related third party intends to appoint at least two credit rating agencies for the credit rating of the same issuance or entity, it should consider appointing at least one credit rating agency with no more than 10% of the total market share (by turnover) from among the list published annually by the European Securities and Markets Authority (ESMA), provided the issuer considers that agency capable of rating the relevant issuance or entity.

When an issuer or related third party opts not to engage at least one small agency, this fact should be recorded. The Regulation, in effect, does not oblige issuers to appoint a small agency but simply to document any decision not to do so.

The CNMV began supervising this requisite at the start of 2016, further to the supervision schedule approved in the second half of 2015. The conclusions of its initial analyses are that the content of this article needs to be clarified, with particular regard to its documentary requirements. In order to facilitate and standardise the recording of appointment decisions, in April last the CNMV posted a form on its website (CNMV Communication of 26 April 2016, available at www.cnmv.es), whose completion is voluntary, which issuers or related third parties can use to comply with the terms of the above Article 8 *quinquies*.

This optional form has two main elements. The first is the identification of the various agencies considered for appointment. The second, a statement of the reason or reasons for the decision not to engage an agency with no more than 10% of the total market share. To facilitate standardised responses, the form offers the issuer or related third party a set of generic reasons by way of example, specifically: acceptability to investors, the expected quality of the analysis, methodology employed, past performance of credit ratings or mapping of ECAISs' credit assessment, and price. Other reasons can be given.

The CNMV Communication stresses that the record of the issuer's decision (the optional form, for instance) need not be publicly disclosed but only made available to the CNMV.

It also reminds issuers that the obligation to appoint at least two agencies when soliciting a credit rating of a structured finance instrument (Article 8 *quater* of the Regulation) is likewise subject to compliance with the provisions of article 8 *quinquies* on the use of smaller agencies.

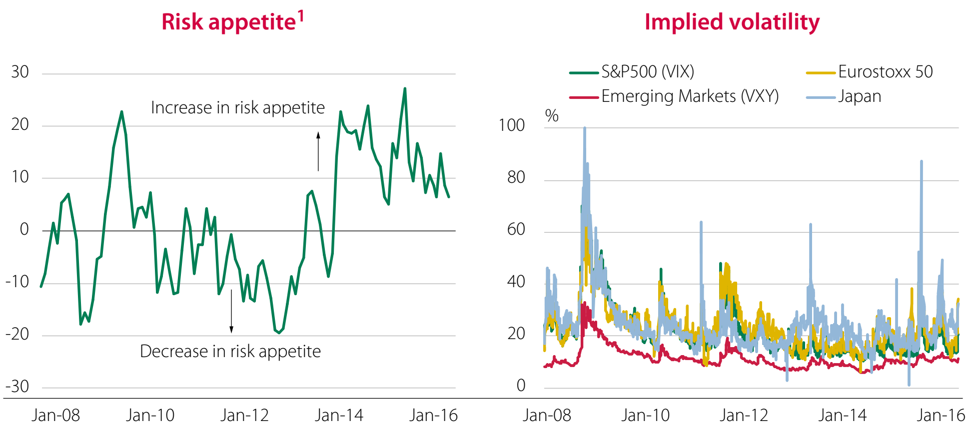
Leading stock indices fall once more on concerns over Brexit and the timing of the next rate hike in the United States.

By end-May, major stock indices were working back to strength after the heavy losses of the opening quarter. But then came a new downward correction on market jitters over the result of the UK referendum on European Union membership (Brexit) and the timing of the next interest rate hike in the United States (see Table 1). Falls year to date have been steepest in Japan (Nikkei -16.4%) and in the euro area, ranging from the 10% of the French Cac 40 to the 22.9% of Italy's Mib 30. The Ibex 35, with a fall of 13.6%, retained its middling position. US indices performed a lot more evenly, with the Dow Jones and S&P 500 both managing a small first-half advance (1.2% and 1.3%, respectively) and the tech-heavy Nasdaq shedding 3.4%. Volatility indicators retreated from their mid-February highs but began to turn up again around mid-year, most notably in the euro area and Japan, where readings exceeded 30% (see right-hand panel of Figure 7).

Disparities among emerging economy stock markets, with gains in Latin America and Eastern Europe and losses on the Asian markets most exposed to the Chinese economy.

In emerging stock markets, the MSCI index slipped back 2% after a first-quarter gain of 2.4%, leaving it just 0.4% ahead of its start-out level. However, the underlying pattern was very different depending where you looked. Overall, Latin American and Eastern European markets fared better than Asia, as doubts mounted about the extent of the growth slowdown in the region. The sharpest falls were reserved for indices tied in with the Chinese economy (-18.4% for the Shanghai Composite and -6.6% for the Hang Seng). In Latin America, Argentina's Merval index and Brazil's Bovespa advanced 12.3% and 12.8%, respectively, and in Eastern Europe the Russian benchmark gained 20.2% on the year.

Financial market indicators FIGURE 7



Source: Thomson Datastream and CNMV.

1 State Street indicator.

Performance of main stock indices[1] TABLE 1

%	2012	2013	2014	2015	2Q 15	3Q 15	4Q 15	1Q 16	2Q 16 (to 15 June) %/prior quarter	2Q 16 (to 15 June) %/Dec 15
World										
MSCI World	13.2	24.1	2.9	-2.7	-0.3	-8.9	5.1	-0.9	-0.9	-1.7
Euro area										
Eurostoxx 50	13.8	17.9	1.2	3.8	-7.4	-9.5	5.4	-8.0	-5.8	-13.4
Euronext 100	14.8	19.0	3.6	8.0	-4.5	-8.7	5.6	-4.6	-4.4	-8.8
Dax 30	29.1	25.5	2.7	9.6	-8.5	-11.7	11.2	-7.2	-3.6	-10.6
Cac 40	15.2	18.0	-0.5	8.5	-4.8	-7.0	4.1	-5.4	-4.9	-10.0
Mib 30	10.2	18.8	-0.4	12.7	-2.7	-5.2	0.6	-15.4	-8.8	-22.9
Ibex 35	-4.7	21.4	3.7	-7.2	-6.5	-11.2	-0.2	-8.6	-5.4	-13.6
United Kingdom										
FTSE 100	5.8	14.4	-2.7	-4.9	-3.7	-7.0	3.0	-1.1	-3.4	-4.4
United States										
Dow Jones	7.3	26.5	7.5	-2.2	-0.9	-7.6	7.0	1.5	-0.3	1.2
S&P 500	13.4	29.6	11.4	-0.7	-0.2	-6.9	6.5	0.8	0.6	1.3
Nasdaq Composite	15.9	38.3	13.4	5.7	1.8	-7.4	8.4	-2.7	-0.7	-3.4
Japan										
Nikkei 225	22.9	56.7	7.1	9.1	5.4	-14.1	9.5	-12.0	-5.0	-16.4
Topix	18.0	51.5	8.1	9.9	5.7	-13.4	9.6	-12.9	-5.2	-17.5

Source: Datastream.

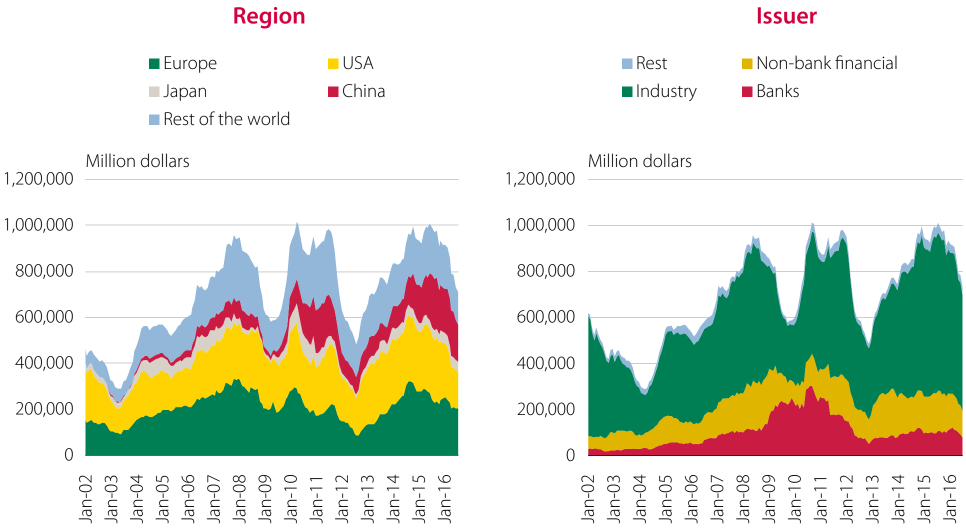
1 In local currency.

Share issue volumes tail off significantly in first half 2016.

Equity issuance in the first half-year was 352 billion dollars, 36% less than in the same period 2015 (714 billion in cumulative twelve-month terms – see Figure 8 – well below the peak levels of May last year). The decline, presumably due in part to the year's unsettled markets, extended across all main regions (Europe -35%, United States -45%, Japan -34%, China -21%). By sector, issuance fell off sharply in all sectors except utilities, up 36% in the first half-year though the figures involved were small. The bank sector saw the steepest percentage decline (81%), but the drop among industrials was the largest in money terms (down from 371 to 247 billion dollars).

Global equity issuance

FIGURE 8



Source: Dealogic. Cumulative twelve-month data to 15 June. For comparative purposes, the figure for this month is restated on a monthly basis.

2.2 National economic and financial developments

Spanish GDP grows 0.8% in the opening quarter (3.4% annualised), sizeably ahead of the euro area (1.5%).

Spanish GDP kept up a solid advance in the opening quarter and retained its growth lead over the euro area, albeit slowing somewhat versus the fourth quarter of 2015. Specifically, GDP expanded 3.4% in year-on-year terms (0.8% in the quarter), 0.1 points less than in the previous quarter and almost two points ahead of the euro area (with an annual rate of 1.5%).

Private consumption holds up strongly, but other demand components have flagged to some extent.

Domestic demand contributed slightly less to GDP growth, down from 4.1 to 3.8 percentage points, against a rising contribution from the net exports side. By domestic demand component, private consumption growth picked up from 3.5% to 3.7%, while government consumption cooled slightly (from 3.7% to 2.6%) as did gross fixed capital formation (from 6.4% to 5.2%). Construction and equipment investment lost some momentum versus the fourth quarter of 2015. In the external sector, growth of exports and imports slowed from 5.3% and 7.7%, respectively, at end-2015 to 3.7% and 5.4%, while the sector as a whole upped its growth contribution from -0.6 to -0.4 percentage points.

On the supply side, only the services sector picks up speed.

Supply side sectors grew at a decelerating pace, the exception being services, which raised its gross value added by 3.5% (3.4% in the previous quarter). The value added of primary industries climbed by 5.5% (6.2% previously) against 2.6% for industry (3.4%) and 2.6% for construction (4%).

Spain: main macroeconomic variables (annual % change) TABLE 2

					EC[1]	
	2012	2013	2014	2015	2016F	2017F
GDP	**-2.6**	**-1.7**	**1.4**	**3.2**	**2.6**	**2.5**
Private consumption	-3.5	-3.0	1.2	3.1	3.0	2.3
Public consumption	-4.5	-2.8	0.0	2.7	1.0	1.0
Gross fixed capital formation, of which:	-7.1	-2.4	3.5	6.4	4.7	5.0
Construction	-8.2	-7.1	-0.1	5.3	N/A	N/A
Equipment and others	-8.5	4.3	10.7	10.1	7.7	6.5
Exports	1.1	4.3	5.1	5.4	4.5	5.2
Imports	-6.2	-0.3	6.4	7.5	5.8	5.8
Net exports (growth contribution, p.p.)	2.1	1.4	-0.2	-0.5	-0.3	-0.1
Employment[2]	**-4.9**	**-3.5**	**1.1**	**3.0**	**2.5**	**2.0**
Unemployment rate	**24.8**	**26.1**	**24.4**	**22.1**	**20.0**	**18.1**
Consumer price index	**2.4**	**1.4**	**-0.1**	**-0.5**	**-0.1**	**1.4**
Current account balance (% GDP)	**-0.2**	**1.5**	**1.0**	**1.4**	**1.5**	**1.3**
General government balance (% GDP)[3]	**-10.4**	**-6.9**	**-5.9**	**-5.1**	**-3.9**	**-3.1**
Public debt (% GDP)	**85.4**	**93.7**	**99.3**	**99.2**	**100.3**	**99.6**
Net international investment position (% GDP)[4]	**-68.7**	**-85.5**	**-88.2**	**-79.9**	**N/A**	**N/A**

Source: Thomson Datastream, European Commission, Banco de España and National Statistics Office (INE).

1 European Commission forecasts of May 2016.

2 In full-time equivalent jobs.

3 Figures for 2012, 2013, 2014 and 2015 include government aid to credit institutions amounting to 3.8%, 0.5%, 0.1% and 0.1% of GDP, respectively.

4 Ex. Banco de España.

N/A: [data] not available.

Falling energy prices keep headline inflation negative, while the core rate softens to 0.7%.

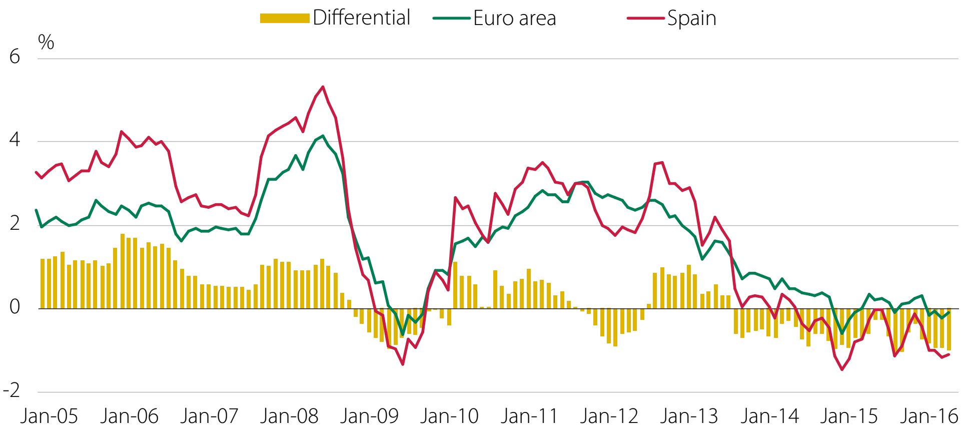
For all this year (and much of last), Spanish inflation has moved in negative terrain on still falling energy prices (an annual -13.6% on average). May's headline rate was -1.0%, sizeably below the 0% of the 2015 close and that year's average of -0.5%. A small decline in other, less volatile inflation components took core inflation down from the 0.9% of December 2015 to an April rate of 0.7%. Finally, Spain's inflation differential versus the euro area widened from -0.4 percentage points at end-2015 to -1.0 percentage points in May (see figure 9).

Job creation continues apace at rates exceeding 3%, though unemployment ends the first quarter at 21%.

Job creation is gathering speed as domestic activity continues its advance. In the opening quarter, the number of people in employment rose by 3.2% year on year (3.0% on average in 2015). The result was that the Spanish economy had 17.18 million full-time equivalent jobs, 533,000 more than at the same time last year. The unemployment rate ended the first quarter at 21%, a little below the full-year average of 2015 (22.1%). Growth of unit labour costs, calculated as the difference between the increase in compensation per worker and productivity growth, was slightly negative in the first quarter of 2016 (-0.5% vs. the 2015 average of 0.3%) on lower worker compensation (-0.3%) and a small advance in productivity (0.2%).

Harmonised index of consumer prices: Spain vs. euro area (annual % change)

FIGURE 9



Source: Thomson Datastream. Data to May.

Spain's 2015 public deficit of 5.1% of GDP is down almost one point vs. 2014 but still well ahead of the government's target.

The general government deficit closed last year at 5.1% of GDP, improving on the 2014 outcome (5.9%), but still almost one point higher than the government's target (4.2%). By branch, central government returned a deficit of 2.5% of GDP against the 1.7% of the autonomous regions and the 1.3% of the social security administration, while local authorities recorded a fiscal surplus equating to 0.4% of GDP. According to the excessive deficit protocol, public debt as a ratio of GDP inched down to 99.2% in 2015 from the 99.3% of the previous year, only to rebound to 100.5% in the first quarter of 2016. Budgetary execution figures to March put the consolidated general government deficit ex. local authorities at 0.8% of GDP, on a par with the first quarter of 2014. The latest updated Stability Programme, for 2016-2019, projects a deficit of 3.6% of GDP this year and 2.9% in 2017.

A supportive macro environment has helped banks rein in non-performing loans, but low interest rates remain a major business hurdle.

The pickup in domestic activity and employment is allowing further inroads into bank sector NPL ratios, although the volume of doubtful loans remains relatively high. The low interest rate environment, which seems set to continue, is an added factor in the bad debt decline, but it also constrains banks' earning power, as evidenced by returns trailing the historical average (albeit in line with other euro-area countries). Moreover, Spanish banks' considerable Latin American exposure leaves them vulnerable to the slowdown affecting economies in the region.

NPLs drop to 10% of total loans in March, improving slightly on the ratio for end-2015.

NPL ratios have continued to decline in the opening months of 2016, but at a rather slower pace. By March, non-performing loans to other resident sectors (non-financial corporations and households) amounted to 10% of total loans, compared to the 10.1% of end-2015 and the 13.6% high of late 2013. The income statements of deposit taking entities showed 2015 profits of 9.30 billion euros, down from 11.34 billion in 2014. Net operating income deteriorated slightly with respect to 2014 (12.8 billion euros versus 12.93 billion respectively), due to gross margin falling more steeply than financial asset impairment losses. Finally, the drop in 2015 earnings was mainly attributable to impairment losses on other assets, up from 1.53 billion in 2014 to 3.41 billion euros.

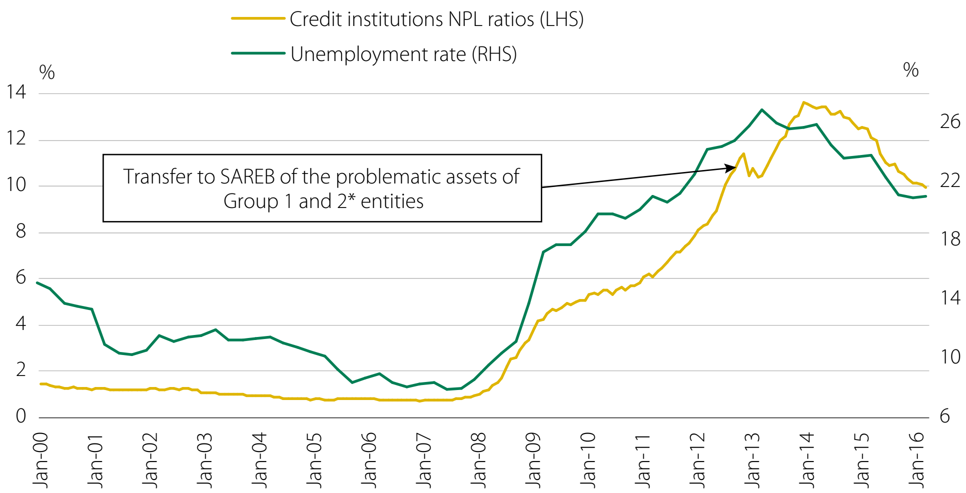
Bank lending to the non-financial resident sector (businesses and households) contracted further in the opening months of 2016, and also rather more intensely than at end-2015. By April, the flow of finance (loans and securities other than shares) to non-financial corporations and households was down 1.8% and 2.4% respectively year on year (-0.8% and -2.2% in December 2015). Among non-financial corporations, the contraction stemmed from faster declining loans and debt financing, while the more pronounced drop in total credit flows to households has its origins in the performance of home purchase loans. In the euro area, conversely, the growth rate of outstanding loans to non-financial corporations and households was positive and rising, with the stock of lending to businesses up 0.9% in April (0.1% in December 2015) and that of lending to households up 2.2% (1.9% in December).

Lending to the non-financial resident sector falls 2.1% to April, up from the -1.4% of last year's close.

Bank sector balance sheets continued shrinking in the first months of the year. Other constraints on sector business volumes, particularly low interest rates, gain greater currency in the present context. The sector-wide balance sheet, finally, stood at 2.74 trillion at end-March 2016 (21 billion less than at end-2015). All funding sources contracted to some degree: deposits by almost 14.6 billion euros, outstanding debt by 14 billion and equity by almost 3.5 billion. Banks also reduced their net Eurosystem borrowings from 133 billion at the 2015 close to just under 130 billion in the month of April.

The banking sector's balance sheet contracts further across all funding heads in the opening months of 2016.

Credit institution NPL ratios and the unemployment rate[1] FIGURE 10



Source: Banco de España and National Statistics Office (INE). Data to March de 2016.

1 Percentage of the active population.

* Group 1 transfers took place in December 2012 (36.70 billion euros) and Group 2 transfers in February 2013 (14.09 billion euros).

Non-financial listed companies obtained full-year profits of 17.16 billion euros in 2015, 6.9% less than in 2014. Almost all the decline owed to the oil-price-induced slump in energy firm profits from 10.81 billion euros in 2014 to 5.2 billion in 2015. Remaining non-financial sectors posted stable or rising profits in full-year 2015. Out in front were construction and real estate companies, which more than tripled their earnings in the year (from 1.1 billion to 3.43 billion euros) and firms in retail and services with a 43% advance to 6.84 billion euros. Industrial firm profits held broadly flat versus 2014 at just over 1.60 billion euros (see Table 3).

Profits of non-financial listed companies fall by 7% in 2015 with most of the decline located in the energy sector.

Earnings by sector:[1] Non-financial listed companies

TABLE 3

	EBITDA[2]		EBIT[3]		(Consolidated) profit for the year	
Million euros	2014	2015	2014	2015	2014	2015
Energy	10,378	7,979	8,926	6,087	10,807	5,202
Industry	3,155	3,000	2,452	2,338	1,693	1,631
Retail and services	13,594	8,732	7,849	2,776	4,781	6,836
Construction and real estate	2,723	5,312	1,072	3,024	1,097	3,434
Adjustments	40	34	-61	-68	-47	-55
Total	**29,811**	**24,988**	**20,359**	**14,294**	**18,424**	**17,157**

Source: CNMV.

1 Year-to-date earnings.

2 Earnings before interest, taxes, depreciation and amortisation.

3 Earnings before interest and taxes.

Corporate borrowings edge higher (1.6%) in 2015, but growth in equity brings leverage down from 1.28 to 1.22.

The aggregate debt of non-financial listed companies, at 255.36 billion euros, was 1.6% more than at end-2014 (see Table 4). All sectors increased their debt total in the year, except construction and real estate where deleveraging continued apace. The most heavily indebted in absolute terms were retail and services, with levels up 1.3% to 107.62 billion, and the energy sector, up 7.7% to more than 77 billion euros. The average leverage of non-financial listed firms edged down from 1.28 in 2014 to 1.22 in 2015, on an increase in equity ahead of debt. Further, companies' debt coverage ratio (debt/EBITDA) worsened slightly across all sectors except construction and real estate, increasing in the year from 8.4 to 10.2.

Gross debt by sector: Listed companies

TABLE 4

	Debt[1]		Debt/Equity		Debt/EBITDA[2]	
Million euros	2014	2015	2014	2015	2014	2015
Energy	71,572	77,051	0.74	0.75	6.9	9.7
Industry	16,261	16,744	0.86	0.83	5.2	5.6
Retail and services	106,193	107,618	1.78	1.89	7.8	12.3
Construction and real estate	58,623	55,275	2.56	1.86	21.5	10.4
Adjustments	-1,381	-1,328				
TOTAL	**251,268**	**255,360**	**1.28**	**1.22**	**8.4**	**10.2**

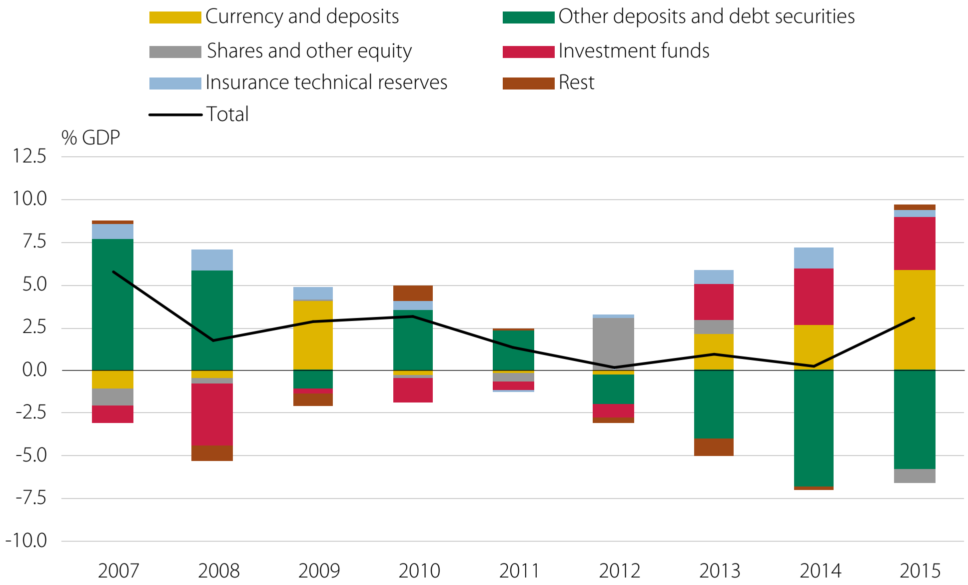
1 In million euros.

2 Earnings before interest, taxes, depreciation and amortisation.

A number of factors combine to boost households' financial position. Increased investment in financial instruments finds its way mainly to cash and sight deposits and mutual funds.

Indicators for the financial position of Spanish households in 2015 reveal that saving rates held broadly flat at just over 9% of gross disposable income (GDI). Improvement in this indicator came from an annual reduction in debt-to-income and debt burden ratios. The former decreased from 112.1% of GDI at end-2014 to 106.1% in December 2015 on a combination of lower indebtedness and rising household income on account of cheaper oil, personal income tax cuts and higher wages per employee, among other factors. The fall in the debt burden ratio from 12.6% to 12% rested also on the lower average interest on borrowed funds. Household financial investments, finally, came to 3% of GDP, a large increase with respect to the previous years (0.2% in 2014, 0.9% in 2013 and 0.2% in 2012). The pattern of investment was similar to 2014 with households withdrawing massively from time deposits and debt instruments (5.8% of GDP), due to the poor returns on offer, in favour of cash and sight deposits (5.8% of GDP) and mutual funds (3.1% of GDP). The other salient trend was a gathering move out of shares and other equity participations.

Households: Financial asset acquisitions (net) FIGURE 11



Source: Banco de España, *Cuentas financieras*. Cumulative four-quarter data.

2.3 Outlook

The global economy set for 3.2% growth this year, 0.1 points ahead of 2015.

The latest IMF forecasts project global GDP growth of 3.2% this year and 3.5% in 2017, improving on the 3.1% of 2015. This represents a small mark-down on the organization's previous forecasts, with the pickup in activity now expected to be more gradual in both advanced and emerging economies – 1.9% and 2% for the former group in 2016 and 2017, respectively (1.9% in 2015) and, for the latter, 4.1% and 4.6% (4% in 2015).

The most prominent risks remain Brexit, the speed of the rates upcycle in the United States and the deceleration of emerging economies.

The main risks that could alter this growth scenario and trigger new flare-ups in financial market volatility have to do with the uncertain time scale of Federal Reserve interest rate hikes and, especially, the end-June referendum on the United Kingdom's possible exit (Brexit) from the European Union. Other risks are attached to the slowdown in some emerging markets and the weakness of the banking sector, particularly in Europe. The region's banks are having to negotiate a business landscape characterised by still frail economic activity and ultra-low interest rates (likely to persist for some time to come), which has called into question both their revenue potential and the viability of traditional business streams. Not only that, the industry faces growing competition from other agents, notably the "shadow banking" intermediaries providing loans outside the banking channel, and firms in the "fintech" industry using innovative tech platforms to offer traditionally bank-related services.

Finally, the prolongation of international geopolitical conflicts is another downside risk for this baseline scenario.

Gross domestic product (annual % change) TABLE 5

					IMF[1]	
	2012	2013	2014	2015	2016F	2017F
World	3.5	3.3	3.4	3.1	3.2 (-0.2)	3.5 (-0.1)
United States	2.2	1.5	2.4	2.4	2.4 (-0.2)	2.5 (-0.1)
Euro area	-0.9	-0.3	0.9	1.6	1.5 (-0.2)	1.6 (-0.1)
Germany	0.6	0.4	1.6	1.5	1.5 (-0.2)	1.6 (-0.1)
France	0.2	0.7	0.2	1.1	1.1 (-0.2)	1.3 (-0.2)
Italy	-2.8	-1.7	-0.3	0.8	1.0 (-0.3)	1.1 (-0.1)
Spain	-2.6	-1.7	1.4	3.2	2.6 (-0.1)	2.3 (0.0)
United Kingdom	1.2	2.2	2.9	2.2	1.9 (-0.3)	2.2 (0.0)
Japan	1.7	1.4	-0.0	0.5	0.5 (-0.5)	-0.1 (-0.4)
Emerging economies	5.3	4.9	4.6	4.0	4.1 (-0.2)	4.6 (-0.1)

Source: IMF.

1 In brackets, change vs. the previous forecast. IMF, forecasts published April 2016 vs. January 2016.

Growth of the Spanish economy will again easily outpace that of the euro area, although risks are also present. Some are shared with other European countries (bank sector weakness) but others are of a local nature (political uncertainty).

In the case of the Spanish economy, the IMF is looking for 2.6% growth in 2016 (0.1 points less than its previous forecast) followed by 2.3% in 2017 (no change). Despite this minor mark-down, Spain is expected to conserve its strong lead with respect to euro-area growth rates (1.5% and 1.6%, respectively). The success of structural reforms, tumbling oil prices and a weaker euro are among the factors favouring this scenario of robust growth and employment creation. However the Spanish economy faces several important risks. Most it shares with other European economies; for instance, those associated with the emerging market economies, problems of bank sector profitability or fallout from geopolitical conflicts. But others of a more specific nature must also be addressed. The most prominent have to do with the country's political impasse, which to date has not materially impacted on domestic financial markets, and certain companies' high exposure to distressed Latin American economies, and the UK economy in the event that Brexit comes to materialise.

3 Spanish markets

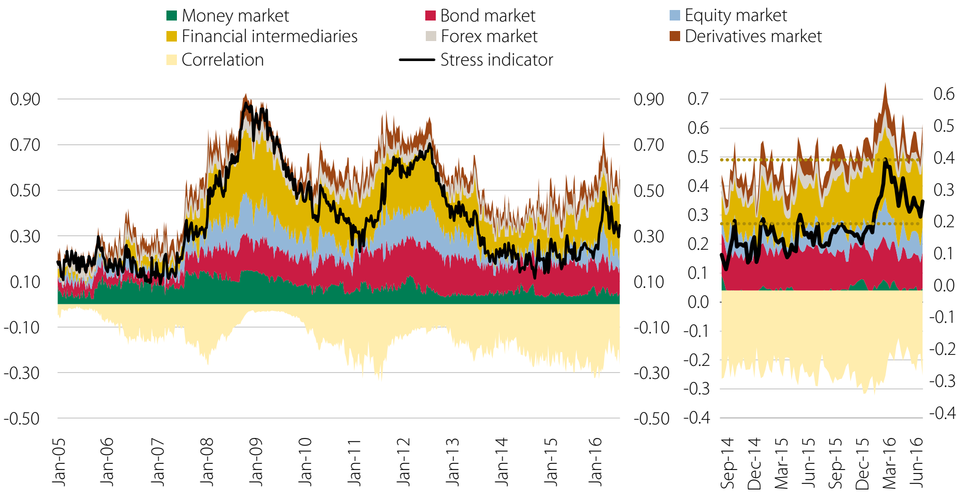
The indicator measuring stress on Spanish financial markets has retreated from the peak levels of mid-February, but remains in the interval of medium risk.

The uncertainty that stalked world financial markets in the year's first weeks in response to diverse risk factors (deceleration in China and faltering growth in general, falling oil prices, etc.) caused the stress indicator for Spanish financial markets to spike at 0.49[4] in the middle of February (see Figure 12). Although the general

4 The stress indicator developed by the CNMV provides a real-time measurement of systemic risk in the Spanish financial system in the range of zero to one. To do so, it assesses stress in six segments (equity, bonds, financial intermediaries, the money market, derivatives and the forex market) and aggregates them into a single figure bearing in mind the correlation between them. Econometric estimations

indicator has since eased back to what we could consider the medium risk interval, stress readings are still high for certain segments like financial intermediation, exchange rates or the derivatives market.

Spanish financial market stress indicator FIGURE 12



Source: CNMV. See Estévez and Cambón (2015).[5]

3.1 Equity markets

In June, a string of uncertainty factors (Brexit, the timing of US rate hikes, the health of the financial system…) sparked a new bout of volatility and a stiff downward correction that reversed the gains of the previous weeks.

Spanish stock markets began the year with a stiff price correction that by mid-February had the Ibex 35 trading at its lowest point since July 2013. Driving the decline were investor fears of a slowdown in the world economy, or even a new recession, as concerns multiplied around the situation of the emerging economies, the slump in oil prices, and, again, the health of the European financial system. Later, an uptick in oil prices, the new monetary stimulus package announced by the ECB and better macroeconomic data in the United States and Europe allowed markets to recoup some of the ground lost at the start of the year. However this was not to last. By end-June, doubts about the outcome of the UK referendum on European Union membership (Brexit) and the timing of interest rate hikes in the United States sent markets falling once more. Losses in Spain were steeper than in Germany and France, smaller than in Italy and on a par with those of the Eurostoxx 50 benchmark index, and came on top of the negative numbers accumulated in 2015. Volatility, meantime, retreated from its early-year highs of over 40% and tended to moderate as markets regained their composure. Trading volumes were 444 billion on the year (21% down in year-on-year terms), with the decline steepening quarter after quarter. Meantime trading in Spanish shares on platforms other than their home market continued its advance and now accounts for over 25% of the total. In primary

consider that market stress is low when the indicator stands below 0.27, intermediate in the interval of 0.27 to 0.49, and high when readings exceed 0.49. For more information see Exhibit 1.1 of the *CNMV Annual Report* for 2014 and Estévez, L. and Cambón, M.I. (2015). *A Spanish Financial Market Stress Index (FMSI).* CNMV Working Paper No. 60. Available at: http://www.cnmv.es/portal/Publicaciones/monografias.aspx

5 Estévez and Cambón (*op. cit.*).

markets, finally, issuance bounced back after the lull of last year's second half, led by three new share flotations.

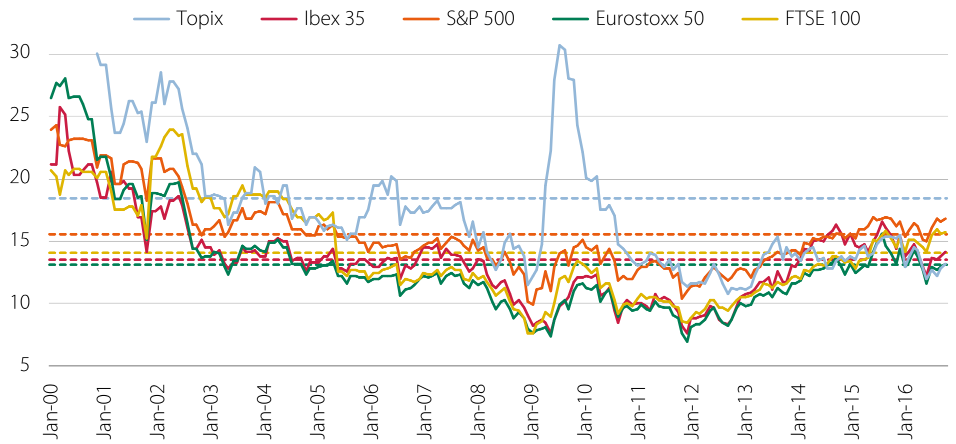
The Ibex 35 shed 5.4% in the second quarter lifting year-to-date losses to 13.6%. Other indices fared similarly except the Ibex Small Cap whose fall was contained at 5.2%. By contrast, Latibex indices powered higher in the year, buoyed by the appreciation of Latin American currencies.

Against this backdrop, the Ibex 35 added a further -5.4% to the 8.6% losses of the opening quarter for a year-to-date fall[6] of 13.6% (-7.2% in full-year 2015). Other Spanish indices posted second-quarter losses on a similar scale, from -4% to -5.6%, but showed sharp variations in their year-to-date performance. Specifically, the Ibex 35, the Madrid General Index (IGBM) and the Ibex Medium Cap were down by around 13% or more at the closing date for this report, while the Ibex Small Cap shed a considerably smaller 5.2% (see Table 6). Conversely, the indices grouping Latin American securities traded in euros fell sharply in the second quarter, but managed sizeable progress year to date, on top of which local money gains were magnified by the strength of currencies like the Brazilian real.[7] Hence the 16.9% and 8.6% advances of the FTSE Latibex All-Share and FTSE Latibex Top on the year, even after second-quarter losses of 5.4% and 7.5%, respectively.

Sector performances were mixed in the second quarter, with financials and telecommunications losing ground and oil stocks gaining. All sectors, however, are down on the year.

Performances varied from sector to sector in the second quarter. The biggest losses were in the financial sector as banks struggled to generate profits in a low interest-rate environment, and technology and telecommunications, due to difficulties faced by the top Spanish telecoms operator in disposing of its UK subsidiary. By contrast, the oil and energy sector benefited from the recovery of oil prices (24% in the second quarter and 31% since January). All sectors stand in negative territory year to date, with financial services as the worst performer, held back by the banks. Other major losers were the telecommunications sector and, to a lesser extent, consumer goods and services, on growing fears of an economic slowdown (see Table 6).

Price-earnings ratio[1] (P/E) FIGURE 13



Source: Thomson Datastream. Data to 15 June.

1 Twelve-month forward earnings.

6 Data to 15 June.

7 The Brazilian currency has gained around 10% against the euro year to date.

Performance of Spanish stock market indices and sectors (%)

TABLE 6

Index	2012	2013	2014	2015	4Q 15[1]	1Q 16[1]	2Q 16 (to 15 June) %/prior quarter	2Q 16 (to 15 June) %/Dec 2015
Ibex 35	-4.7	21.4	3.7	-7.2	-0.2	-8.6	-5.4	-13.6
Madrid	-3.8	22.7	3.0	-7.4	-0.1	-8.8	-5.6	-14.0
Ibex Medium Cap	13.8	52.0	-1.8	13.7	5.5	-9.3	-4.0	-12.9
Ibex Small Cap	-24.4	44.3	-11.6	6.4	6.6	-0.2	-5.1	-5.2
FTSE Latibex All-Share	-10.7	-20.0	-16.1	-39.2	-7.8	23.5	-5.4	16.9
FTSE Latibex Top	-2.6	-12.4	-11.1	-34.6	-4.9	17.4	-7.5	8.6
Sector[2]								
Financial and real estate services	**-4.7**	**19.9**	**1.4**	**-24.2**	**-5.4**	**-14.3**	**-9.3**	**-22.3**
Banks	-4.8	18.8	1.6	-26.0	-6.3	-14.5	-9.8	-22.9
Insurance	-2.0	47.3	-9.2	-5.0	6.7	-19.3	2.6	-17.2
Real estate and others	-14.4	38.3	36.3	18.4	2.6	0.1	0.6	0.7
Oil and energy	**-16.0**	**19.0**	**11.8**	**0.6**	**5.6**	**-6.7**	**0.0**	**-6.7**
Oil	-35.4	19.5	-15.1	-34.9	-2.8	-2.0	10.6	8.4
Electricity and gas	-5.4	18.7	21.7	9.6	7.0	-7.4	-1.7	-9.1
Basic materials, industry and construction	**-8.0**	**28.9**	**-1.8**	**2.1**	**2.8**	**-3.5**	**-5.3**	**-8.7**
Construction	-9.3	26.5	8.9	4.9	1.9	-6.6	-5.9	-12.2
Manufacture and assembly of capital goods	-8.8	55.4	-18.3	49.0	17.4	3.0	-6.5	-3.7
Minerals, metals and metal processing	-8.7	11.5	4.5	-30.8	6.8	10.9	-0.2	10.7
Engineering and others	3.8	7.6	-17.0	-39.6	-23.1	-12.7	-2.2	-14.6
Technology and telecommunications	**-18.3**	**22.8**	**2.5**	**-5.2**	**-2.2**	**-5.0**	**-9.2**	**-13.7**
Telecommunications and others	-23.0	17.1	2.6	-12.3	-4.8	-4.6	-12.8	-16.9
Electronics and software	39.4	56.8	2.3	22.2	5.7	-6.1	2.8	-3.4
Consumer goods	**55.6**	**17.1**	**-1.5**	**30.9**	**6.9**	**-6.4**	**-0.7**	**-7.0**
Textiles, clothing and footwear	66.2	13.5	-1.1	33.6	5.9	-6.7	-0.2	-6.8
Food and drink	25.0	4.7	-5.2	26.4	3.2	-1.1	-1.4	-2.4
Pharmaceutical products and biotechnology	68.3	39.6	-1.0	23.5	11.1	-8.7	-2.4	-10.9
Consumer services	**12.7**	**58.9**	**10.0**	**10.4**	**3.1**	**-5.4**	**-4.1**	**-9.2**
Motorways and car parks	5.7	36.5	6.8	-7.9	2.0	0.3	-8.0	-7.8
Transport and distribution	29.7	116.4	27.9	29.6	5.3	-6.9	-7.7	-14.1

Source: BME and Thomson Datastream.

1 Change vs. the previous quarter.

2 IGBM sectors. Under each sector, data are provided for the most representative sub-sectors.

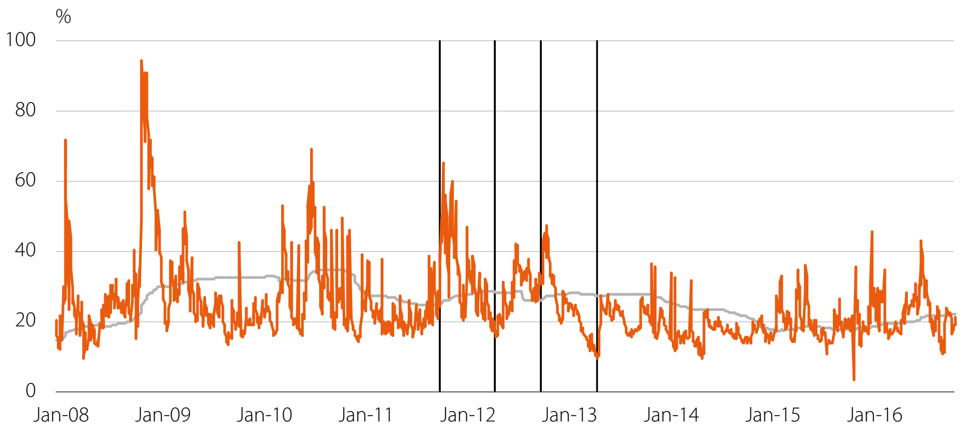
The price-earnings ratio ticks up in the quarter despite falling prices, anticipating more modest corporate earnings.

Despite falling share prices, the expectation of more moderate corporate earnings in coming months lifted the price-earnings ratio (P/E) of the Ibex 35 from 13.6 to 14.1 in the second quarter. Year to date, however, the multiple has held more or less stable since markets and estimated earnings have fallen by a similar margin. As Figure 13 shows, the P/Es of all major stock indices ticked up in the quarter, evidencing expectations of a slowdown in the advanced economies. With the exception of the Eurostoxx 50 and Japan's Topix, multiples in all markets stood above their average levels for 2000-2015.

Volatility touches 40% in February on market jitters before dropping back to around 20%. June readings stand above the 2Q average as concerns grow over Brexit.

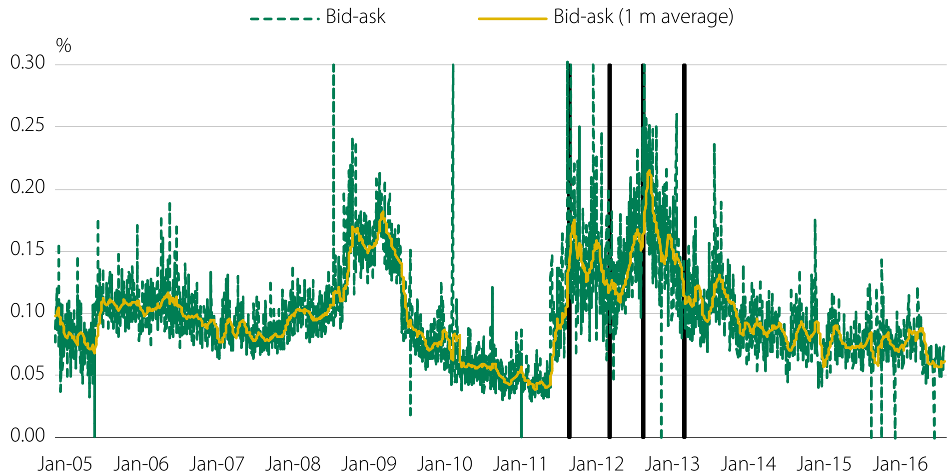
Volatility of the Ibex 35 turned up sharply in the first two months (peaking at over 40%), then died down significantly in the second quarter to just under 24%. This was higher than the second-quarter average (20%) but a good way below the average for the first three months (29.55%). A similar pattern could be observed on other European indices, like the Eurostoxx 50, though US indices like VIX registered more subdued mid-year levels of around 20%.

Historical volatility of the Ibex 35 FIGURE 14



Source: Thomson Datastream and CNMV. Data to 15 June. The red line indicates conditional volatility and the grey line unconditional volatility. The vertical lines refer to the introduction and lifting of the short selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013.

Ibex 35 liquidity. Bid-ask spread FIGURE 15



Source: Thomson Datastream and CNMV. Data to 15 June. The curve represents the bid-ask spread of the Ibex 35 along with the average of the last month. The vertical lines refer to the introduction and lifting of the short-selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013.

Ibex 35 liquidity, as measured by the bid-ask spread, traced a smooth progression, and worsened only briefly – a widening movement – at the end of the second quarter coinciding with opinion polls showing majority support for Brexit. The bid-ask spread widened from 0.064% at the end of the first quarter to 0.077% at mid-June, still below the indicator's historical average (0.10%).

Ibex 35 liquidity remains satisfactory.

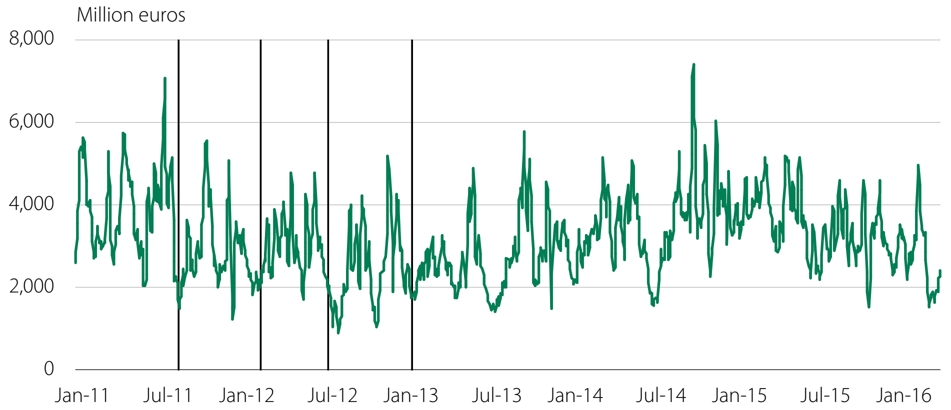
Trading in Spanish equities came under dual pressure from political uncertainty at home, with new elections imminent, and concerns over the possible outcome of the Brexit referendum, with volumes down by 25% compared to the first quarter and 23% year on year. Cumulative figures to June were above 444 billion euros, 21% down on the same period 2015.[8] The trading slump was more intense than on other major European bourses. Daily volumes on the continuous market averaged 2.74 billion euros, trailing the 3.28 and 3.13 billion of the two preceding quarters and the 3.67 billion average of 2015 (see Figure 16).

Trading volumes in Spanish stocks fall off in the quarter and year on year, depressed by political uncertainty at home and in Europe.

We have already referred to the upward trend in Spanish share trading on other European regulated markets and multilateral trading facilities (MTFs). So far this year, these external markets channelled over 108 billion euros in trades, a bare 3 billion euros less than in the same period 2015. This sum equated to nearly a quarter of overall trading in Spanish shares (20% and 24% in the fourth quarter of 2015 and first quarter of 2016 respectively, and 20% over full-year 2015). Again the Chi-X stands out for the scale of volumes – over 54 billion euros and half of all foreign trading – although it has lost some ground to competing platforms.

Trading of Spanish shares on other European regulated markets and MTFs has now reached almost 25% of the total.

Daily trading on the Spanish stock market[1] FIGURE 16



Source: CNMV. Data to 14 June. The vertical lines refer to the introduction and lifting of the short-selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013.

1 Moving average of five trading days.

8 Not including trading on MAB and Latibex and in ETFs.

Trading in Spanish shares listed on Spanish exchanges[1]

TABLE 7

Million euros	2012	2013	2014	2015	4Q 15	1Q 16	2Q 16[2]
Total	**709,902.0**	**764,986.6**	**1,002,189.0**	**1,161,482.8**	**266,113.7**	**253,912.3**	**190,492.7**
Listed on SIBE (electronic market)	**709,851.7**	**764,933.4**	**1,002,095.9**	**1,161,222.9**	**266,089.8**	**253,910.6**	**190,489.1**
BME	687,456.1	687,527.6	849,934.6	925,978.7	212,179.0	192,651.7	143,822.4
Chi-X	16,601.3	53,396.7	95,973.0	150,139.9	33,791.6	33,384.3	21,274.8
Turquoise	3,519.6	11,707.9	28,497.5	35,680.5	7,458.6	12,606.1	9,342.3
BATS	2,261.9	10,632.1	18,671.0	35,857.6	10,513.1	11,629.0	9,970.0
Others[2]	12.8	1,669.2	9,019.8	13,566.2	2,147.6	3,639.6	6,079.6
Open outcry	**49.9**	**51.4**	**92.4**	**246.1**	**23.7**	**1.6**	**3.2**
Madrid	3.0	7.3	32.7	19.4	11.0	1.4	1.0
Bilbao	8.5	0.1	14.3	7.5	4.7	0.0	0.0
Barcelona	37.7	44.1	45.2	219.1	8.0	0.2	2.2
Valencia	0.7	0.0	0.3	0.1	0.0	0.0	0.0
Second market	**0.4**	**1.7**	**0.7**	**13.8**	**0.2**	**0.1**	**0.4**
Pro memoria							
BME trading of foreign shares[3]	4,102.0	5,640.0	14,508.9	12,417.7	985.7	1,295.8	1,295.2
MAB	4,329.6	5,896.3	7,723.2	6,441.7	1,720.3	1,134.0	847.3
Latibex	313.2	367.3	373.1	258.7	46.4	53.4	17.0
ETFs	2,736.0	4,283.9	9,849.4	12,633.8	2,632.2	2,273.4	976.4
Total BME trading	698,987.5	703,768.7	882,482.3	957,990.5	217,587.5	197,409.8	146,961.9
% Spanish shares on BME vs. total Spanish shares	96.8	89.9	84.8	80.1	80.1	76.2	75.7

Source: Bloomberg and CNMV.

1 Spanish shares listed on Spanish exchanges are those with a Spanish ISIN that are admitted to trading in the regulated market of Bolsas y Mercados Españoles, i.e., not including alternative investment market MAB. Foreign shares are those admitted to trading in the regulated market of Bolsas y Mercados Españoles whose ISIN is not Spanish.

2 Data to 14 June.

3 Difference between the turnover of the EU Composite estimated by Bloomberg for each share and the turnover of the markets and MTFs listed in the table, i.e., including trading on other regulated markets, MTFs and OTC systems.

Equity issuance jumps by 35% in the second quarter due to larger capital increases and initial public offerings of three companies, but falls back in annual terms.

Equity issuance on domestic markets swelled by 35% in the second quarter to 6.60 billion euros, lifting the first-half total to 11.49 billion. Growth in the quarter stemmed from larger capital increases, notably a macro-increase at a steel conglomerate listed on various European exchanges (besides the Spanish continuous market), and the initial offerings of three newly floated firms. Issue volumes were the highest since the second quarter of 2015, but still trailed this recent high by 44%.[9] Breaking down issuance by type, capital increases with and without preferential subscription rights accounted for 65% of second-quarter volumes (18% in the first quarter and 58% in 2015). Amounts raised by scrip dividend issues rose slightly to 1.10 billion euros, reducing the share of this modality to 18%. Finally, capital increases by debt conversion raised a bare 225 million euros in the period.

9 The second quarter of 2015 saw two major share offerings (one firm in the telecommunications sector and another in railways), as well as a number of capital increases.

Capital increases and public offerings

TABLE 8

	2013	2014	2015	3Q 15	4Q 15	1Q 16	2Q 16
NUMBER OF ISSUERS[1]							
Total	**39**	**49**	**52**	**24**	**19**	**17**	**17**
Capital increases	39	47	47	23	19	17	17
Public offer for subscription	5	6	0	0	0	0	3
Public offering of shares	0	4	6	1	0	0	2
NUMBER OF ISSUES[1]							
Total	**145**	**147**	**115**	**27**	**24**	**21**	**21**
Capital increases	145	140	103	25	24	21	19
Public offer for subscription	5	8	0	0	0	0	4
Public offering of shares	0	7	12	2	0	0	2
CASH AMOUNT[1] (million euros)							
Total	**39,126.2**	**32,762.4**	**37,067.4**	**4,458.9**	**5,160.0**	**4,891.5**	**6,601.4**
Capital increases	39,126.2	27,875.5	28,735.8	3,618.6	5,160.0	4,891.5	6,094.8
Public offer for subscription	1,742.8	2,951.5	0.0	0.0	0.0	0.0	807.6
Paid-in capital increases	9,932.8	12,650.8	9,627.8	1,387.9	2,749.1	966.6	1,099.2
of which scrip dividend[2]	9,869.4	12,573.8	9,627.8	1,387.9	2,749.1	966.6	1,099.2
Capital increases by debt conversion[3]	7,478.8	3,757.9	2,162.5	465.6	1,015.7	3,008.6	224.6
Capital increases against non-monetary consideration[4]	231.6	2,814.5	367.0	123.2	0.1	50.8	0.0
With preferential subscription rights	11,463.1	2,790.8	7,932.6	1,196.1	1,047.1	799.9	3,028.5
Without rights trading	8,277.1	2,909.9	8,645.9	445.9	348.0	65.5	935.0
Public offering of shares	0.0	4,886.9	8,331.6	840.3	0.0	0.0	506.6
Memorandum item: MAB transactions[5]							
Number of issuers	7	9	16	3	7	2	3
Number of issues	14	15	18	3	7	2	3
Cash amount (million euros)	45.7	130.1	177.8	28.5	133.8	7.2	4.1
Capital increases	45.7	130.1	177.8	28.5	133.8	7.2	4.1
of which, through public offer for subscription	1.8	5.0	21.6	3.8	12.9	0.0	0.0
Public offering of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: BME and CNMV. Data to 15 June.

1 Transactions filed with the CNMV. Not including figures for MAB, ETFs or Latibex.

2 In scrip dividends, the issuer gives existing shareholders the option of receiving their dividend in cash or converting it into shares in a paid-in capital increase.

3 Includes capital increases to allow conversion of bonds and other debt into shares by the exercise of employee stock options or execution of warrants.

4 Capital increases for non-cash consideration have been measured at their market value.

5 Transactions not filed with the CNMV.

3.2 Fixed-income markets

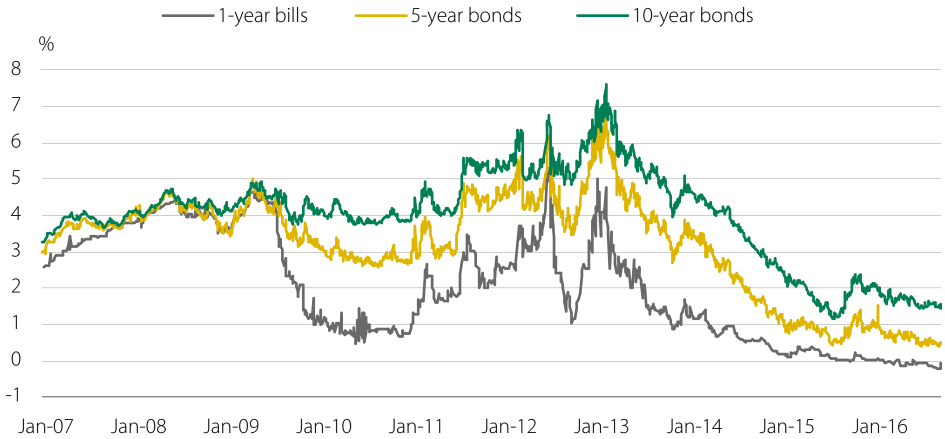
Fixed-income markets see a downtrend in yields of public and corporate debt instruments, supported by the ECB's purchase programmes…

Fixed-income markets in Spain and other major European countries began the year with rising prices and falling yields, as investors sought refuge from the instability of equity markets. This process intensified in early March, when the ECB announced the launch of a corporate debt purchase programme, to be effective as of the second week in June. The announcement had the effect of driving yields on both government and corporate debt to annual lows across the length of the curve, with the decline extending to high-yield instruments. As the second quarter advanced, however, bond yields began to creep back up on concerns about the political impasse and calling of new elections in Spain and the outcome of the UK referendum on European Union membership (Brexit).

… which have helped stabilise risk premiums while driving up long-term corporate debt issuance.

Risk premiums also felt the beneficial impact of monetary policy, though here too political uncertainty at home and in Europe has begun to take its toll. Spanish sovereign spreads, particularly, have widened by 42 bp year to date. Further, the ECB's announcement on corporate debt purchases, which brought firms big savings on their borrowing costs, drove a second-quarter surge in long-term debt issuance, most of it sold abroad. The volume of issues filed with the CNMV climbed by 6% in the first half-year to 62.38 billion euros.

Spanish government debt yields FIGURE 17



Source: Thomson Datastream. Data to 15 June.

Yields on short-term government and corporate debt securities touch new historical lows.

In this context, short-term treasury yields fell again in the second quarter on the calming effect of the ECB's bond-buying programmes[10] and reached new historical lows on both the primary and secondary market. For the moment, domestic political uncertainty seems to be having little impact on public and private debt prices. At mid-June, yields on three-month, six-month and twelve-month Letras del Tesoro stood at -0.28%, -0.24% and -0.18% respectively, having fallen between 2 and 13 bp. This puts them very close to the -0.4% threshold (the marginal deposit rate) set by the ECB in its purchase programme. Also, the latest Tesoro Público auctions were settled at negative rates, with yields touching historical lows across all curve terms. Short-term corporate bonds traced a similar path, with yields likewise at historical lows, although in this

10 By end-May 2016, the ECB had purchased 806.19 billion euros worth of public debt, of which 94.10 billion corresponded to Spanish paper.

case the decrease was sharper (between 1 and 28 bp) and also concentrated in six- and twelve-month tenors. Rates at issuance on three-, six- and twelve-month commercial paper dropped to 0.27%, 0.37% and 0.35%, respectively (see Table 9).

Short-term interest rates[1] TABLE 9

%	Dec 13	Dec 14	Dec 15	Dec 15	Mar 16	Jun 16[2]
Letras del Tesoro						
3 month	0.54	0.12	-0.15	-0.15	-0.26	-0.28
6 month	0.70	0.25	-0.01	-0.01	-0.11	-0.24
12 month	0.91	0.34	-0.02	-0.02	-0.06	-0.18
Commercial paper[3]						
3 month	1.09	0.55	0.31	0.31	0.28	0.27
6 month	1.36	0.91	0.42	0.42	0.65	0.37
12 month	1.59	0.91	0.53	0.53	0.48	0.35

Source: Thomson Datastream and CNMV.

1 Monthly average of daily data.

2 Data to 15 June.

3 Interest rates at issuance. Figures for 6-month commercial paper correspond to the month of May, due to the shortage of relevant input for June.

Long-term yields also fall to annual lows.

Medium and long-term government bond yields also narrowed in the second quarter, by between two and seven bp, to reach their lowest levels year to date. Yields in all cases were below end-2015 values, with the ten-year benchmark, the most liquid, down 23 bp since the start of 2016. At mid-June, three-, five- and ten-year governments were paying 0.07%, 0.48% and 1.49%, respectively (see Table 10). Corporate bond yields likewise declined with respect to the opening quarter, after the ECB announced that it would make corporate debt purchases from June this year. The fall in yield was steepest in the five-year tenor, where it stretched to 32 bp. At the closing date for this report (15 June), three-, five- and ten-year notes were yielding 0.61%, 1.33% and 1.91%, respectively.

Medium and long bond yields[1] TABLE 10

%	Dec 13	Dec 14	Dec 15	Dec 15	Mar 16	Jun 16[2]
Government bonds						
3 year	2.00	0.65	0.24	0.24	0.13	0.07
5 year	2.68	0.96	0.72	0.72	0.55	0.48
10 year	4.15	1.77	1.72	1.72	1.51	1.49
Corporate bonds						
3 year	2.63	0.84	0.66	0.66	0.63	0.61
5 year	2.84	1.88	1.95	1.95	1.65	1.33
10 year	4.46	2.32	2.40	2.40	2.11	1.91

Source: Thomson Datastream, Reuters and CNMV.

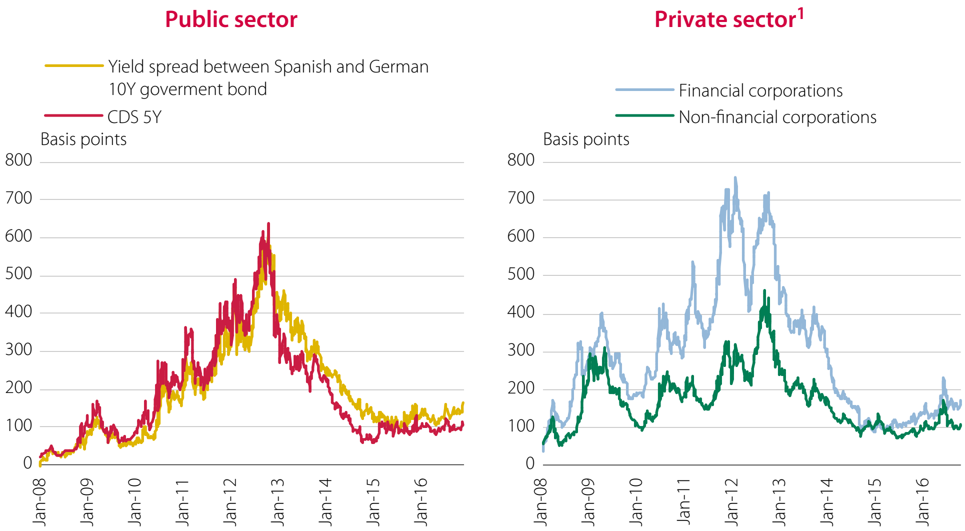
1 Monthly average of daily data.

2 Data to 15 June.

Risk premiums widen on political instability and a possible Brexit. The spread of the government benchmark reaches 157 bp, compared to 115 bp at the year's outset...

The credit risk premiums of the economy's private sectors traced an opposite course from sovereign spreads in the year's second quarter. This was because sovereigns felt the chill of political instability as new elections approached plus the uncertainty of the outcome of the Brexit vote, despite the support of the ECB's bond-buying programme, compared to the clear boost effect on corporate debt of the Bank's decision to add a corporate sector purchase programme. In the public sector, the spread of the Spanish ten-year bond over the German benchmark turned a little more volatile, moving for most of the quarter in the range of 130 to 150 bp. By mid-June, this was up to 157 bp, ahead of the 128 bp of end-March and the 115 bp of the 2015 close, as political risks loomed larger. The CDS spread on the Spanish sovereign bond fluctuated less widely to close the period at 106 bp, just slightly up on the 94 and 89 bp recorded at the outset of the quarter and year respectively (see left-hand panel of Figure 18).

Risk premium paid by Spanish issuers FIGURE 18



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

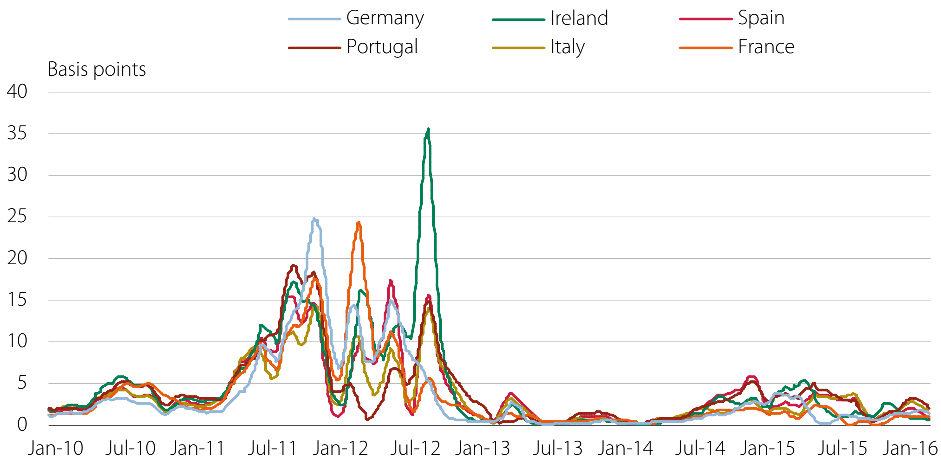
1 Simple average of five-year CDSs from a sample of issuers.

… while in the private sector, financial issuer spreads widen slightly against the more stable performance of non-financial corporations.

Credit risk premiums on corporate bonds showed a small rise for financial issuers against the more stable spreads of non-financial corporations. Financial issuer risk premiums have been volatile since the year's outset, with occasional spikes to upwards of 200 bp, due to worries about the strength of the European economy, the squeeze on business margins in a scenario of ultra-low or even negative rates and some groups' exposure to emerging economies, especially in Latin America, which appear to be slipping into slowdown. As we can see from the right-hand panel of Figure 18, the average CDS spread of Spanish financial institutions was 174 bp at mid-June, exceeding the 167 and 144 bp respectively of the prior quarter and end-2015. The average spread of non-financials, by contrast, was 109 bp at mid-June, down from the 114 and 112 bp of the prior quarter and the 2015 close.

Indicators of sovereign credit risk contagion in the euro area: shocks from Greece[1]

FIGURE 19



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

1 For further details on the methodology used to compile these indicators see Exhibit 1.2 in the *CNMV Annual Report* for 2010 and the first section of the *CNMV Bulletin* corresponding to first quarter 2011.

Indicators of sovereign credit risk contagion from Greece to other euro-area countries have headed lower overall, despite small, short-lived increases in some second-quarter sessions on concerns over the progress of talks between the European Union, the IMF and the Greek government on releasing the next tranche of the bailout. As Figure 19 shows, contagion readings are now residual only and the effects of the associated European sovereign debt crisis appear to be safely in the past.

Uncertainty over Greece has had next to no impact on other European economies to judge by indicators of sovereign credit risk contagion.

Gross debt issuance filed with the CNMV summed 21.66 billion euros in the second quarter (to 15 June), barely half that of either of the two preceding quarters. This is in fact the lowest total since the third quarter of 2014, at a time when traditional bank finance is cheaper and more widely available. The decline extended across most instruments, led by asset-backed securities, where issuance slumped by almost 14 billion euros to around a fifth of the first-quarter total and, some way behind, mortgage covered bonds and convertible bonds and debentures (39% and 58% lower respectively than one quarter before). Year-to-date issuance, at 62.38 billion euros, was almost four billion higher than in the same period 2015, thanks to a busy first quarter, particularly in asset-backed securities and, less so, mortgage covered bonds.

Registered issuance is the lowest since 3Q 2014, although the year-to-date total of 62.38 billion euros is almost four billion more than in the same period 2015.

Gross fixed-income issues registered[1] with the CNMV

TABLE 11

Registered[1] with the CNMV	2012	2013	2014	2015	2015	2016	
					4Q	IQ	2Q[2]
NOMINAL AMOUNT (million euros)	**357,830**	**138,839**	**130,258**	**136,607**	**46,949**	**40,722**	**21,659**
Mortgage covered bonds	102,170	24,800	23,838	31,375	7,000	9,943	6,050
Territorial covered bonds	8,974	8,115	1,853	10,400	400	0	2,750
Non-convertible bonds and debentures	86,442	32,537	41,155	39,100	18,944	8,344	3,506
Convertible/exchangeable bonds and debentures	3,563	803	750	53	53	0	0
Asset-backed securities	23,800	28,593	29,008	28,370	11,646	17,038	3,356
Domestic tranche	20,627	24,980	26,972	25,147	10,691	15,234	3,356
International tranche	3,173	3,613	2,036	3,222	956	1,805	0
Commercial paper[3]	132,882	43,991	33,654	27,310	8,906	5,396	5,998
Securitised	1,821	1,410	620	2,420	600	560	280
Other commercial paper	131,061	42,581	33,034	24,890	8,306	4,836	5,718
Other fixed-income issuance	0	0	0	0	0	0	0
Preference shares	0	0	0	0	0	0	0
Pro memoria:							
Subordinated issues	7,633	4,776	7,999	5,452	2,241	1,980	0
Other issues	0	193	196	0	0	421	0

abroad by Spanish issuers	2012	2013	2014	2015	2015	2016	
					4Q	1Q	2Q[4]
NOMINAL AMOUNT (million euros)	**91,882**	**47,852**	**56,736**	**65,602**	**17,697**	**12,273**	**10,984**
Long term	50,312	34,452	35,281	32,362	9,082	4,177	8,402
Preference shares	0	1,653	5,602	2,250	0	600	1,000
Subordinated debt	307	750	3,000	2,918	1,418	0	1,500
Bonds and debentures	50,005	32,049	26,679	27,194	7,664	3,577	5,902
Asset-backed securities	0	0	0	0	0	0	0
Short term	41,570	13,400	21,455	33,240	8,615	8,096	2,583
Commercial paper	41,570	13,400	21,455	33,240	8,615	8,096	2,583
Securitised	11,590	0	0	0	0	0	0

***Pro memoria*: Gross issuance by subsidiaries of Spanish companies resident in the rest of the world**

	2012	2013	2014	2015	2015	2016	
					4Q	1Q	2Q[4]
NOMINAL AMOUNT (million euros)	**49,392**	**48,271**	**41,682**	**55,835**	**12,368**	**12,038**	**5,726**
Financial corporations	18,418	8,071	9,990	15,424	2,668	2,964	224
Non-financial corporations	30,974	40,200	31,691	40,411	9,700	9,074	5,503

Source: CNMV and Banco de España.

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

2 Data to 15 June.

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

4 Data to 30 April.

Breaking issues down by type of instrument, mortgage covered bonds grew in popularity, despite lower sales, and came to represent 26% of year-to-date issuance against 23% in full-year 2015. Issuance of these assets reflects the positive impact of the ECB's covered bond purchase programme on demand and costs of issue (the so-called CBPP3, summing purchases to 3 June of over 178 billion euros, 29% transacted on the primary market). Commercial paper also advanced in relative terms to 28% of total issuance from 13% in the prior quarter, supported by falling sales of these instruments abroad.

Mortgage covered bonds again feel the benefit of the ECB's purchase programme, which has kept issue volumes running ahead of the pack.

Fixed-income issuance abroad saw a moderate decline for the second quarter running, with an increase in long-term borrowings (which doubled) failing to offset the drop in sales of short-term commercial paper. Even so, low-key activity at home meant that business abroad accounted for 34% of Spanish borrowers' second-quarter issuance (against 23% in the first quarter of 2016 and 32% in 2015). Sales to April stood at 23.26 billion euros, down from almost 27.80 billion in the same period 2015. As regards the mix, low interest rates favoured long-term issuance at the expense of commercial paper, which slumped to 24% of total volumes from 66% the previous quarter and 81% in 2015. The period also saw a small decrease in issues by foreign subsidiaries of Spanish companies which placed 17.76 billion euros to April compared to 20.23 billion in the first four months of 2015.

Debt issues abroad continue to contract, but increase their share of total issuance. Long-term debt has raised its weight at the expense of short-term commercial paper.

The ECB's corporate sector purchase programme EXHIBIT 2

The European Central Bank had launched a series of programmes for the purchase of assets on financial markets (expanded asset purchase programmes, APP) as an instrument of its expansionary monetary policy, which includes a battery of non-standard measures.

In 2014, the ECB's Governing Council set in train two private debt purchase programmes: the third covered bond purchase programme (CBPP3)[1] and the asset-backed securities purchase programme (ABSPP). Subsequently, the institution extended the scope of its purchases to bonds issued by euro-area governments and European agencies and institutions under the public sector purchase programme (PSPP)[2], which kicked off in March 2015.

APP purchases to 31 May this year totalled 1.003 trillion euros, corresponding 80% to the PSPP, 18% to the CBPP3 and the other 2% to the ABSPP (see Table E2.1). Of the 806.19 billion euros laid out on public sector instruments in the framework of the PSPP, 94.10 billion went on Spanish bonds with an average maturity of 9.66 years.

Despite the scale of the monetary policy effort, euro-area growth and inflation have continued to weaken, forcing the ECB to revise down its forecasts for both variables. In this framework, the ECB's Governing Council of 10 March 2016 announced a series of supplementary monetary policy measures, including further interest rate cuts (leaving the official rate at 0%, and rates on the deposit and lending facilities at -0.4% and 0.25%, respectively) and new targeted longer-term refinancing operations, (TLTRO), as well as the enlargement of its asset purchase programme to include corporate debt (the corporate sector purchase programme, CSPP). The institution also agreed to scale up its monthly asset purchases from 60 to 80 billion euros and run them until March 2017.

ECB asset purchase programme (31 May 2016) TABLE E2.1

	ABSPP	CBPP3	PSPP	
Billion euros	Total Europe	Total Europe	Spain	Total
Start of programme	Nov 14	Oct 14	Mar 15	
Secondary market purchases	13.2	125.7	96.1	806.2
Primary market purchases	5.8	52.0	–	–
Weighted average maturity (WAM)	–	–	9.66	8.13

Source: ECB. Amounts in billion and maturity in years.

Corporate bonds eligible for the CSPP programme must be denominated in euros, hold a credit rating equivalent to investment grade (BBB- or higher), be issued by corporations established in the euro area and not belonging to a banking group (although debt issued by insurers will qualify), and have a minimum remaining maturity of six months and a maximum of thirty years. Further, the ECB can buy up to 70% of the total volume of bonds issued by a single borrower or of each individual issue.

The idea behind the CSPP is to lower firms' borrowing costs – something that has largely happened since its launch was announced – and encourage them to raise funds and step up investment as a means to boost economic growth. Indirectly, the ECB would also like to see banks direct more of their lending to firms with fewer possibilities of tapping the market.

According to Bloomberg and Standard & Poor's, outstanding debt that meets the ECB's conditions could sum over 500 billion euros, of which around 80 billion would correspond to Spanish corporations. The condition whereby debt must be investment grade is something of a barrier to firms in countries with lower sovereign ratings, since these tend to act as a ratings ceiling. Spanish firms rated investment grade and with outstanding euro-denominated issues numbered 14 at the time of writing this report.

The first corporate bond purchases went through in the second week in June, but the effects of the measure were felt on both the primary and secondary corporate debt market practically from the instant it was announced.

Corporate bond issuance, in effect, picked up significantly in March when the move was made public, after two months of low-key activity due to the uncertain climate prevailing. The situation improved from that point on, and European and Spanish firms took advantage of the more favourable market conditions and lower issuance costs to borrow funds more cheaply, in many cases at historical lows for the corresponding curve term. Table E2.2 tracks Spanish firms' issuance since March in volume and issuance cost (measured as the spread over the prevailing mid-swap rate), looking also at how the market spread has varied (at 15 June) after the first round of purchases under the programme. As we can see, not only primary but also secondary market yields have fallen since the announcement of additional measures. In particular, the spread to mid-swap has narrowed across all the issues in Table E2.2 to below the levels paid at issuance.

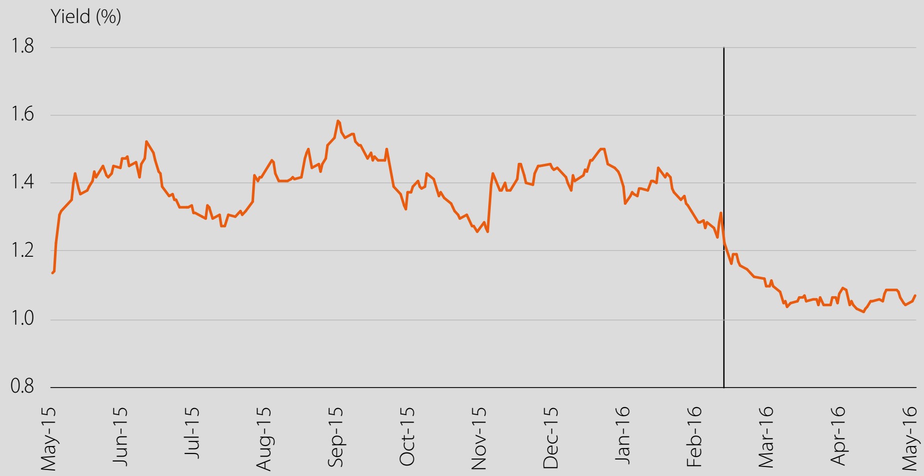
Spanish corporations' debt issuance since March 2016 TABLE E2.2

Issuer	Date	Amount (million euros)	Coupon (%)	Spread over mid-swap (bp)		Maturity
				Issue date	15 June	
Telefónica	6/4/2016	1,350	1.460	95	82	4/2026
Telefónica	6/4/2016	1,400	0.750	65	40	4/2022
Red Eléctrica	7/4/2016	300	1.000	53	36	4/2026
Gas Natural	12/4/2016	600	1.250	75	59	4/2026
Iberdrola	14/4/2016	1,000	1.125	63	45	4/2026
Merlin Prop.	14/4/2016	850	2.225	200	137	4/2023
Dia	18/4/2016	300	1.000	110	59	4/2021
Enagás	26/4/2016	750	1.375	62	50	5/2028
Gestamp	4/5/2016	500	3.500	Bund + 366	Bund + 353	5/2023
Mapfre	10/5/2016	1,000	1.625	115	100	5/2026
Abertis	10/5/2016	1,150	1.375	95	67	5/2026

Source: CNMV.

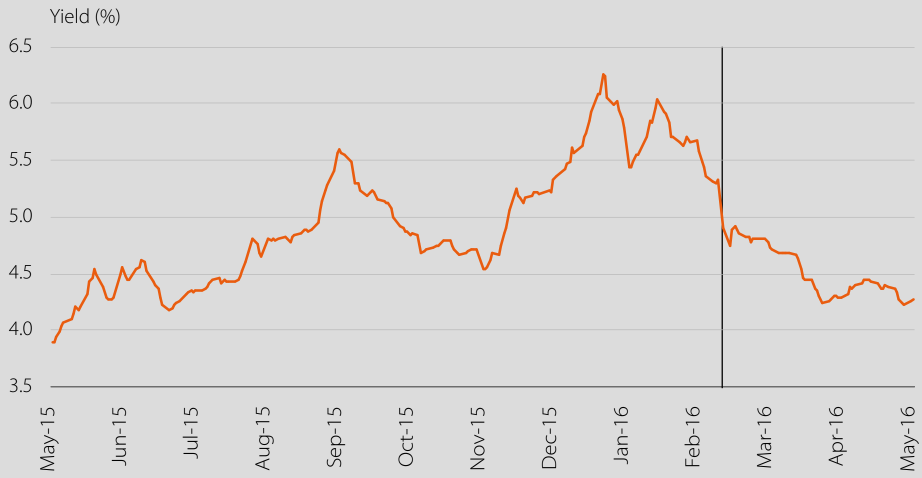
Even before the programme's announcement date, expectations for its launch were being priced in on secondary markets, where yields on investment grade corporate bonds have dropped to historical lows since the year's outset (see Figure E2.1). Lower-rated debt, outside the direct scope of the purchase programme, has benefitted nonetheless from investors' search for yield, which has led them to switch some of their investment grade holdings for riskier assets. Lower quality borrowers too have thus enjoyed a substantial cut in their credit spreads (see Figure E2.2).

Corporate debt FIGURE E2.1



Fuente: Bloomberg (Bank of America Merrill Lynch Euro Corporate Index).

High yield debt FIGURE E2.2



Fuente: Bloomberg (Bank of America Merrill Lynch Euro High Yield Index).

Some analysts and fund managers have voiced concerns that the ECB's programme could impact indirectly on fixed-income markets by thinning the liquidity of an asset class where it is already none too abundant. This effects could be partially mitigated by reducing the programme's primary market purchases in order to conserve secondary market liquidity. Other potential risks flagged include the forming of bubbles, and the chance that yield-seeking investors might be encouraged to take on greater risk. Also, some beneficiary companies might employ the funds raised so cheaply for non-productive investments, like share buybacks or corporate acquisitions at excessively high premiums.

Finally, if the additional package of measures announced by the ECB fails to achieve the stated objectives of restoring higher inflation and boosting economic growth, the bank may again opt to increase the amount of stimulus measures or extend the length of the debt purchase programme beyond March 2017.

1 CBPP3 is the third programme dealing in this asset class. The first two were initiated in 2009 and 2011.
2 The securities market programme (SMP) which ran from 2010 to 2012 included the purchase of public debt issued by euro-area governments.

4 Market agents

4.1 Investment vehicles

Mutual funds[11]

Portfolio losses in the opening quarter skim 1.7% off mutual fund assets, breaking with three years of expansion.

Assets under management in mutual funds fell by 1.7% in the opening quarter to 218 billion euros, the first decline after growing 79.1% over three years of unbroken

11 Although this classification includes hedge funds and funds of hedge funds, we make no separate reference to them here, since they are the subject of their own subsection further ahead.

expansion (see Table 13). Most of the decrease, almost 90%, stemmed from the decline in value of fund portfolios, with returns negative to the tune of -1.36% (0.89% in 2015). Portfolio losses extended across all fund categories except fixed income and guaranteed fixed income, which scraped positive returns of 0.16% and 0.09% respectively (-0.02% and 0.32% in 2015). Of remaining categories, euro equity funds suffered the heaviest losses, at -6.99%, followed by international equity funds (-4.62%), reflecting the adverse performance of stock markets in the period. These precisely were the funds that had gained most in 2015, notably the 4.12% and 6.3% respectively of the fourth quarter (3.44% and 7.84% in the full-year period). Returns in remaining categories ran from the -2.84% of balanced equity funds to the -0.51% of absolute return products.

Net redemptions were not that high and mainly concentrated in balanced and guaranteed fixed-income funds, while subscriptions tended to favour less risky categories.

Net first-quarter outflows of 492 million euros accounted for just over 10% of asset shrinkage (see Table 12). Investors tended to seek out less risky categories in the period, such that the largest net redemptions, summing 1.60 billion, corresponded to the balanced fixed-income products that had attracted most subscriptions in 2014 and 2015 (almost 37 billion in these two years). The next biggest outflows were from guaranteed fixed-income funds. Net redemptions in this case totalled 1.27 billion euros in January-March, prolonging the downtrend begun at end-2012 that has slashed their assets from 36.44 to 10.82 billion. Conversely, absolute return funds saw net inflows of 77.4 million euros, trailing the progress of 2015, while leading the pack were fixed-income funds, with net subscriptions of 2.08 billion, and guaranteed equities (1.75 billion), which returned to positive numbers for the first time in three years.

Net mutual fund subscriptions

TABLE 12

				2015			2016
Millones de euros	2013	2014	2015	2Q	3Q	4Q	1Q
Total mutual funds	**24,133.0**	**35,972.7**	**23,466.6**	**7,566.1**	**2,140.1**	**353.0**	**-492.4**
Fixed income[1]	13,783.1	13,492.7	-5,351.4	-3,926.8	-924.1	-1,577.6	2,078.5
Balanced fixed income[2]	2,059.3	15,712.0	21,167.5	9,335.9	1,864.1	966.1	-1,604.4
Balanced equity[3]	1,881.9	6,567.7	8,153.8	3,548.2	1,188.3	750.5	-712.8
Euro equity[4]	1,730.3	2,184.9	468.9	231.9	112.7	221.6	-251.6
International equity[5]	900.2	531.8	4,060.5	1,269.5	730.9	619.8	-324.4
Guaranteed fixed income	-4,469.2	-10,453.6	-6,807.4	-2,929.7	-1,227.3	-823.0	-1,268.2
Guaranteed equity[6]	-2,070.2	-909.5	-2,599.8	-1,426.5	-352.0	100.3	1,752.9
Global funds	847.4	2,182.3	5,805.3	2,145.2	656.1	651.2	-78.0
Passively managed[7]	9,538.2	4,970.9	-6,264.2	-2,516.0	-695.5	-1,130.6	-152.4
Absolute return[7]	-67.8	1,693.9	4,811.4	1,834.4	752.5	587.1	77.4

Source: CNMV. Estimates only.

1 Includes: Euro and international fixed income and money market funds (as of 3Q 2011, money market funds encompass those engaging in money market and short-term money market investments, Circular 3/2011).

2 Includes: Euro and international balanced fixed income.

3 Includes: Euro and international balanced equity.

4 Includes: Euro equity.

5 Includes: International equity.

6 Includes: Guaranteed and partial protection equity funds.

7 New categories as of 2Q 09. Absolute return funds were previously classed as Global funds.

Main mutual fund variables*

TABLE 13

Number	2013	2014	2015	2015 2Q	2015 3Q	2015 4Q	2016 1Q
Total mutual funds	**2,045**	**1,951**	**1,804**	**1,862**	**1,846**	**1,804**	**1,799**
Fixed income[1]	384	359	319	359	350	319	309
Balanced fixed income[2]	122	123	132	126	128	132	135
Balanced equity[3]	128	131	142	132	134	142	147
Euro equity[4]	108	103	109	109	108	109	111
International equity[5]	193	191	200	196	195	200	201
Guaranteed fixed income	374	280	186	226	202	186	171
Guaranteed equity[6]	308	273	205	225	215	205	204
Global funds	162	162	178	172	176	178	185
Passively managed[7]	169	227	213	221	218	213	221
Absolute return[7]	97	102	97	96	97	97	92
Assets (million euros)							
Total mutual funds	**156,680.1**	**198,718.8**	**222,144.6**	**222,058.0**	**218,773.8**	**222,144.6**	**218,339.2**
Fixed income[1]	55,058.9	70,330.9	65,583.8	67,600.0	66,979.3	65,583.8	67,765.4
Balanced fixed income[2]	8,138.0	24,314.3	44,791.8	42,820.0	43,536.3	44,791.8	42,585.9
Balanced equity[3]	6,312.4	13,570.4	21,502.9	20,056.7	20,138.7	21,502.9	20,170.2
Euro equity[4]	8,632.8	8,401.5	9,092.9	9,377.7	8,535.9	9,092.9	8,160.0
International equity[5]	8,849.0	12,266.4	17,143.2	16,320.9	15,545.7	17,143.2	16,162.8
Guaranteed fixed income	31,481.2	20,417.0	12,375.6	14,702.3	13,437.4	12,375.6	10,818.8
Guaranteed equity[6]	12,503.8	12,196.4	9,966.6	9,996.9	9,567.6	9,966.6	11,862.3
Global funds	4,528.1	6,886.3	12,683.3	11,587.0	11,743.2	12,683.3	12,300.8
Passively managed[7]	16,515.9	23,837.5	17,731.1	19,608.4	18,636.8	17,731.1	17,403.6
Absolute return[7]	4,659.9	6,498.1	11,228.1	9,988.1	10,595.6	11,228.1	11,073.7
Unit-holders							
Total mutual funds	**5,050,719**	**6,409,806**	**7,682,947**	**7,396,161**	**7,505,825**	**7,682,947**	**7,699,646**
Fixed income[1]	1,508,009	1,941,567	2,203,847	2,113,775	2,135,489	2,203,847	2,222,005
Balanced fixed income[2]	240,676	603,099	1,130,190	1,047,453	1,093,235	1,130,190	1,113,180
Balanced equity[3]	182,223	377,265	612,276	559,016	588,211	612,276	596,136
Euro equity[4]	293,193	381,822	422,469	423,996	410,777	422,469	412,495
International equity[5]	457,606	705,055	1,041,517	955,135	988,191	1,041,517	1,052,810
Guaranteed fixed income	1,002,458	669,448	423,409	498,140	453,383	423,409	378,017
Guaranteed equity[6]	608,051	557,030	417,843	438,262	419,718	417,843	463,423
Global funds	128,741	223,670	381,590	371,784	396,176	381,590	383,066
Passively managed[7]	441,705	686,526	554,698	584,270	574,816	554,698	557,262
Absolute return[7]	188,057	264,324	479,182	404,330	429,512	479,182	505,442
Return[8] (%)							
Total mutual funds	**6.50**	**3.67**	**0.89**	**-1.98**	**-2.36**	**1.51**	**-1.36**
Fixed income[1]	2.28	2.41	0.10	-1.24	-0.02	0.38	0.16
Balanced fixed income[2]	4.16	3.67	0.16	-2.14	-1.84	0.97	-1.27
Balanced equity[3]	10.85	4.70	0.15	-2.53	-4.97	2.43	-2.84
Euro equity[4]	28.06	2.09	3.44	-4.81	-9.98	4.12	-6.99
International equity[5]	20.30	6.61	7.84	-2.75	-8.71	6.30	-4.62
Guaranteed fixed income	4.96	2.54	0.27	-0.65	0.32	0.09	0.09
Guaranteed equity[6]	6.15	2.64	1.07	-2.76	-1.48	1.18	-0.87
Global funds	8.71	4.63	2.45	-1.82	-4.38	2.33	-2.21
Passively managed[7]	8.88	7.74	0.53	-2.68	-1.44	1.23	-1.13
Absolute return[7]	2.46	1.98	0.12	-1.47	-1.31	0.45	-0.51

Source: CNMV. *Data for funds that have filed financial statements (i.e., not including those in the process of winding-up or liquidation).

1 Includes: Euro and international fixed income and money market funds (as of 3Q 2011, money-market funds encompass those engaging in money market and short-term money market investments, Circular 3/2011).

2 Includes: Euro and international balanced fixed income.

3 Includes: Euro and international balanced equity.

4 Includes: Euro equity.

5 Includes: International equity.

6 Includes: Guaranteed equity and partial protection equity funds.

7 New categories as of 2Q 2009. All absolute return funds were previously classed as Global funds.

8 Annual return for 2013, 2014 and 2015. Quarterly data comprise non-annualised quarterly returns.

The number of funds appears to be stabilising after falling sharply since 2013. By end-March this year, a total of 1,799 were on the register, just 5 fewer than at end-2015 compared to the 147 reduction of 2014 (42 in the closing quarter). Like last year, the sharpest drop was in guaranteed fixed-income funds (15), followed by fixed income (10). Conversely, the biggest additions were among global funds (7) and, notably, passively managed funds (8), recalling their growth spurt of 2014.

Fund numbers start to stabilise after the declines of recent years…

Fund unit-holder numbers were practically unchanged at 7.7 million (up 0.2%). In line with asset movements within the industry, the biggest increase, of 45,580, was in guaranteed equity, ahead of global and fixed-income funds with an additional 26,260 and 18,158 respectively. The rush out of guaranteed fixed-income funds has continued year to date, with the additional loss of 45,392 investors leaving total membership at 378,017 (compared to more than one million when their popularity was at its height).

… as do the number of unit-holders.

Preliminary data for April 2016 point to a degree of industry recovery, with assets and unit-holder numbers up by around 1% with respect to March and fixed-income and guaranteed equity funds apparently continuing their ascent.

April figures point to renewed industry expansion after the turmoil of the opening months.

The liquidity of the fixed-income portfolio deteriorated again in 2015 after several years' improvement, but has fought back somewhat in the opening months of 2016. The volume of less-liquid fund assets rose by 2 billion last year to 4.19 billion euros, before easing to 3.79 billion in March this year (see Table 14). This amounts to 1.7% of total fund assets (1.9% at the 2015 close), against the 1.1% of twelve months ago. Even so, thinly liquid assets are less of a problem than in 2009, when they exceeded 8% of the industry-wide total. By category, the biggest development was the increase in less-liquid assets under financial fixed income rated below AA, up by 380 million euros (+41%) since March 2015 after climbing 562 million to December that same year.

Less-liquid assets drop slightly in the first quarter as a proportion of the mutual fund fixed-income portfolio after the rebound experienced in 2015.

Estimated liquidity of mutual fund assets TABLE 14

	Less-liquid investments					
	Million euros			% total portfolio		
Type of asset	Sep 15	Dec 15	Mar 16	Sep 15	Dec 15	Mar 16
Financial fixed income rated AAA/AA	36	53	71	3.4	4.6	6.0
Financial fixed income rated below AA	1,314	1,497	1,315	6.0	6.9	6.5
Non-financial fixed income	401	481	383	4.1	4.6	3.6
Securitisations	1,194	1,077	1,010	46.8	41.8	48.2
AAA-rated securitisations	50	31	26	90.6	87.1	86.6
Other securitisations	1,144	1,046	984	45.8	41.2	47.6
Total	**4,139**	**4,187**	**3,790**	**17.4**	**17.3**	**16.7**
% of mutual fund assets	**1.9**	**1.9**	**1.7**			

Source: CNMV.

Real estate schemes

Main real estate scheme variables remained largely unchanged in the first three months of 2016, as they had done in the closing stretch of 2015.

The industry enjoys relative stability over the year's first months.

No major change in the number or size of real estate funds, though their profitability is steadily improving.

The funds segment, in recent years the worst hit by the real estate downturn, closed the period with the same three schemes operative as at year-end 2014. Their combined assets, at 390.2 million euros, were a bare 0.2% down versus the 2015 close after falling 4% that year. Unit-holder numbers stood at 3,928, ten more than at end-2015. Finally, fund returns picked up to -0.21% in the opening months on a timid recovery in sector prices, still negative but a large improvement on the -7% of 2015.

The number of companies and shareholders stays flat in the opening quarter, while their assets climb by 3.6%.

The six real estate investment companies in operation since the second quarter of 2015 grew their assets 3.6% in the first quarter of 2016 to 727.5 million euros, with shareholder numbers practically unaltered at 582 (one fewer than last December).

Hedge funds

Spanish hedge fund assets shrink slightly in the first two months of 2016.

Hedge fund assets contracted by 7.3% in the first two months of 2016 to 1.93 billion euros. The number of schemes filing statements with the CNMV was unchanged with respect to mid-2015: ten funds of hedge funds and 37 hedge funds *per se*.

In the case of pure hedge funds, the decrease stems from 72 million in net redemptions plus negative portfolio returns (-3.9%).

As we can see from Table 15, pure hedge funds had 1.62 billion euros in assets in February 2016. This was 8.1% down on the figure for the fourth quarter of 2015 after two years of robust growth (+70.2% between 2013 and 2015). The decline in assets stemmed from both net redemptions (71.6 million between January and February 2016) and portfolio losses of -3.87% following on from years of ample returns. Unit-holder numbers fell by 1.9% to 3,030.

Funds of hedge funds also shed assets (-2.9%), but the number of schemes stays constant after several years' decline.

Fund of hedge fund assets, meantime, shrank by 2.9% versus the fourth quater of 2015 to a February total of 311 million euros, while unit-holder numbers stayed practically flat at 1,261 (after a series of 2015 closures left their numbers reduced to less than half). Portfolio returns were -1.55%, the first negative outcome in several years, repeating the experience of the pure hedge fund segment.

Main hedge fund and fund of hedge fund variables

TABLE 15

				2015			2016
	2013	2014	2015	2Q	3Q	4Q	1Q[1]
FUNDS OF HEDGE FUNDS							
Number[2]	19	14	10	10	10	10	10
Unit-holders	3,022	2,734	1,265	1,363	1,365	1,265	1,261
Assets (million euros)	350.0	345.4	320.0	346.0	338.0	320.0	310.7
Return (%)	4.39	8.48	6.16	-3.29	-1.90	2.07	-1.55
HEDGE FUNDS							
Number[2]	28	36	37	38	37	37	37
Unit-holders	2,415	2,819	3,089	3,120	3,121	3,089	3,030
Assets (million euros)	1,036,70	1,369.5	1,764.8	1,704.1	1,708.5	1,764.8	1,622.7
Return (%)	16.48	5.30	4.97	-2.49	-5.56	3.90	-3.87

Source: CNMV.

1 Data to February 2016.

2 Number of funds that have filed financial statements (i.e., not including those in the process of winding-up or liquidation).

Foreign UCITS marketed in Spain

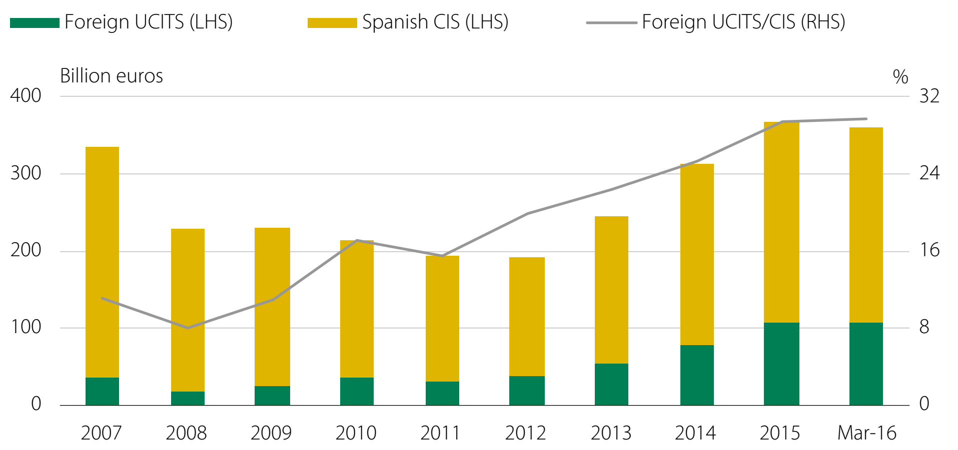
The strong expansion enjoyed by this segment since 2012 (with investment volumes tripling to 2015) seems to have run out of steam in the opening quarter of 2016, which saw its combined assets slip back 0.7% to 107.33 billion euros. As we can see from figure 20, this was 29.7% of all assets managed by UCITS sold in Spain, on a par with the percentage recorded at end-2015.

The expansion of foreign UCITS maintained since 2012 appears to have halted in the first months of 2016…

This small decline in the size of foreign UCITS was explained by a 2% drop in investment company assets to 90.96 billion euros, while fund assets expanded by 7% versus the 2015 close to 16.37 billion. Investor numbers mirrored these movements with a 1.8% decrease for companies contrasting with an 8.8% gain for funds. The resulting total of 1.6 million represented an increase of 0.1%. The number of schemes increased in both cases, with 3 more funds and 21 more companies registered with the CNMV (428 and 476 respectively at end-March 2016). Most new entrants, as in previous years, came from Luxembourg and Ireland.

… albeit with notable divergence between the still expanding funds segment and the companies segment, with declines in both asset volumes and investor numbers.

Assets of foreign UCITS marketed in Spain FIGURE 20



Source: CNMV.

Outlook

The collective investment industry has fought back strongly since 2012 after a run of tough years, and now appears to be entering a period of stability. It should continue to benefit from low interest rates in the financial sector, but must cope with the risks posed by bond market turbulence and volatile equity prices. Investors have apparently reacted to this volatility by switching into products such as guaranteed funds, which for two or three years had been losing out to riskier categories of funds.

Current interest rates are good news for the fund industry, though unsettled markets could hold back growth as investors turn to less risky products.

4.2 Investment firms

Investment firms have again had to contend with jittery financial markets. Their aggregate pre-tax profits were 49.2 million euros in the first quarter of 2016, 30.8% down on the same period 2015, suggesting that last year's business stall after two

The pattern of 2015 repeats, with investment firm profits down 31% in 1Q 2016 on the unsettled state of financial markets.

years of solid recovery has continued to the present day. At end-May, a total of 80[12] firms were listed on the CNMV registers, down from 81 at the 2015 close after four deregistrations and three new entries. Of this total, five were passported to operate in other EU countries via a branch, one fewer than at end-2015, and 38 under the free provision of services, two fewer than five months before.

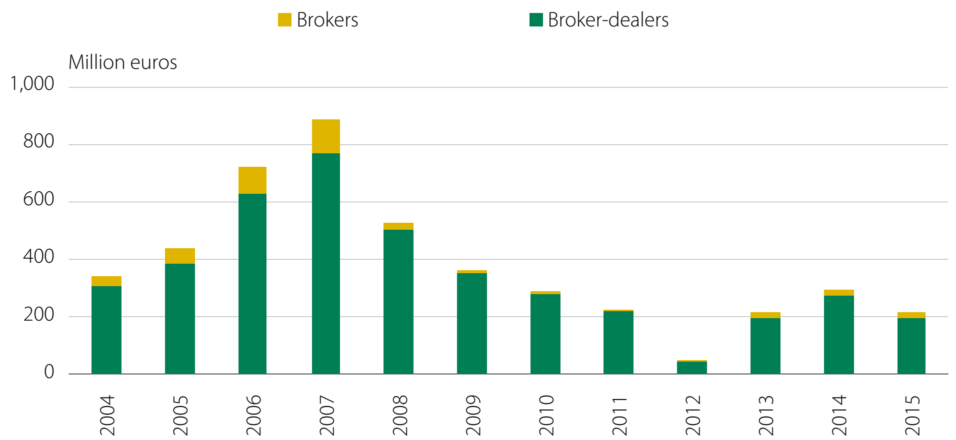
Aggregate profits of broker-dealers fall 10% after a 19% contraction in fee income led by order processing and execution (-31%). Income from CIS marketing, conversely, rises 5%.

Broker-dealers saw business contract in the opening quarter, when their pre-tax profits fell by 9.6% to 47.4 million euros. This sum comprised 90% of total sector earnings (see Table 16). The profits stall had its origin in falling fee income and poorer results from financial investments. Fee income, specifically, dropped by 19.3% compared to January-March 2015 as far as 137.5 million euros (-2.9% in 2015). The biggest loss in fee income came from processing and execution, down 31.4% versus the first quarter of 2015 to 65.2 million euros. This item furthermore brings in around 50% of all broker-dealer fees. The second most important earner, fees from CIS marketing, moved up 5.3% to 18.3 million, building on the 17.4% advance of 2015.

Other downside factors were 61% lower results from financial investments and operating expenses down significantly less than income.

Still above the net operating income line, results of financial investments plunged by 60.9% to 21.8 million euros, driving gross margin down by 21.5% from 158.6 to 124.5 million euros. Factoring this decline and the fact that operating expenses fell significantly slower than income (7.5% to 85.8 million euros), net operating income at March 2016 was 37.1 million euros, 39.7% less than in the same period 2015.

Investment firm pre-tax profits[1] FIGURE 21



Source: CNMV.

1 Except investment advisory firms and portfolio management companies.

Brokers' profits slump by 81%, the main reason being lower fee income, especially from order processing and execution (-36%) and CIS marketing (-3%).

Brokers also experienced a business downturn in the period analysed, with profits falling 81.0% to 1.8 million euros. The cause of this poor result, as with broker-dealers, lay primarily in net fee income. The difference was that CIS marketing fees, the biggest earner for brokers, dropped by just 3.3% to 12.5 million euros. Still under the fees caption, order processing and execution brought in 6.4 million (-35.9%), and investment advisory services 1.7 million (-31.3%), while portfolio management fees rose 26.6% to 2.8 million, lifting this item into third place. Gross margin contracted 25% in the first quarter to 24.4 billion euros, and operating expenses fell just 3.4% to 22.4 million euros.

12 Excluding investment advisory firms, which are dealt with separately in a later section in view of their different characteristics.

Aggregate income statement (Mar 16)

TABLE 16

	Broker-dealers			Brokers		
Thousand euros	Mar 15	Mar 16	% change	Mar 15	Mar 16	% change
1. Net interest income	7,985	7,216	-9.6	175	159	-9.1
2. Net fee income	118,547	91,676	-22.7	31,049	24,770	-20.2
2.1. Fee income	170,459	137,511	-19.3	35,222	29,949	-15.0
2.1.1. Order processing and execution	95,029	65,205	-31.4	9,993	6,404	-35.9
2.1.2. Placement and underwriting	239	629	163.2	1,183	229	-80.6
2.1.3. Securities administration and custody	5,934	12,323	107.7	113	147	30.1
2.1.4. Portfolio management	6,276	5,453	-13.1	2,246	2,844	26.6
2.1.5. Investment advising	1,497	647	-56.8	2,441	1,676	-31.3
2.1.6. Search and placement	55	80	45.5	0	18	–
2.1.7. Margin trading	0	0	–	0	0	–
2.1.8. CIS marketing	17,379	18,307	5.3	12,883	12,457	-3.3
2.1.9. Others	44,050	34,868	-20.8	6,363	6,174	-3.0
2.2. Fee expense	51,912	45,835	-11.7	4,173	5,179	24.1
3. Results of financial investments	55,799	21,838	-60.9	885	-94	–
4. Net exchange differences	-27,423	-2,439	91.1	615	-163	–
5. Other operating income and expense	3,648	6,232	70.8	-170	-258	-51.8
GROSS INCOME	**158,556**	**124,523**	**-21.5**	**32,554**	**24,414**	**-25.0**
6. Operating expenses	92,743	85,761	-7.5	23,191	22,409	-3.4
7. Depreciation and other charges	3,725	1,444	-61.2	265	299	12.8
8. Impairment losses	510	180	-64.7	2	4	100.0
NET OPERATING INCOME	**61,578**	**37,138**	**-39.7**	**9,096**	**1,702**	**-81.3**
9. Other profit and loss	213	10,304	4,737.6	194	61	-68.6
PROFITS BEFORE TAXES	**61,791**	**47,442**	**-23.2**	**9,290**	**1,763**	**-81.0**
10. Corporate income tax	11,231	6,747	-39.9	909	275	-69.7
PROFITS FROM ONGOING ACTIVITIES	**50,560**	**40,695**	**-19.5**	**8,381**	**1,488**	**-82.2**
11. Profits from discontinued activities	0	0	–	0	0	–
NET PROFIT FOR THE YEAR	**50,560**	**40,695**	**-19.5**	**8,381**	**1,488**	**-82.2**

Source: CNMV.

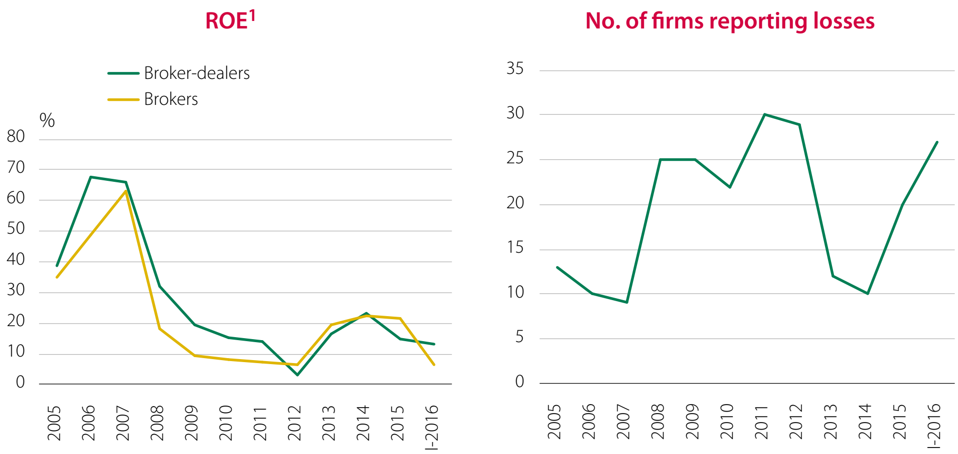
Investment firm profitability is eroded by the earnings slump.

The return on equity (ROE) earned by investment services firms sank from 15.3% to 12.7% between December 2015 and March 2016 on the sector-wide contraction in earnings. Worst to suffer were brokerage houses whose ROE slumped from 21.5% to 6.3% against the more moderate decline of the broker-dealer segment, from 14.8% to 13.1% (see left-hand panel of Figure 22).

Increase in both loss-making firms and the amount of their losses in 2015 and the first months of 2016.

The number of loss-making entities rose steadily through 2015 and the first quarter of 2016 as business turned down. By end-March, a total of 27 firms were in this situation compared to twenty at the 2015 close and ten in December 2014 (see right-hand panel of Figure 22). Both broker-dealers and brokers shared in the increase. Broker-dealers reporting losses climbed from four in 2014 to eight in 2015 and eleven at end-March, while loss-making brokers numbered six, twelve and sixteen respectively. The combined 8 million euros losses reported in the first quarter of 2016 were more than double the total for the same period 2015.

Pre-tax ROE of investment firms and loss-making entities FIGURE 22



Source: CNMV.

1 ROE based on annualised pre-tax earnings.

Investment firm solvency remains optimal in 1Q 2016.

Investment firms' solvency conditions remained optimal in the first quarter of the year. In March 2016, the capital adequacy ratio of firms that have to file solvency statements,[13] calculated as regulatory capital over minimum capital requirement, was 4.3 for broker-dealers and 2.3 for brokers. This compares to 4.8 and 2.2 respectively at the end of 2015 (see Figure 23).

Assets under advice by IAFs grow a further 19% in 2015 to over 25 billion euros...

Investment advisory firms (IAFs) continued to grow their business through 2015, which closed with assets under advice up by 18.6% to 25.40 billion euros (see Table 17). The fastest expanding client segment was eligible counterparties[14] (the "others" heading) with assets up by 24.3% to 13.5 million euros (after shrinking to almost half in 2014), while the assets under advice of retail and professional customers climbed by 18.5% and 5.8% respectively.

… while the number of firms climbs by 11 to 154, 21 of them passported to do business in other EU countries besides Spain.

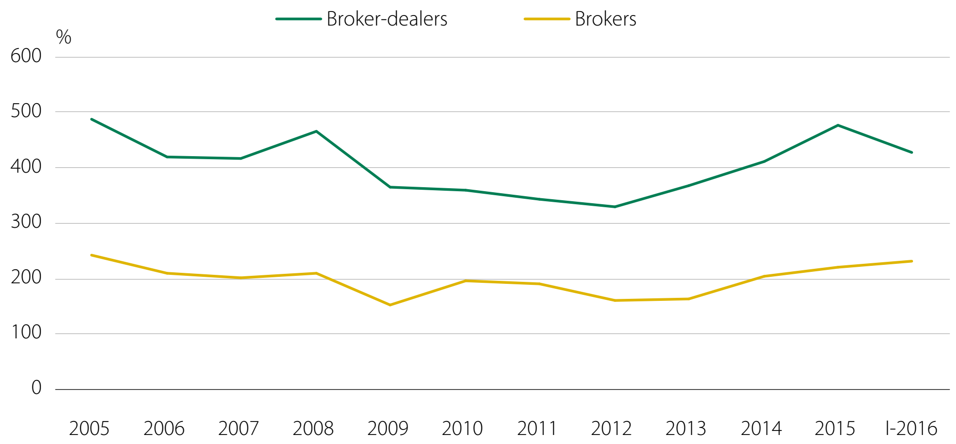
Retail customers may not have led the growth spurt in 2015, but they have come to acquire a major share of total IAF business, up from 10.6% of assets under advice at the end of 2010, when they entered the market, to 26.7% at the 2015 close. Fee income, meantime, rose by 16.1% to 55.5 million euros mirroring the upward progression of sector assets. The number of IAFs, finally, increased from 143 at end-2014 to 154, of which 21 were passported to provide investment advice in other EU countries under the free provision of services, ten more than at the 2014 close.

13 As of 1 January 2014, CNMV Circular 2/2014, of 23 June, on the exercise of various regulatory options regarding the solvency of investment firms and their consolidable groups exempts some firms from the requirement to report on their compliance with solvency standards, an exemption that currently extends to 5 of the 78 investment firms registered with the CNMV.

14 Eligible counterparty is a MiFID classification denoting less need for protection, normally assigned to banks, other financial institutions and governments.

Investment firm capital adequacy (surplus of eligible capital to the minimum requirement)[1]

FIGURE 23



Source: CNMV.

1 There have been minor changes to the way capital adequacy requirements are calculated since 2014 when Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms came into effect.

Main investment advisory firm variables

TABLE 17

Thousand euros	2012	2013	2014	2015	% change 15/14
NUMBER OF FIRMS	**101**	**126**	**143**	**154**	**7.7**
ASSETS UNDER ADVICE	**14,776,498**	**17,630,081**	**21,391,510**	**25,366,198**	**18.6**
Retail customers	3,267,079	4,991,653	5,719,292	6,777,181	18.5
Professional customers	3,594,287	3,947,782	4,828,459	5,109,979	5.8
Others	7,915,132	8,690,646	10,843,759	13,479,037	24.3
NUMBER OF CUSTOMERS[1]	**–**	**–**	**–**	**5,652**	**–**
Retail customers	–	–	–	5,160	–
Professional customers	–	–	–	318	–
Others	–	–	–	174	–
NUMBER OF CONTRACTS[1]	**3,484**	**4,002**	**4,639**	**–**	**–**
Retail customers	3,285	3,738	4,323	–	–
Professional customers	175	235	276	–	–
Others	24	29	40	–	–
FEE INCOME	**26,177**	**33,272**	**47,767**	**55,469**	**16.1**
Fees received	26,065	33,066	47,188	54,525	15.5
From customers	20,977	26,530	37,943	43,964	15.9
From other firms	5,088	6,537	9,245	10,561	14.2
Other income	112	206	579	944	63.0
EQUITY	**13,402**	**21,498**	**26,538**	**24,357**	**-8.2**
Share capital	4,365	5,156	5,576	5,881	5.5
Reserves and retained earnings	4,798	9,453	8,993	7,451	-17.1
Profit/loss for the year[2]	4,239	6,890	11,969	11,034	-7.8

1 With the entry to force of CNMV Circular 3/2014, firms ceased to report number of contracts, instead reporting the number of active customers.

Unstable equity markets and competition from the banks are complicating the outlook for investment firms.

After two or three better years, equity market instability is starting to weigh on investment firm earnings, since their main business lines are tied in with market trading. The prospects for the sector are further clouded by growing competition from domestic credit institutions, which are starting to muscle in on traditional investment firm activities like order processing and execution. Note finally that the restructuring of the Spanish banking system has so far had little corporate impact on the investment services sector: of the ten deregistrations in 2015 and the first five months of 2016, only three were the result of a takeover (the remainder corresponding to changes of corporate form or the firm's liquidation).

CNMV Guidelines for the Preparation of Investment Firm Recovery Plans EXHIBIT 3

Law 11/2015, of 18 June 2015, on the recovery and resolution of credit institutions and investment firms and its implementing Royal Decree 1012/2015,[1] of 6 November, mark the transposition to Spanish legislation of Directive 2014/59/EU of the European Parliament and the Council, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms.[2] The new text takes over in almost every respect from Law 9/2012, of 14 November, on credit institution restructuring and resolution, which governed the recent restructuring of Spain's financial sector. The European Banking Authority (EBA) has issued the competent authorities with guidelines and technical standards to ensure uniform application of Directive 2014/59/EU.

One substantive novelty of the Directive and the corresponding Spanish text is its extension to investment firms, albeit excluding those with a business scope below that of broker-dealers (brokers, portfolio management companies and investment advisory firms), as well as broker-dealers not engaging in own account trading, placement and underwriting or securities custody and administration.

The new Law establishes a specific legal procedure over and above standard insolvency proceedings for financial corporation restructuring or liquidation when the public interest is deemed to be at stake. This treatment is warranted by the singular nature of such corporations and their degree of interconnectedness with a country's financial system and indeed its economy. The idea is to limit the impact of restructuring and resolution processes on the real economy and financial stability, so one failing corporation does not end up contaminating the whole system. The intention also is to internalise the cost of such processes, so shareholders and creditors bear more of the losses, reducing the call on taxpayers' resources, while guaranteeing stronger protection of depositors and the holders of repayable funds.

Rules are also laid down for early intervention (applicable to a credit institution when it does not comply, or will foreseeably be unable to comply in the near future, with solvency, regulatory and disciplinary rules, but is in a position to return to compliance through its own means), one of whose main instruments is the recovery plans. Under Law 9/2012, such plans were only obligatory for institutions suffering difficulties. Now, however, their use is prescribed across the board in view of their eminently preventive nature. Consequently, all entities must draft and keep updated an action plan envisaging the measures and actions necessary to restore their financial position in the event that it undergoes significant deterioration. The plan should include a set of quantitative and qualitative indicators that will serve as a reference for undertaking the actions envisaged, along with diverse scenarios of financial and macroeconomic instability hypothetically affecting the financial system as a whole or the institution or its group.

Both Law 11/2015 and Royal Decree 1012/2015 call on the CNMV to adopt implementation guidelines, as the competent supervisory authority for investment firms. The CNMV has accordingly prepared a set of guidelines in accordance with its Activity Plan for 2016, defining both the obligated subjects for the drafting of recovery plans and the plans' preparation and evaluation, drawing on the guidelines and technical standards issued by the EBA. These guidelines take on board the proportionality principles expressed in the legislation and the economic realities of the firms involved.

In December 2015, a total of 38 broker-dealers were subject to these obligations. Their combined assets barely exceeded 7 billion euros, such that none would appear *a priori* to represent a significant systemic risk, although any conclusion must of course await individual analysis of each case.

Prior to their approval, the guidelines were reviewed by the FROB (Fund for Orderly Bank Restructuring), Banco de España and the Fondo de Garantía de Inversiones (investors compensation scheme). Their content is as follows:

Guideline 1: *Recovery plans will not be obligatory for broker-dealers that do not render investment services giving rise to the obligation to draw up recovery plans, and have applied to eliminate them from their activity programmes.*

Compliance will be required of those broker-dealers authorised to provide one or several of the services of own account trading, placing of financial instruments without a firm commitment basis, underwriting or placement of financial instruments on a firm commitment basis and the management of multilateral trading facilities, or authorised to provide ancillary securities custody and administration services and to hold customer cash or securities on deposit.

Guideline 2: *Individual recovery plans will not, as a rule, be obligatory for broker-dealers belonging to a group subject to consolidated supervision by Banco de España, the CNMV or other competent authorities within the European Economic Space. Individual plans, however, may be sought when the supervisory circumstances so advise.*

Guideline 3: *For the first round of plans, all broker-dealers should be allowed the choice of drafting and approving simplified recovery plans unless the available information suggests otherwise. In later years, the regulator will consider the decision adopted for each institution within scope of the resolution regime, and those that will not* a priori *enter normal insolvency proceedings may be required to draft and approve full recovery plans.*

The law empowers the competent supervisor to establish simplified conditions for the content and details of recovery plans in view of the particular circumstances deriving from each entity's structure, nature and business profile. The EBA has published Guidelines 2015/16 on the application of simplified obligations, setting out a list of optional and mandatory criteria and indicators against which competent and resolution authorities should assess institutions to decide their eligibility for the simplified regime. These criteria are: size, interconnectedness, scope and complexity of activities, risk profile, nature of business, shareholder structure, legal form and membership of an institutional protection system. In view of the characteristics of the broker-dealer sector, the CNMV considers that all firms are theoretically eligible for the simplified obligation.

Guideline 4: *Use the key elements of information specified by the EBA as a blueprint for the preparation of simplified recovery plans.*

The reference here is to the draft technical standards prepared by the EBA (RTS/2014/11) for submission to the European Commission, setting out the minimum content of the recovery plans of entities qualifying for simplified obligations. This document groups the required information under five headings: a summary of the recovery plan; information on governance; a strategic analysis; a communication plan and a description of preparatory measures. These cover the essential items a simplified recovery plan is expected to include.

Guideline 5: *Broker-dealer recovery plans should posit a single scenario combining systemic and idiosyncratic events.*

The purpose of scenarios is to define a series of hypothetical events with which to test both the effectiveness of restructuring options and the design of the indicators used in the recovery plan. For firms electing the simplified version it will suffice for recovery plans to include a single scenario combining systemic and idiosyncratic events.

Guideline 6: *Recovery plans should include at least one indicator from each of the four mandatory categories, although the CNMV may refrain from applying any that are irrelevant having regard to the institution's business model.*

Plans should include a series of indicators that serve to trigger the actions envisaged. Such indicators, qualitative or quantitative, will refer to the firm's financial situation. In its Guidelines 2015/02, the EBA specifies a series of qualitative and quantitative indicators for mandatory inclusion in sector recovery plans, to cover at least the following categories: capital, liquidity, profitability and asset quality.

Guideline 7: *The deadline for submitting the first recovery plans is set at 30 June 2016. Plans should be updated on a two-yearly basis. Finally, the first recovery plan of new broker-dealers will be submitted to the CNMV before the first 30 June after its entry in the CNMV registers, provided at least one year has elapsed.*

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1 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 the deposit guarantee funds of credit institutions.

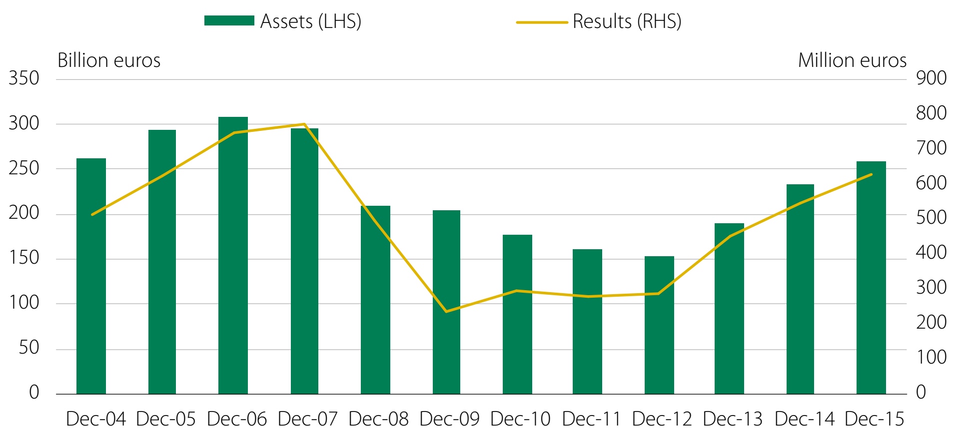
2 Directive 2014/59/EU of the European Parliament and of the Council, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 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.

4.3 CIS management companies

CIS management companies did slower business in the first quarter of 2016, with assets under management dropping 2% with respect to the year-ago period (see Table 18). It bears mention, however, that 2015 had been a particularly good year, which closed with assets under management up 11.2% to 258 billion euros and pre-tax profits up 14.8% to 626.4 million euros (see Figure 24). More than 90% of asset growth traced to the mutual fund segment, though companies too fared well in the year. Finally, sector concentration remained a stand-out, with the three top managers combined commanding a 43% share of total assets (36% at end-2014).

CIS managers report a 2% drop in assets in 1Q 2016. Note, though, that 2015 was a year of industry expansion when assets and profits grew by 11% and 15% respectively.

CIS management companies: Assets under management and pre-tax profits FIGURE 24



Source: CNMV.

Business improvement was mirrored in CIS management fees, the biggest component of managers' income. These were 4.88 billion euros at end-March 2016, up 21.8% since the 2015 close. The average management fee was 0.95% of managed assets compared to the 0.85% of end-2014, principally because mutual funds have restructured their portfolios toward riskier types of assets that generally pay higher fees. Similarly, the ROE of the CIS management sector increased sizeably, continuing the pattern of recent years, from 48.5% in December 2014 to 54.7% in December 2015. The number of loss-making managers fell from 14 to 11, although the combined volume of their losses rose by 24.7% to 3.5 million euros.

ROE moves higher in 2015 accompanied by a fall in the number of loss-making managers.

Restructuring in the sector, which followed the restructuring of the financial system, seems to be nearing its end. In the year 2015, only two out of five fund manager closures were attributable to this process, while not one deregistration has been notified in the first five months of 2016. The five new entrants in this period lifted the number of operators to 101 at 31 May compared to the 96 of end-2015.

A total of 101 collective investment scheme managers were registered in May, five more than at the 2015 close, suggesting that sector reorganization is near to its end.

CIS management companies: Assets under management, management fees and fee ratio

TABLE 18

Importes en millones de euros

	Assets under management	CIS management fee income[2]	Average CIS management fee (%)	Fee ratio (%)[1]
2009	203,730	1,717	0.84	68.1
2010	177,055	1,639	0.93	67.2
2011	161,481	1,503	0.93	65.6
2012	152,959	1,416	0.93	64.6
2013	189,433	1,588	0.84	62.0
2014	232,232	2,004	0.85	61.8
2015	258,201	2,440	0.95	63.7
Mar 2016	253,157	–	–	–

Source: CNMV.

1 Ratio of fee expenses for fund marketing to fee income from CIS management.

2 Data for fee income and average management fee restated on an annual basis.

4.4 Other intermediaries: Venture capital

The entry of Law 22/2014, of 12 November, paves the way for new closed-ended investment vehicles intended to promote venture capital as an alternative financing route.

Law 22/2014, of 12 November, provides the option of creating new types of vehicle to promote venture capital as an alternative financing route. The vehicles in question are SME venture capital entities (companies and funds), European venture capital funds, European social enterprise funds and closed-ended collective investment schemes (companies and funds). It also regulates closed-ended collective investment scheme management companies, a name now in use for both old-style venture capital entity management companies and the managers of the new closed-end schemes. All are obliged to register previously with the CNMV.

The number of VCEs increases in the first five months of 2016, after the contraction of 2015, despite multiple investment company closures.

The number of venture capital entities (VCEs) rose from 265 to 274 in the first five months of 2016, compared to the five deregistrations of full-year 2015 (see Table 19). By contrast, the number of venture capital companies (VCCs) fell sharply in both periods, with a total of 33 deregistrations (25 in 2015 and 8 in 2016) against just seven new entries (three last year and four this). Note that many of the firms deregistering were single-shareholder corporations, which stand outside the scope of the new Law. Finally, the segment of venture capital funds (VCFs) welcomed three entrants in 2015 and a further three in January-May 2016, leaving the end-May total at 151.

23 SME VCEs have been set up in 2015- 2016 (11 funds and 12 companies) along with one European venture capital fund.

The first SME venture capital entities made their appearance in 2015; eight funds and six companies joined by three and six, respectively, in 2016 to make eleven and twelve in operation at 31 May this year. Many of them, especially funds, were transformations of existing VCEs investing in SMEs which complied with the new rules for setting up as SME venture capital entities. They were joined this February by the only European venture capital fund operative at the time of writing.

As to closed-ended vehicles, there were four in all (three companies and a fund) by May 2016, each of them created after December 2015. A total of 81 closed-ended investment scheme management companies (taking in former VCE management companies) were operative at this same date, following seven entries and three deregistrations. Most of the new managers set up in 2015 and 2016 operate investment policies geared to sectors linked to new technologies and the information society.

Three closed-ended companies and one fund have been launched since December 2015. A total of 81 management companies were operative at end-May 2016, four more than at the 2015 close and seven more than in 2014.

At December 2015, the most common strategy, extending to 87 VCEs (seven fewer than at the 2014 close), was to invest preferably in expansion phase concerns. These accounted for 20.3% of sector-wide assets (36.3% if we strip out VCEs investing in other venture capital operators). One development of note has been the surge in VCEs investing mainly in start-ups, up from 33 in 2013 to 46 in 2015 and representing 6.2% of the total (11.1% excluding VCEs that invest in VCEs).

The most widespread VCE investment strategy, extending to 87 firms, is targeted on expansion phase companies, though start-up specialists have been coming up fast in recent years.

Movements in the VCE register in 2015

TABLE 19

	Situation at 31/12/2014	Entries	Retirals	Situation at 31/12/2015	Entries	Retirals	Situation at 31/05/2016
Entities							
Venture capital funds	145	16	13	148	5	2	151
SME venture capital funds	0	8	0	8	3	0	11
European venture capital funds	0	0	0	0	1	0	1
Venture capital companies	125	3	25	103	4	8	99
SME venture capital companies	0	6	0	6	6	0	12
Total venture capital entities	**270**	**33**	**38**	**265**	**19**	**10**	**274**
Closed-ended collective investment funds	0	0	0	0	1	0	1
Closed-ended collective investment companies	0	1	0	1	2	0	3
Total closed-ended collective investment schemes	**0**	**1**	**0**	**1**	**3**	**0**	**4**
Closed-ended investment scheme management companies	**74**	**10**	**7**	**77**	**7**	**3**	**81**

Source: CNMV.

VCE assets decreased by 8.5% in 2015 to 7.77 billion euros. The company segment accounted for 100% of this decline after shedding 23.2% if its assets (to 3.42 billion euros) due in part to a spate of deregistrations. Funds, conversely, grew their assets 7.8% to 4.35 billion.

VCEs assets fell by 8.5% in 2015 with the companies segment bearing the brunt. Funds, conversely, grew their assets in the period.

The funds segment, including both traditional and new modalities, underwent a small shift in its investor mix in 2015. Specifically, incoming investment from foreign VCEs surged by 85.7% to 363 million euros, and public sector investment climbed by 25.5% to over 700 million, giving public authorities top spot in the VCF portfolio (see Table 20). At the other extreme, other foreign entities cut their investment by 16.9% to 625 million euros.

Foreign entities reduce their share of the VCF investor mix, in favour basically of foreign VCEs and the government sector.

In the VCC segment, likewise including SME venture capital firms, the two biggest investors, banks and non-financial corporations, scaled back considerably in 2015. The banks, specifically, slashed their investment by 62.1% to just above 500 million (compare this with the 1.60 billion plus of 2013), while investment by non-financials

Public authorities, by contrast, raise their investment in VCCs in contrast to the declining weight of banks and non-financial corporations.

fell by 33.8% to 861 million. Government authorities, less important in the VCC segment, raised their investment by 51.2% to 408 million euros. Finally, investment by natural persons amounted to 7.3% and 2.9% of VCF and VCC assets respectively, on a par with 2014.

Venture capital entities: Assets by investor group TABLE 20

	Funds		Companies	
Million euros	2014	2015	2014	2015
Natural persons				
Residents	288.9	317.7	133.6	99.8
Non-residents	9.1	6.8	4.3	153.9
Legal persons				
Banks	276.4	294.4	1,339.8	507.2
Savings banks	97.0	50.2	26.1	22.0
Pension funds	484.7	542.4	25.1	26.2
Insurance corporations	133.2	208.4	41.1	43.8
Broker-dealers and brokers	0.5	1.3	0.2	0.2
Collective investment schemes	54.7	65.4	18.9	4.0
Domestic VCEs	147.7	166.9	81.2	45.4
Foreign VCEs	195.5	362.9	0.0	0.0
Public authorities	564.4	708.5	269.5	407.5
Sovereign funds	102.5	31.7	0.0	0.0
Other financial corporations	312.8	302.6	951.7	989.8
Non-financial corporations	475.1	462.9	1,300.7	861.4
Foreign entities	751.9	624.7	113.7	114.7
Others	141.6	203.0	143.6	142.4
TOTAL	**4,035.8**	**4,349.8**	**4,449.4**	**3,418.2**

Source: CNMV.

According to ASCRI, VCE investment was down 16% in 2015 on account of a lull in large-scale transactions, contrasting with the dynamism of midmarket transactions and venture capital investments.

According to the 2015 data furnished by industry association Asociación Española de Entidades de Capital Riesgo (ASCRI), VCE investment in Spain fell by 15.5% to 2.94 billion euros, contrasting with a 23% jump in transaction numbers to a total of 657. The investment decline was concentrated in large-scale transactions; just five in the year compared to eleven in 2014, all of them headed by international venture capital funds. Much of the slack was taken up by midmarket transactions, with 57 deals (33 in 2014) and an overall investment comprising 56.5% of the annual total. Venture capital investments (seed and start-up phases) grew in popularity with an annual volume of 534 million, 84% more than in 2014.

The strength of Spain's economy should ensure the sector conserves its attraction for national and international investors.

The 2016 outlook for venture capital remains broadly positive. The Spanish economy looks set to continue its solid recovery, though forecasters expect a slight deceleration. The political impasse led to some transactions being put on hold in late 2015 and early 2016, but investment in shaping up to be on a par with last year's. The medium- and small-sized deal market, in particular, should conserve its positive tone.

II Reports and analysis

Managerial ability, risk preferences and the incentives for active management in Spanish equity mutual funds

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1 Introduction

The literature on equity funds has extensively studied two aspects of this market: firstly, whether it is better to choose an actively managed equity fund or to simply follow an index; and, secondly, how incentives influence managers when deciding on the risks in the investment portfolios that they build.[1] Since the seminal article by Jensen (1968),[2] these two aspects have been studied through the use of capital asset pricing model (CAPM) regressions, where the factor to be explained was the return obtained by the funds.[3] This approach makes it possible to assess the capacity of the manager without explicit modelling of their investment decision problem.

This article, which summarises CNMV Working Paper No. 62,[4] uses the alternative version to the traditional CAPM model proposed by Koijen (2014).[5] This model allows a study of the distribution of managerial ability, their incentives and their risk preferences by using a sample of cross-sectional data. It also proposes a solution for the manager's investment problem that consists of a dynamic strategy whose results are translated into the returns of the funds observed in market data. This empirical strategy has the benefit of separating out and measuring parameters that define the manager's ability, their risk preferences and their incentives when making decisions.

There is controversy surrounding the existence of the true capacity of managers to build portfolios that outperform simple tracking of a benchmark index. This controversy is partly a consequence of an inefficient inference. In general, most estimates of managerial ability are obtained from an average of risk-adjusted returns over periods that may be considered short.[6] It is also well known that averaging returns

1 See Wermers, R. (2011). "Performance measurement of mutual funds, hedge funds, and institutional accounts", in *Annual Review of Financial Economics*, Vol. 3, pp. 537-574.

2 See Jensen, M. (1968). "The performance of mutual funds in the period 1945-1964", in *Journal of Finance*, Vol. XXIII, pp. 389-416.

3 See Sharpe, W. (1964). "Capital asset prices: A theory of market equilibrium under conditions of risk", in *Journal of Finance*, Vol. 19, No. 3, pp. 425-442. The standard empirical strategy for measuring management capacity has been to perform a regression of the excess performance of mutual funds with regard to the performance of safe short-term investment over a set of performances of passive indices. The independent term of these regressions, the fund's alpha, is considered the standard measure of the manager's capacity.

4 See Losada, R. (2016). *Managerial ability, risk preferences and the incentives for active management*. CNMV Working Paper No. 62.

5 See Koijen, R. (2014). "The cross-section of managerial ability, incentives, and risk preferences", in *Journal of Finance*, Vol. LXIX, pp. 1,051-1.098.

6 Pastor, L. and Stambaugh, F. (2002). "Mutual fund performance and seemingly unrelated assets", in *Journal of Financial Economics*, Vol. 63, pp. 315-349; Lynch, A.W. and Wachter, J.A. (2007a). *Does mutual fund performance vary over the business cycle?*; and Lynch, A.W. and Wachter, J.A. (2007b). *Using samples of*

of short time spans leads to noisy estimates (Merton, 1980).[7] Hence, the estimated cross-sectional distribution of managerial ability may reflect not their true heterogeneity, but an estimation error. The estimation of optimal portfolio models, such as that of Koijen (2014), makes it possible to distinguish more precisely the managerial ability and risk aversion of fund managers. This is because they can exploit information on the volatility of fund returns and the covariance between fund returns and those of benchmark equity indices. This model also has another interesting property in that given the estimates of the managers' ability and risk aversion, an alpha can be determined for the fund that is comparable to that which is obtained from linear CAPM regressions.

The aim of this paper is to estimate the structural model proposed by Koijen (2014) for the Spanish equity mutual fund market during the period 1995-2014. The parameters of interest taken into account for each one of the funds under consideration were: the managers' ability, the risk aversion coefficient and the sensitivity of the salaries they receive with regard to fund performance. As shown in Cambón and Losada (2014) and Losada (2015),[8] in most segments of the Spanish mutual fund market, management companies belonging to credit institutions enjoy market power, although this power is more mitigated in the equity fund segment. Given this evidence, this paper studies separately the out behaviour of independent management companies and that of management companies belonging to credit institutions. It therefore attempts to assess whether their managerial ability, their risk preferences and their salary incentive schemes are different.

One important feature of this model is that it separates the portfolio of each equity fund into two sub-portfolios, one that exclusively follows the benchmark and the other that can be interpreted as the part of the portfolio that is actively managed. This division allows us to study the size of the part of the portfolio chosen by managers that may be considered as actively managed. In 2014, the Swedish and Danish governments and the European Commission voiced their concerns over whether fund managers engage in truly active management or simply track the performance of an index. The approach adopted in this paper may help shed some light on this issue as it assesses to what extent Spanish equity funds are actively managed.

This paper is related to extensive literature on mutual fund performance, which is mostly based on comparing the performance of the fund with its benchmark index. The empirical evidence found in these studies is mostly negative as the mutual

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unequal length in generalized method of moments estimation. NYU Stern and The Wharton School Working Paper, propose using longer samples of the returns of indices followed by the funds in order to improve estimates.

7 See Merton, R. (1980). "On estimating the expected return on the market", in *Journal of Financial Economics*, Vol. 8, pp. 323-361.

8 See Cambon, M.I. and Losada, R. (2014). "Competition and structure of the mutual fund industry in Spain: the role of credit institutions", in *Spanish Review of Financial Economics*, Vol. 12, pp. 58-71; and Losada, R. (2015). *Measuring market power in the Spanish mutual fund industry for retail investors*. Mimeo.

funds rarely outperform their benchmarks.[9] The results were similar in the studies that only focused on the Spanish market.[10]

This paper is structured as follows. Section 2 describes the data used in the paper, which focuses on equity funds that invest in the Euro area. Section 3 presents the econometric model used in the analysis and shows the results obtained. Finally, Section 4 lays out the conclusions.

2 Description of the data

The model used in this paper has been set for the Spanish market of equity funds that invest in securities from the euro area. Most of these funds invest in the Spanish equity market or follow the Eurostoxx 50 as a benchmark. The CNMV is the main source of the data used. This institution periodically receives information on the Spanish market as part of its duty to supervise collective investment schemes. These data cover all existing equity funds and allow for identification of the type (independent or not) of management companies to which they belong. The data were collected on a monthly basis and cover the period between January 1995 and December 2014. The other main source of information was Datastream, which provided the data on monthly prices of all the equity indices analysed in the study.

There are two reasons why the analysis is restricted to equity funds that invest in the euro area. Firstly, equity funds that invest outside the euro area may contain negative and positive returns resulting exclusively from differences in exchange rates. The second reason relates to the proximity between the fund managers and the equity markets in which they invest the funds. Managers are more likely to actively choose investments when the markets in which they invest are closer, as is the case with Spanish and European markets.

9 See Sharpe, W. (1966). "Mutual fund performance", in *Journal of Business*, Vol. 39, pp. 119-138; Jensen (1968) (*op. cit.*); Grinblatt, M. and Titman, S. (1989). "Mutual fund performance: an analysis of quartely portfolio holdings", in *Journal of Business*, Vol. 62, pp. 393-416; and, more recently, Malkiel, B. (1995). "Returns from investing in equity mutual funds 1971-1991", in *Journal of Finance*, Vol. L, pp. 549-572; Droms, W.G. and Walker, D.A. (1995). "Determinants of variation in mutual fund returns", in *Applied Financial Economics*, Vol. 5, pp. 383-389; Ackermann, C., McNally, R. and Ravenscraft, R. (1999). "The performance of hedge funds: risk, return and incentives", in *Journal of Finance*, Vol. LIV, pp. 833-874; Detzler, M.L. (1999). "The performance of global bond mutual funds", in *Journal of Banking and Finance*, Vol. 23, pp. 1,195-1,217; and Edelen, R.M. (1999). "Investor flow and assessed performance of open-end mutual funds", in *Journal of Financial Economics*, Vol. 53, pp. 439-466.

10 See Ferrando, M. and Lassala, C. (1998). "Evaluación de la gestión de los FIAMM y de los FIM de renta fija en España en el periodo 1993-1995", in *Revista Española de Financiación y Contabilidad*, Vol. 94, pp. 197-231; Basarrate, B. and Rubio, G. (1999). "Non-simultaneous prices and the evaluation of management portfolios in Spain", in *Applied Financial Economics*, Vol. 9, pp. 273-281; Matallín, J.C. and Fernández, M.A. (1999). "Análisis de la performance a través del estilo del fondo de inversión", in *Revista Española de Financiación y Contabilidad*, Vol. 28, pp. 413-442; Menéndez, S. and Álvarez, S. (2000). "La rentabilidad y la persistencia de los resultados de los fondos de inversión de renta variable", in *Revista Española de Financiación y Contabilidad*, Vol. 103, pp. 15-36: Martínez, M.A. (2001). "El puzzle de los fondos de inversión en España: un enfoque de demanda", in *Moneda y Crédito*, Vol. 213, pp. 129-154; and Palacios, J. (2010). *A vueltas con los fondos de inversión españoles: nuevas sorpresas en la década 2000-2009*. Research Document No. 849, IESE Business School.

Treating each mutual fund/month as a single observation, the total sample size is 31,212 observations and the total number of funds analysed is 228. It is important to highlight the following requirements for a fund to form part of the database: i) it must have been in the market for at least three financial years; and ii) its average total assets over its period in the market had to be over 3 million euros. The following information was obtained for each fund:

– Net Asset Value: market value of each one of the fund's units at the end of each month.

– Total Assets: value of the fund's assets at the end of each month.

– Fees paid by investors: defined as the sum of the management and depository fees, plus 1/7 of the subscription fee and 1/7 of the redemption fee of each one of the funds in the period making up the sample.[11]

– Benchmark index: as current regulations require funds to declare their benchmark equity index, this information has been used wherever available.[12]

Each one of the mutual fund management companies has been categorised as belonging to a credit institution or as independent. Of the 228 mutual funds, 77 belong to independent management companies, while the other 151 belong to management companies that are subsidiaries of credit institutions. This article has not individually assessed the managers that work for a management company. It is assumed that each fund is managed by the whole team of the management company. Under this assumption, the results on ability can be directly assigned to the management company and can be interpreted as an average of the talent of its employees.

Since 2008, some Spanish mutual funds have multiple share classes associated with different fee structures. Consistent with the literature, the different classes were merged into a single fund. Asset-weighted returns and fees were constructed using the total net assets of the different fund classes.

The CNMV database provides information on assets net of fees and other expenses. In order to focus on managerial ability, the gross returns of the funds have been calculated by adding back fees in line with Cohen *et al.* (2005).[13] The annual fees divided by 12 are summed to each monthly return in each particular year.

In order to be able to distinguish between the contribution to the fund's performance from the managers' ability and effort and that resulting from passive strategies, it is important to determine the benchmark equity index for each fund. As indicated above, where possible, this information was gathered from the fund's prospectus. When not possible, a benchmark selection method was chosen,

11 This variable was defined as in Cambón and Losada (2014) (*op. cit.*) and Losada (2015) (*op. cit.*). It is assumed that investors invest over a time span of seven years.

12 In the case of some defunct funds, the benchmark index has been determined using another procedure explained later in the paper.

13 See Cohen, R., Coval, J. and Pastor, L. (2005). "Judging fund managers by the company they keep", in *Journal of Finance*, Vol. LX, pp. 1,057-1,096.

specifically, one based on linear regressions.[14] For these mutual funds, returns are regressed on the returns of each one of the possible benchmark returns, both in excess of the short-term risk free return. Using the results, the index which maximised the statistical value R-squared was selected. In order to ensure a robust methodology, the funds whose regressions did not reach at least 80% in their R-squared were omitted.

Twelve possible benchmark indices were considered as suitable for the equity funds analysed. These indices were: Eurostoxx 50, IGBM, Ibex 35, Ibex Medium Caps, Ibex Small Caps, 50% Ibex Small Caps-50% Ibex Medium Caps, MSCI Spain, 50% Ibex 35-50% Eurostoxx 50, MSCI EMU Small Caps, Stoxx Mid 200, 50% Ibex 35-50% Ibex Medium Caps and Stoxx 600.

Finally, the data for the risk-free asset, in this case the returns on 1-3 month Spanish treasury bills, were also obtained from Datastream.

Table 1 provides summary statistics of the data used in the empirical analysis.

Descriptive statistics of the data set TABLE 1

	Mean	Standard deviation
Total net assets of mutual funds (million euros)	53.4	108.2
Returns from mutual funds (annual %)	2.76	20.82
Returns from benchmark (annual %)	5.52	19.08
Fees (annual %)	1.99	0.81
Risk-free asset return (annual %)	3.07	2.26
Number of observations	31,212	
Number of funds	228	

Source: CNMV, AEB, CECA and UNACC.

3 Empirical model and results

3.1 Model

The empirical framework used to analyse the aforementioned data is that developed by Koijen (2014). The author proposed a dynamic investment model for fund managers that allows estimates of the distribution of managerial ability, incentives and risk aversion in any equity fund market.

14 The selection methods for the equity benchmarks for the funds are difficult irrespective of whether they are chosen based on regression methods or on characteristics of the fund itself. Chan, L., Dimmock, S. and Lakonishok, J. (2009). "Benchmarking money manager performance: issues and evidence", in *Review of Financial Studies*, Vol. 22, pp. 4,453-4,499; and Sensoy, B.A. (2009). "Performance evaluation and self-designated benchmark indices in the mutual fund industry", in *Journal of Financial Economics*, Vol. 92, pp. 25-39, are examples of different methodologies for selecting benchmark indices.

In order to calculate the aforementioned parameters, the performance of each one of the managers participating in management of the funds analysed is modelled, solving the corresponding optimisation problem.[15] In each case, the aim is to maximise the expected payment over the analysed investment period, specifically one calendar year. To this end, managers must decide what part of their assets will be invested in tracking an equity index and what part will be used to build an alternative portfolio. This second part will be considered the actively managed portfolio. In addition to deciding its size, managers must also determine its volatility. Accordingly, given the managers' risk preferences and their incentive schemes, they will find a particular size and volatility of their actively managed portfolio that is optimal. The higher the managers' risk aversion, the smaller the portfolio's size and risk. This manager behaviour is repeated when their remuneration depends to a large extent on the fund's net assets at the start of the investment period and not the return and new subscriptions.

An important feature of this modelling is that it may be rewritten in terms of a CAPM regression. Based on the determined coefficients defining the managers (managerial ability, risk aversion and incentive schemes), the alphas and betas for each one of the funds can be estimated. There are, however, two significant differences in relation to the traditional model. The first is that the alphas and betas of this model are dynamic and fluctuate over time, while those of the CAPM model are static. The second difference lies in the fact that the estimate of the alphas and betas incorporates second-order moments that result from the aforementioned maximisation problem of the fund's managers. This combination of moments leads to a more precise estimation.

The econometric strategy used to define the parameters of interest comes from Cox and Huang (1989).[16] Estimation by maximum likelihood was used. In this context, this means that, given the results of the model developed and the data for each one of the funds, the values for the parameters with the highest probabilities were calculated. Through this method, the following were taken into account for the managers of each fund: managerial ability, risk aversion and remuneration incentive schemes. Once these parameters were determined, as explained above, the alpha and beta of each one of the funds considered in the data set were calculated. The final step of the empirical strategy was to calculate the statistical distribution of each one of these parameters for the population of analysed funds.

3.2 Results

In the first stage of estimation, through a simple regression model, a relationship was obtained between the funds' inflows and outflows of money and their performance. These estimates meant that for each 1% that the fund outperformed its benchmark, the fund will receive net subscriptions of 0.82% of its total assets.

Given these parameters, which relate the funds' performance and net subscription flows, estimates of the parameters of interest were obtained for each one of the

15 This empirical framework is explained in detail in Koijen (*op. cit.*) and Losada (2016, *op. cit.*).

16 See Cox, J. and Huang, C. (1989). "Optimal consumption and portfolio policies when asset prices follow a diffusion process", in *Journal of Economic Theory*, Vol. 49, pp. 33-83

funds: managerial ability, risk aversion and the parameter defining the remuneration scheme. The estimates were significant in all cases. Table 2 summarises the statistical data obtained from the cross-sectional distribution of the parameters for each one of the funds. For each parameter, the mean, standard deviation and the 25th (P25), 50th (P50) and 75th (P75) percentiles are shown.

Estimates of model parameters TABLE 2

	Mean	Standard deviation	P25[2]	P50[2]	P75[2]
Managerial ability	0.05	0.04	0.03	0.04	0.05
Risk aversion (CRRA)	2.52	17.02	0.56	0.73	1.06
Variable salary[1]	62,995.3	104,655.0	0.91	1.45	2.12

Corr(Managerial ability, Risk aversion)= 34.1%; Corr(Managerial ability, Variable salary)= 9.8%; Corr(Risk aversion, Variable salary)= -0.8%

Source: Own calculations.

1 The parameter covering the variable salary should be interpreted as a percentage of the variable salary with regard to the fixed salary received by managers. This parameter can range from zero to infinite as it reaches high values when the fixed salary is very low.

2 Maximum values that correspond to 25% (P25), 50% (P50) and 75% (P75), respectively, of the population with lower values for the studied variables.

The estimate of the parameter for managerial ability has a mean of 0.05, a median of 0.03 and a right-skewed distribution. Its standard deviation is 0.04, which shows that there is heterogeneity in the managerial ability of Spanish management companies. These results contrast with those obtained by Koijen (2014) for the US market. Koijen found that the mean for this market stood at 0.12 and the standard deviation at 0.13. Although these two markets were not analysed using the same sample period, the difference between them deserves further explanation.

The most evident factor that might explain the difference is that US investors may enjoy more talent from their management companies. It might also be a consequence of the low level of competition in the Spanish mutual fund market, as indicated in Cambón and Losada (2014) and Losada (2015). The managers would not have incentives to compete in managerial ability, but rather in other factors, such as offering a wide variety of mutual funds.[17] The other reason that might explain the difference between the abilities might be the equity markets in which the analysed funds invest, mainly the Spanish market and the European blue chip market. These markets may be considered narrow, in the sense that it is difficult to build an alternative share portfolio that is not correlated with the fund's benchmark index. It is difficult to distinguish which of these reasons is the main driver of the low ability of Spanish managers shown by the data. However, although it might be argued that there is a problem of a lack of competition in the Spanish mutual fund industry, this problem is much smaller in the equity fund sub-sector.

17 It is important to highlight that Cambón and Losada (*op. cit.*) showed that the equity fund sub-sector was more competitive than the market for money market funds and fixed-income funds.

The estimate of the CRRA coefficient shows a mean of 2.52 and a median of 0.73. In comparison with the results of Koijen (2014), Spanish management companies are less risk averse. The results show how the funds' alphas, which are normally interpreted as a measure of managerial ability, are actually a function of two parameters: managerial ability and risk aversion. The coefficient of variation of both parameters, which is defined as the standard deviation divided by the mean, is 1.2 for managerial ability and 6.7 for the risk aversion coefficient. This suggests that heterogeneity in the alphas may mainly reflect the diversity in risk preferences, particularly for management companies with a high risk aversion coefficient.

The estimate of the parameter that shows the weighting of the managers' variable salary in relation to fixed salary has a high mean and standard deviation. This is due to the fact that for approximately 2% of the funds, the estimate of the parameter is higher than 1,000, which implies that, for these funds, the fixed salary is only a negligible part of total remuneration. In contrast, the quartiles of the cross-section show estimates for this parameter that are notably lower in most of the analysed funds. For the median fund, the variable salary accounts for 60% of the total salary. This ratio only rises to 66% for the fund at the third quartile. In comparison with the results of Koijen (2014), the dispersion of the variable component of the managers' remuneration for most funds (up to the third quartile) is lower in the Spanish market. This shows that remuneration schemes in Spain are not as dependent on managerial ability and risk aversion as in the United States. This low dependence is shown in the correlation between the parameter determining the variable part of the salary and the manager's ability, as shown in Table 2.

This Table also shows the correlation between managerial ability and risk aversion. This correlation stands at 34.1%, which may be considered a substantial percentage. Part of this correlation may be the result of estimation error. Another possible explanation would be that this correlation may be the result of the behaviour of some skilled managers, whose funds outperform the benchmark index and who decide to lower their risk exposure at the end of the investment period.[18] This behaviour is not new in the literature on incentives and is known as the "ratchet effect".

Tables 3 and 4 show the estimates of the same parameters shown in Table 2, but distinguishing between independent management companies and those that belong to credit institutions. The estimates of the managerial ability parameters indicate that both types of management companies enjoy similar levels of ability. As shown in Cambón and Losada (2014), independent management companies enjoy a market share of 32.8% and are particularly present in the wholesale market. This evidence supports the hypothesis that the narrowness of the equity markets in which managers invest is the most plausible explanation of the significantly lower levels of ability recorded in comparison with the results obtained by Koijen (2014) for the United States.

18 The investment period for the fund managers was set at one calendar year.

Model parameter estimates: credit institution management companies

TABLE 3

	Mean	Standard deviation	P25[2]	P50[2]	P75[2]
Managerial ability	0.05	0.05	0.03	0.04	0.05
Risk aversion (CRRA)	1.59	4.79	0.60	0.78	1.20
Variable salary[1]	15,511.3	200,548.4	0.89	1.40	1.94

Corr(Managerial ability, Risk aversion)= 8.9%; Corr(Managerial ability, Variable salary)= 0.5%; Corr(Risk aversion, Variable salary)= -2%

Source: Own calculations.

1 The parameter covering the variable salary should be interpreted as a percentage of the variable salary with regard to the fixed salary received by managers. This parameter can range from zero to infinite as it reaches high values when the fixed salary is very low.

2 Maximum values that correspond to 25% (P25), 50% (P50) and 75% (P75), respectively, of the population with lower values for the studied variables.

Model parameter estimates: independent management companies

TABLE 4

	Mean	Standard deviation	P25[2]	P50[2]	P75[2]
Managerial ability	0.05	0.04	0.03	0.04	0.06
Risk aversion (CRRA)	4.33	28.46	0.50	0.65	0.86
Variable salary[1]	3.04	6.26	1.03	1.55	2.41

Corr(Managerial ability, Risk aversion)= 65.4%; Corr(Managerial ability, Variable salary)= -4.5%; Corr(Risk aversion, Variable salary)= -6.4%

Source: Own calculations.

1 The parameter covering the variable salary should be interpreted as a percentage of the variable salary with regard to the fixed salary received by managers. This parameter can range from zero to infinite as it reaches high values when the fixed salary is very low.

2 Maximum values that correspond to 25% (P25), 50% (P50) and 75% (P75), respectively, of the population with lower values for the studied variables.

We can also see, particularly in the estimates corresponding to the quartiles, that most independent management companies are less risk averse and their incentive schemes provide greater rewards for the returns and net subscriptions resulting from active management. The other feature that is worth highlighting is the difference in the correlation between managerial ability and risk aversion. The estimate for independent management companies reveals a correlation of 65.4%, but only 8.9% for the other type of management company. This difference reflects the fact that incentives are different for the two types of management company. The ratchet effect is less important for the management companies belonging to credit institutions. This may be down to the fact that their investors are more loyal. It seems less likely that their investors will redeem their units in a fund after poor performance in comparison with the investors of independent management companies.

One of the features of the model is that once the aforementioned parameters have been estimated, dynamic versions of the alphas and betas can be built, which are comparable with those which might be obtained from traditional CAPM regressions.

Table 5 shows a cross-sectional distribution of the alphas and betas obtained through the estimated model in this paper and those calculated using traditional linear regressions.

Estimates of α and β parameters TABLE 5

	Koijen model (2014)				
	Mean	SD	P25[1]	P50[1]	P75[1]
α	0.34%	0.47%	0.10%	0.18%	0.40%
β	0.94	0.17	0.85	0.94	1.02
	CAPM linear regressions				
	Mean	SD	P25	P50	P75
α	2.43%	3.14%	0.81%	2.66%	3.86%
β	0.89	0.11	0.81	0.90	0.98

Source: Own calculations.

1 Maximum values that correspond to 25% (P25), 50% (P50) and 75% (P75), respectively, of the population with lower values for the studied variables.

Table 5 shows that the estimates of the model by Koijen (2014) for alphas are lower, while the estimates for betas are higher. The model on which this paper is based assigns a high dependence between funds and their benchmark indices. This result could pick up some non-linear relationships that the CAPM model is unable to, as it includes second-order moments in the estimate. This can at least partially explain why the model of Koijen (2014) determines lower alphas for the funds analysed. If the estimates of this model are correct, this would imply two consequences. Firstly, the performance of mutual funds that comes from the actively managed portfolio is very small.[19] Secondly, one of the reasons for this poor performance is that the actively managed portfolio is smaller than might be inferred from the results of CAPM linear regressions.

As discussed in the introduction, there is a debate on whether mutual fund managers undertake active management of their portfolios or simply track a benchmark index. Academic literature has done little to study the incentives for managers to pursue active management. Most of the articles relating to this issue have focused on investigating whether the funds considered as actively managed perform better than their benchmark. For example, Dyck *et al.* (2013)[20] found evidence that active management outperformed passive management in emerging markets by over 180 basis points in the period 1993-2008.[21] In contrast, active management in the United States underperformed compared with the strategy of tracking a benchmark

19 These results are in line with previous literature on the results of Spanish mutual funds. See Ferrando and Lassala (*op. cit.*), Basarrate and Rubio (*op. cit.*), Matallín and Fernández (*op. cit.*), Menéndez and Álvarez (*op. cit.*), Martínez (*op. cit.*) and Palacios (*op. cit.*).

20 See Dyck, A., Lins, K. and Pomorski, L. (2013). "Does active management pay? New international evidence", in *Review of Asset Pricing Studies*, Vol. 3, pp. 200-228

21 Other related articles are Wermers, R. (2000). "Mutual fund performance: an empirical decomposition into stock-picking talent, style, transactions costs, and expenses", in *Journal of Finance*, Vol. LX, pp. 1,655-1,695; or Kacperczyk, M., Sialm, C. and Zheng, L. (2005). "On industry concentration of actively managed equity mutual funds", in *Journal of Finance*, Vol. LX, pp. 1,983-2,011.

index. However, these papers did not analyse the reasons why a manager might undertake active management.

One of the few papers that does study these incentives is that by Cremers and Petajisto (2009).[22] This paper analyses how active fund managers were in the United States between 1980 and 2003. Although active management had traditionally been measured through tracking errors, these authors added to the analysis a comparison of the portfolio holdings of mutual funds and their benchmark indices. They therefore introduced a new *ex-ante* measure of the size of the benchmark portfolio by separating the fund's portfolio into two separate sub-portfolios, one that is a benchmark replicated portfolio and another that can be considered as actively managed. Among their main results, they found weak evidence that small funds are more active, while they found no significant relationship between the size of the active portfolio and the fee charged to final investors.

The econometric model used in this paper makes it possible to assess how active the management companies of Spanish funds are. From the estimation of the model, it is possible to extract the volatility of the active portfolio of each mutual fund. Once these volatilities are calculated, it is easy to discover the percentage of volatility for the active portfolio in relation to total volatility of the fund portfolio. On average, the volatility of the active portfolio accounts for 28.7% of the fund's total volatility, with a standard deviation of 14.8%.

Tables 6 and 7 show, respectively, the relationship between the size of the active portfolio and the mutual fund fees and between the size of the active portfolio and total fund assets. From Table 6, it follows that there is no statistical relationship between the size of the active portfolio and the fees paid by the investors.

Estimation results: size of the active portfolio versus fees TABLE 6

	Coeff.	Standard deviation	p-value
Constant	0.25	0.03	0.00
Regressor: fees	1.87	1.24	0.13
F-test (p-value)		0.13	
R^2		0.01	
Number of observations		227	

Source: Own calculations.

In contrast, Table 7 shows that there is a weak dependence between the size of the portfolio and the fund's assets. Only when the total fund assets are over 100 million euros is the size of the active portfolio expected to be small. The results of these two regressions are in line with the evidence found by Cremers and Petajisto (2009).

22 See Cremers, M. and Petajisto, A. (2009). "How active is your fund manager? A new measure that predicts performance", in *Review of Financial Studies*, Vol. 22, pp. 3,329-3,365.

Estimation results: size of the active portfolio versus total fund assets

TABLE 7

	Coeff.	Standard deviation	p-value
Constant	0.31	0.01	0.00
Regressor: total fund assets	-3.43 * 10-7	1.44 * 10-7	0.02
F-test (p-value)		0.02	
R^2		0.025	
Number of observations		220	

Source: Own calculations.

In addition to studying these two relationships, the econometric model used also allows an analysis of two new types of relationship: firstly, that between the size of the active portfolio and the managerial ability of the mutual fund's management company, and, secondly, that between the size of the active portfolio and the type of management company controlling the fund (independent or not). In order to establish the empirical relationship between these variables, two new regressions are shown in Tables 8 and 9.

Estimation results: size of the active portfolio versus ability

TABLE 8

	Coeff.	Standard deviation	p-value
Constant	0.21	0.01	0.00
Regressor: Managerial ability	1.40	0.20	0.00
F-test (p-value)		0.00	
R^2		0.17	
Number of observations		227	

Source: Own calculations.

Estimation results: size of the active portfolio versus type of management company

TABLE 9

	Coeff.	Standard deviation	p-value
Constant	0.34	0.01	0.00
Regressor: Type of management company	-0.07	0.02	0.13
F-test (p-value)		0.00	
R^2		0.06	
Number of observations		227	

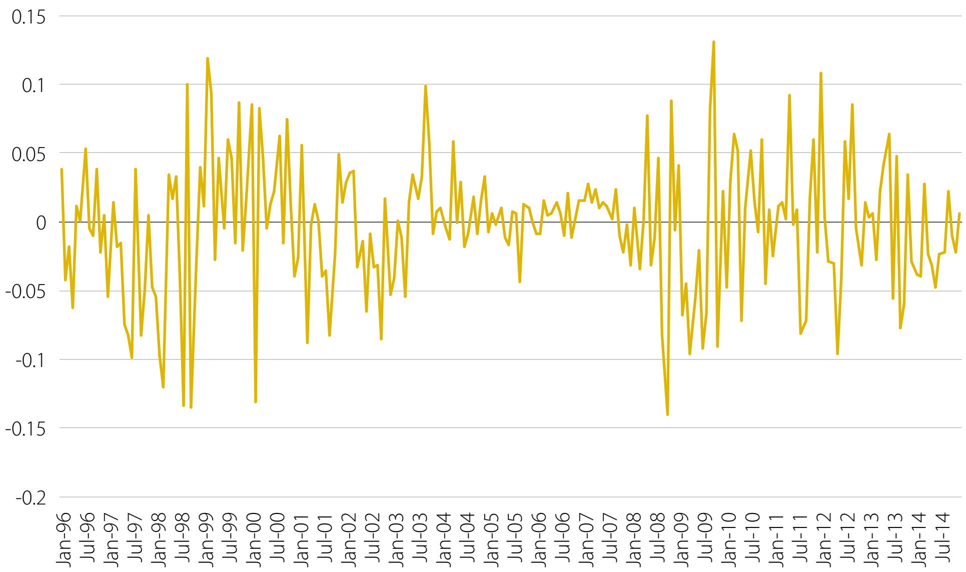
Source: Own calculations.

Table 8 shows that the more competent the management company, the bigger the active portfolio. This result seems natural as managers attempt to use their potential and talent for running bigger active portfolios. Table 9 shows the results of the regression where the type of management company is a dummy variable that takes a value of 1 when the management company belongs to a credit institution and 0 when it is independent. In this case, the results highlight that on average the management companies that belong to credit institutions run smaller active portfolios. As these types of management companies enjoy higher market shares, they may not see the need to run the risk of managing large active portfolios and thus prefer to maintain their portfolio's performance close to the benchmark index. This may be a sign that this type of management company enjoys market power. However, as shown by Cambón and Losada (2014), this market power could be lower than in other segments of the mutual fund market.

In addition to the above-mentioned results, the estimated econometric model also makes it possible to recover the returns of the active portfolio. This in turn makes it possible to calculate the pairwise correlation of the returns of the active portfolios of funds in each one of the years of the sample. The average correlation is close to 20%. This correlation may be considered low, although it is significantly higher than the figure of 5% indicated in Koijen (2014) for the US market.

One possible explanation for this difference may again be that the market of Spanish equity and European blue chips is considerably narrower than the equivalent in the US market. Given the features of the Spanish market, the correlation found is in line with the evidence shown in Cremers and Petajisto (2009), who found evidence that active bets of management companies tend to cancel each other out.

12-month moving average of the series of the funds' actively managed portfolios FIGURE 1



Source: Own calculations.

In order to show the dynamics of the returns of the active portfolio, the average difference in the fund returns from one month to the next was calculated. Figure 1 shows the 12-month moving average of the time series from January 1995 to December 2014. This period covers two crises that affected the Spanish equity market. The first, at the beginning of the 2000s, was the result of the bursting of the dot-com bubble. The second began in 2008 and covers what is coming to be known as the Great Recession.

Contrary to Kosowski (2006),[23] Kacperczyk *et al.* (2010) and Koijen (2014), who found evidence that mutual funds in the United States outperformed their benchmark indices in recessions, this study found no such evidence. This result may be a consequence of one or both of the following arguments. Firstly, management companies do not feel the pressure to outperform the benchmark indices in recessions. The second possible argument is that, in periods of recession, they do not have enough available investments that are different from the benchmark in order to allow them to outperform.

4 Conclusions

This paper describes the estimate of an econometric model based on Koijen (2014) for Spanish equity funds investing in the equity market in Spain or Europe between 1995 and 2014. Through this model, parameter estimates are obtained measuring managerial ability, risk aversion and the salary scheme of fund management companies (proportion of variable salary in relation to fixed salary).

As shown in Koijen (2014) for the US market, the results of the model indicate that a fund's alpha does not only depend on the ability of the manager, but also on the manager's risk preferences and their salary scheme. Due to the heterogeneity in the parameters defining managers, it can be concluded that the alphas are not a perfect mirror of managers' ability in the Spanish equity mutual funds market.

When comparing the two markets, we can conclude that average managerial ability is higher in the United States. This difference might be the result of a combination of two effects. The first is the lower level of competition in the Spanish mutual fund sector, as shown by Cambón and Losada (2014) and Losada (2015), even though within the Spanish market, the segment of equity funds is more competitive as there are a high number of independent managers. The other reason might be the greater narrowness of the Spanish equity market and the European blue chip market. Managers may find it difficult to build alternative portfolios that allow them to achieve better performance for their funds, which encourages them to simply stick to tracking a benchmark index.

This paper also includes an assessment of the difference in managerial ability between independent management companies and those belonging to credit institutions. No significant difference was found between the two types of management companies. However, there is evidence that their managers are subject to different remuneration schemes when deciding on their portfolios. As investors of independent management

23 See Kosowski, R. (2006). *Do mutual funds perform when it matters most to investors? Mutual fund performance and risk in recessions and expansions.* Tanaka Business School Working Paper, Imperial College of London; and Kacperczyk, M., Van Nieuwerburgh, S. and Veldkamp, L. (2010). *Attention Allocation over the Business Cycle.* NYU Stern Working Paper.

companies are less loyal, these managers are encouraged to soften their mutual funds' returns in comparison with those of the benchmarks. By using this strategy, management companies are minimising the likelihood that their investors will redeem their money. Non-independent management companies do not need to soften their returns as their investors are more loyal and will tolerate greater volatility.

When the results from the model used in this paper are compared with CAPM performance regressions, the alphas from this model are lower, while the betas are higher. The model used herein assigns a high dependence between the results of the funds and their benchmarks. This could pick up a non-linear relationship that a CAPM linear model could not. Therefore, if the estimates from the model are correct, this would imply two consequences. Firstly, equity funds obtain average performance which highly exceeds that of the benchmark. Secondly, one of the main reasons for the poor performance is that the active portfolio deduced from this approach is lower than that resulting from CAPM regressions.

A debate has recently arisen in some Scandinavian countries and in the European Commission on whether equity fund managers engage in truly active management. This paper assesses the level of active management performed by managers in the Spanish market, estimating the contribution of the actively managed part to the volatility of the whole portfolio. This contribution is, on average, 28.7% of the fund's total volatility, with a standard deviation of 14.8%.

In addition to these measures, the analysis establishes what relationships exist between the size of the active portfolio and the different features of the funds and their management companies: fees paid by investors, total assets managed, managerial ability and the type of management company (independent or not). With regard to the first point, no statistical relationship was found between the size of the active portfolio and the fees paid by investors. Secondly, there is a weak negative relationship between the size of the active portfolio and the fund's total assets. Only when total fund assets are above 100 million euros is the size of the active portfolio expected to be small. These two results are in line with previous literature. With regard to the other two features, it was found that the size of the fund's active portfolio is larger, the greater the managerial ability, and it is also larger in the funds of independent management companies.

Finally, the results of the estimated model were also used to assess how the active portfolio performed in recessions. Part of the previous literature showed that equity funds tend to perform better in recessions by outperforming their benchmarks. According to this study, this is not the case in the Spanish market. This could be the result of either of the following reasons: i) although it is very likely that this type of fund will be subject to redemptions during recessions, the management companies do not feel sufficient pressure to avoid them by increasing their efforts; and ii) in trading in equity markets without a high number of issuers, there are not sufficient equity investments that can be used as an alternative to investing in the benchmark.

III Legislative annex

New legislation since publication of last CNMV bulletin is as follows:

Spanish legislation

– Bank of Spain Circular 2/2016, of 2 February, on supervision and solvency of credit institutions, which completes the adaptation of Directive 2013/36/EU and Regulation (EU) No. 575/2013 to Spanish law.

  The Circular represents another of the steps taken in Spain to adapt domestic law to the most urgent issues provided for in Directive 2013/36/EU, following i) Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union legislation on supervision and solvency of financial institutions; ii) Circular 2/2014, of 31 January, on the exercise of various regulatory options contained in Regulation (EU) No. 575/2013, amended in relation to the treatment of the deduction of intangible assets over the transitional period given by Bank of Spain Circular 3/2014, of 30 July; iii) Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions; and iv) Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions.

  The Circular consolidates and organises disperse legislation into one single text, which enhances the quality of Spanish banking regulation and adapts it to all of the requirements resulting from implementation, through Council Regulation (EU) No. 1024/2013, of 15 October 2013, of the Single Supervisory Mechanism (SSM), currently comprising the European Central Bank (ECB) and the competent national authorities, including the Bank of Spain, and which forms one of the three pillars of the Banking Union, together with the recently created "Single Resolution Mechanism" and the harmonised deposit guarantee system, which is currently being developed.

  This Circular entered into force on the day following its publication in the *BOE* (Official State Gazette).

– CNMV Circular 1/2016, of 16 March, establishing the requirements for exempting certain issuers of shares exclusively traded on a multilateral trading facility from requesting their admission to trading on a regulated market.

  This Circular, which entered into force on 7 April, aims to determine the exceptions to what is known as the "Lift Act", i.e. to establish the requirements in order to exempt certain issuers of shares traded exclusively on a multilateral trading facility (MTF), for example the MAB (alternative stock market), from the obligation to request admission to an official market when they have a capitalisation greater than 500 million euros over a continuous period in excess of six months.

  The Circular introduces two exceptions:

– General exception.

i) For companies of a strictly financial or investment nature (CIS regulated by Law 35/2003, venture capital firms and other firms regulated by Law 22/2014 and SOCIMIs (Spanish real estate investment trusts).

ii) With a capitalisation greater than 500 million euros over a continuous period in excess of six months.

iii) With a threshold of distribution among the public below 25% of the share capital. Treasury stock, shares held by directors and holdings less than 3% are excluded from the calculation used for this threshold.

This exemption will be maintained while this last requirement is met.

– Additional exception for CIS when most trading is carried out at the net asset value.

Depending on how the shares are traded on the MTF, CIS regulated by Law 35/2003 may benefit from an additional exception. The basis for this exception is that when most of the trading is carried out at the net asset value (where the price is determined by legislation), the guarantees that may result from listing of the CIS on stock markets become unnecessary.

Companies may benefit from this exception if during the six-month period in which capitalisation exceeded the threshold, either:

i) Trading in which the price was fixed by matching orders is less than 50% of the total traded volume and the rest of the trading was carried out at net asset value; or

ii) The transactions in which the price was fixed by matching orders have been executed within a weighted average range no more than 3% above or below the net asset value of the CIS on the trade day and on no more than 50% of the sessions in which there has been trading through this system.

The governing entity of the multilateral trading facility is responsible for verifying that the requirements are met for applying the general exception or the additional exception.

– Resolution of 19 April 2016, of the Tax Collection Department of the State Tax Administration Agency, publishing the Agreement with the CNMV for enforced recovery of CNMV fees.

– CNMV Circular 2/2016, of 20 April, on accounting standards, annual accounts, public financial statements and confidential statements of statistical information on securitisation funds.

This Circular aims to regulate specific accounting standards, annual accounts, public financial statements and confidential statements of statistical information of securitisation funds.

It repeals:

i) Circular 2/2009 on accounting standards, annual reports, public financial statements and confidential statements of statistical information of securitisation funds.

ii) Circular 4/2010, amending Circular 2/2009 on accounting standards, annual accounts, public financial statements and confidential statements of statistical information of securitisation funds.

iii) Circular 6/2014, partially amending Circular 2/2009 on accounting standards, annual accounts, public financial statements and confidential statements of statistical information of securitisation funds.

This Circular came into force on the day following its publication in the *BOE* (Official State Gazette). All the information under the scope of this Circular provided to the CNMV with reference to periods ending after 1 October 2016 shall comply with the content, form and system for submission established in this Circular.

– CNMV Circular 3/2016, of 20 April, amending Circular 7/2011, of 12 December, on the fee prospectus and content of standard contracts.

Circular 3/2016, amending Circular 7/2011, 12 December, on the fee prospectus and content of standard contracts, was published on 30 April and came into force on the following day.

Circular 3/2016 aims to amend Circular 7/2011 as in some cases the fees set by entities for security transfers were considered high, which harms the principle of proportionality with the quality of the service provided and may in some cases hinder competition (the transfer fee must never act as a penalty or deterrent and its purpose, as with the other items included in the fee prospectus, may only be to provide remuneration in proportion to the service provided by the entity).

It was therefore deemed necessary to amend Circular 7/2011 in two basic aspects: i) amending the calculation base in order to guarantee reasonable application of the principle of proportionality and ii) including the possibility of passing on the charges and fees for transfers collected by settlement and registry systems.

– CNMV Board Resolution of 20 April 2016, amending the CNMV's Internal Regulation.

The recent economic crisis revealed the close link between the stability of the financial system and capital markets. In this regard, the CNMV's Internal Regulation is amended so as to explicitly assign to the Directorate-General of Strategic Policy and International Affairs the functions of analysis and monitoring of financial stability relating to capital markets and coordination of the macro-prudential activities that the CNMV has already been performing in practice.

It also amends the Internal Regulation in relation to the powers of the Resolution Unit under the Directorate-General of Strategic Policy and International Affairs, extending its functions to all the CNMV's powers with regard to resolution.

It also adds greater detail in the Internal Regulation on certain tasks that are currently being performed by the different directorates. The Internal Regulation is also amended so as to entrust the exercise of the functions of supervision and inspection of persons and entities that breach reservations of names or activities in current legislation to the Investor Department, which forms part of the Directorate-General of Legal Affairs. Similarly, the National Securities Numbering Agency now falls under the Directorate-General of Markets.

Finally, the references made in this Internal Regulation to the Securities Market Act are replaced by the corresponding provisions of the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, and any material error detected in the previous version is corrected.

– Bank of Spain Circular 4/2016, of 27 April, amending Circular 4/2004, of 22 December, on standards of public and confidential financial reporting and standard forms of the financial statements of credit institutions, and Circular 1/2013, of 24 May, on the Risk Information Centre.

This Circular "is adapted to the accounting framework established by the International Financial Reporting Standards adopted by EU regulations (IFRS)". As indicated in the Circular: "the aim of this Circular is to update Circular 4/2004, mainly Annex IX, in order to adapt it to the latest developments in banking regulation, maintaining its full compatibility with the accounting framework established by the IFRS". The update is an appropriate and reasonable response to several amendments to banking regulation, such as the amendment to Article 39.4 of the Code of Commerce, the approval of Royal Decree 878/2015, of 2 October, or the 2015 update of the Basel Committee on Banking Supervision guidance on accounting for expected credit losses.

Amendment of Circular 1/2013 is necessary in order to "adapt its reporting requirements to the changes introduced to Circular 4/2004 by this Circular".

Finally and more specifically, the body of the Circular contains the following rules: Rule One, "which introduces amendments in several rules of Circular

4/2004", Rule Two, with "amendments to Annexes I, III, IV, V and IX of the aforementioned Circular 4/2004", Rule Three, which "amends the body of Circular 1/2013" and Rule Four, aimed at "amending Annexes 1 and 2 of Circular 1/2013". It also has two transitional provisions relating to "the first application of the new accounting criteria and the submission of individual confidential statements up to 31 December 2016, respectively", a final provision relating to its entry into force and three annexes.

– Regulation of the Sociedad de Sistemas

This Regulation was published in the *BOE* (Official State Gazette) on 3 May 2016. It replaces the Regulation on Organisation and Operation which, based on an Internal Regulation of the Securities Clearing and Settlement Service, approved by the General Meeting on 28 April 1992, was subsequently amended and transformed into the Regulation of the Sociedad de Sistemas by means of Ministerial Order ECO/689/2003, of 27 March, Ministerial Order EHA/2054/2010, of 26 May, and Ministerial Order ECC/680/2013, of 8 April.

The new Regulation is framed within the context of the reform of the Spanish clearing and settlement system, which was promoted by Law 32/2011, of 4 October, and which culminated with the first final provision of Law 11/2015, of 18 June, with the aim of achieving certain standardisation of post-trading activities in Spain with the structures of our main European partners. In addition, within the context of the European Union, the Regulation incorporates the adaptations resulting from 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 (Central Securities Depositories Regulation).

The content of this Regulation is defined by the provisions of Article 101 of the Securities Market Act, approved by the recast text, approved in turn by Royal Legislative Decree 4/2015, of 23 October. In addition, in compliance with the requirements of Article 3 c) of Law 41/1999, of 12 November, on Securities Payment and Settlement Systems, this Regulation contains the rules for joining and for operation of the ARCO Securities Settlement System.

European legislation

– European Securities Market Authority (ESMA) Guidelines on complex debt instruments and structured deposits, of 4 April 2016.

The aim of these guidelines is to specify the rules for assessing: i) debt instruments incorporating a structure which makes it difficult for the client to understand the risk involved, and ii) structured deposits incorporating a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term.

– Commission Delegated Regulation (EU) No. 2016/592, of 1 March 2016, supplementing Regulation (EU) No. 648/2012, of the European Parliament and of the Council, with regard to regulatory technical standards on the clearing obligation (entry into force on 09/05/2016).

  This Regulation establishes the categories of OTC derivatives subject to the clearing obligation and the date from which the clearing obligation takes effect. It entered into force 20 days following its publication in the *Official Journal of the European Union*.

– European Securities Market Authority (ESMA) Guidelines for the assessment of knowledge and competence, of 22 March 2016.

  The aim of these guidelines is to establish the criteria for assessing the knowledge and competence required from natural persons who provide advice or information on financial instruments, investment services or ancillary services to clients on behalf of investment firms. It will enter into force as from 3 January 2017.

IV Statistics annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

	2013	2014	2015	2015 II	III	IV	2016 I	II[2]
NO. OF ISSUERS								
Total	39	49	52	21	24	19	17	15
Capital increases	39	47	47	18	23	19	17	15
Primary offerings	5	6	0	0	0	0	0	3
Bonus issues	16	19	17	5	8	8	5	3
Of which, scrip dividend	9	12	12	4	5	6	5	3
Capital increases by conversion[3]	14	11	11	7	4	4	6	4
For non-monetary consideration[4]	4	4	5	1	2	1	2	1
With pre-emptive subscription rights	6	5	12	5	6	3	3	2
Without trading warrants	15	16	11	3	4	4	2	3
Secondary offerings	0	4	6	3	1	0	0	2
NO. OF ISSUES								
Total	145	147	115	31	27	24	21	18
Capital increases	145	140	103	25	25	24	21	16
Primary offerings	5	8	0	0	0	0	0	3
Bonus issues	38	37	28	5	8	8	6	3
Of which, scrip dividend	20	28	22	4	5	6	6	3
Capital increases by conversion[3]	50	43	31	11	5	6	8	4
For non-monetary consideration[4]	17	9	7	1	2	1	2	1
With pre-emptive subscription rights	6	5	15	5	6	3	3	2
Without trading warrants	29	38	22	3	4	6	2	3
Secondary offerings	0	7	12	6	2	0	0	2
CASH VALUE (million euro)								
Total	39,126.2	32,762.4	37,067.4	11,728.8	4,458.9	5,160.0	4,891.5	6,341.1
Capital increases	39,126.2	27,875.5	28,735.8	8,941.2	3,618.6	5,160.0	4,891.5	5,834.4
Primary offerings	1,742.8	2,951.5	0.0	0.0	0.0	0.0	0.0	793.5
Bonus issues	9,932.8	12,650.8	9,627.8	2,647.2	1,387.9	2,749.1	966.6	1,099.2
Of which, scrip dividend	9,869.4	12,573.8	9,627.8	2,647.2	1,387.9	2,749.1	966.6	1,099.2
Capital increases by conversion[3]	7,478.8	3,757.9	2,162.5	269.2	465.6	1,015.7	3,008.6	224.6
For non-monetary consideration[4]	231.6	2,814.5	367.0	1.3	123.2	0.1	50.8	0.0
With pre-emptive subscription rights	11,463.1	2,790.8	7,932.6	5,683.2	1,196.1	1,047.1	799.9	2,782.2
Without trading warrants	8,277.1	2,909.9	8,645.9	340.4	445.9	348.0	65.5	935.0
Secondary offerings	0.0	4,886.9	8,331.6	2,787.6	840.3	0.0	0.0	506.6
NOMINAL VALUE (million euro)								
Total	20,135.9	4,768.5	4,253.4	1,129.0	812.8	568.9	1,314.4	822.4
Capital increases	20,135.9	4,472.6	3,153.3	1,071.5	547.5	568.9	1,314.4	808.5
Primary offerings	988.2	626.7	0.0	0.0	0.0	0.0	0.0	10.7
Bonus issues	1,458.6	1,258.2	946.6	172.2	262.9	270.3	102.8	157.8
Of which, scrip dividend	1,208.3	1,110.0	785.8	171.8	111.2	261.7	102.8	157.8
Capital increases by conversion[3]	3,721.0	819.7	107.0	11.4	19.5	63.5	1,028.4	11.1
For non-monetary consideration[4]	60.3	311.0	146.6	0.0	52.2	0.0	7.3	0.0
With pre-emptive subscription rights	8,021.7	1,185.7	1,190.7	860.1	191.9	132.4	156.5	129.4
Without trading warrants	5,886.0	271.3	762.3	27.7	20.9	102.8	19.4	499.6
Secondary offerings	0.0	295.9	1,100.2	57.6	265.3	0.0	0.0	13.9
***Pro memoria:* transactions MAB[5]**								
No. of issuers	7	9	16	2	3	7	2	3
No. of issues	14	15	18	2	3	7	2	3
Cash value (million euro)	45.7	130.1	177.8	6.9	28.5	133.8	7.2	4.1
Capital increases	45.7	130.1	177.8	6.9	28.5	133.8	7.2	4.1
Of which, primary offerings	1.8	5.0	21.6	5.0	3.8	12.9	0.0	0.0
Secondary offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Registered transactions at the CNMV. Does not include data from MAB, ETF or Latibex.
2 Available data: May 2016.
3 Includes capital increases by conversion of bonds or debentures, by exercise of employee share options and by exercise of warrants.
4 Capital increases for non-monetary consideration are valued at market prices.
5 Unregistered transactions at the CNMV. Source: BME and CNMV.

Companies listed[1]

TABLE 1.2

				2015			2016	
	2013	2014	2015	II	III	IV	I	II[2]
Total electronic market[3]	123	129	129	132	132	129	129	130
Of which, without Nuevo Mercado	123	129	129	132	132	129	129	130
Of which, Nuevo Mercado	0	0	0	0	0	0	0	0
Of which, foreign companies	7	8	7	8	7	7	7	6
Second Market	7	6	5	5	5	5	5	5
Madrid	2	2	2	2	2	2	2	2
Barcelona	5	4	3	3	3	3	3	3
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry ex SICAVs	23	20	18	19	19	18	17	16
Madrid	11	9	8	9	9	8	7	7
Barcelona	13	12	10	11	11	10	10	9
Bilbao	7	7	6	7	7	6	5	5
Valencia	4	4	3	4	4	3	3	3
Open outcry SICAVs	0	0	0	0	0	0	0	0
MAB[4]	3,066	3,269	3,429	3,343	3,388	3,429	3,429	3,417
Latibex	26	26	21	24	24	21	20	20

1 Data at the end of period.
2 Available data: May 2016.
3 Without ETFs (Exchange Traded Funds).
4 Alternative Stock Market.

Capitalisation[1]

TABLE 1.3

				2015			2016	
Million euro	2013	2014	2015	II	III	IV	I	II[2]
Total electronic market[3]	705,162.3	735,317.8	766,335.7	831,537.6	746,606.4	766,335.7	705,971.5	713,080.5
Of which, without Nuevo Mercado	705,162.3	735,317.8	766,335.7	831,537.6	746,606.4	766,335.7	705,971.5	713,080.5
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies[4]	141,142.4	132,861.1	141,695.3	155,748.9	131,710.8	141,695.3	131,231.2	115,213.5
Ibex 35	430,932.9	479,378.5	477,521.1	524,207.8	468,078.9	477,521.1	438,196.0	456,871.7
Second Market	67.5	30.2	20.6	21.1	23.3	20.6	78.1	119.0
Madrid	18.3	15.8	20.6	21.1	23.3	20.6	78.1	77.0
Barcelona	49.3	14.4	0.0	0.0	0.0	0.0	0.0	42.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry ex SICAVs	2,906.2	2,466.6	1,040.3	1,094.0	1,088.6	1,040.3	1,017.9	1,676.9
Madrid	519.4	376.5	296.9	353.1	342.2	296.9	326.7	362.9
Barcelona	2,749.5	2,356.5	887.7	945.3	970.4	887.7	3,581.0	1,520.3
Bilbao	183.6	162.5	943.3	1,086.5	963.8	943.3	216.2	71.7
Valencia	342.5	326.4	150.0	218.0	219.4	150.0	69.6	329.9
Open outcry SICAVs[5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB[5, 6]	32,171.2	34,306.0	37,258.5	37,432.7	35,380.9	37,258.5	36,008.2	36,577.5
Latibex	270,926.9	286,229.2	116,573.4	287,640.4	170,167.1	116,573.4	139,318.8	129,963.3

1 Data at the end of period.
2 Available data: May 2016.
3 Without ETFs (Exchange Traded Funds).
4 Foreign companies capitalisation includes their entire shares, whether they are deposited in Spain or not.
5 Calculated only with outstanding shares, not including treasury shares, because capital stock is not reported until the end of the year.
6 Alternative Stock Market.

Trading

TABLE 1.4

Million euro	2013	2014	2015	2015 II	III	IV	2016 I	II[1]
Total electronic market[2]	693,168.0	864,443.5	938,396.7	253,265.5	217,212.0	213,164.9	193,947.4	123,528.9
Of which, without Nuevo Mercado	693,168.0	864,443.5	938,396.7	253,265.5	217,212.0	213,164.9	193,947.4	123,528.9
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies	5,640.5	14,508.9	12,417.7	6,520.4	1,181.3	985.7	1,295.8	1,029.2
Second Market	1.7	0.7	13.8	9.7	3.4	0.2	0.1	0.4
Madrid	1.4	0.5	13.7	9.7	3.4	0.1	0.1	0.0
Barcelona	0.3	0.2	0.1	0.0	0.0	0.1	0.0	0.4
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry ex SICAVs	51.4	92.5	246.1	203.3	2.6	23.7	1.6	2.9
Madrid	7.3	32.6	19.4	1.1	0.8	11.0	1.4	0.8
Barcelona	44.1	45.2	219.1	202.2	1.7	8.0	0.2	2.1
Bilbao	0.1	14.3	7.5	0.0	0.0	4.7	0.0	0.0
Valencia	0.0	0.3	0.1	0.0	0.1	0.0	0.0	0.0
Open outcry SICAVs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB[3]	5,896.3	7,723.3	6,441.7	1,621.4	1,156.0	1,720.3	1,134.0	627.2
Latibex	367.3	373.1	258.7	67.6	59.3	46.4	53.4	16.1

1 Available data: May 2016.
2 Without ETFs (Exchange Traded Funds).
3 Alternative Stock Market.

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

TABLE 1.5

Million euro	2013	2014	2015	2015 II	III	IV	2016 I	II[2]
Regular trading	668,553.2	831,962.6	903,397.2	245,715.4	214,071.9	207,994.4	190,416.2	122,585.6
Orders	346,049.6	453,294.9	475,210.0	123,180.8	113,392.9	100,555.9	101,673.7	57,849.7
Put-throughs	56,565.3	73,056.9	96,187.7	25,477.2	24,336.6	23,156.8	24,388.3	12,707.8
Block trades	265,938.3	305,610.8	331,999.5	97,057.4	76,342.4	84,281.7	64,354.2	52,028.1
Off-hours	7,654.7	7,568.8	3,137.9	941.4	361.1	84.8	817.5	100.5
Authorised trades	4,839.9	7,808.9	14,885.5	1,219.3	1,090.0	1,260.1	1,297.7	458.5
Art. 36.1 SML trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	326.5	175.3	4,360.1	3,183.0	173.6	989.7	0.0	0.0
Public offerings for sale	396.1	6,143.4	4,266.8	0.0	0.0	0.0	0.0	0.0
Declared trades	379.7	410.9	203.6	190.0	13.6	0.0	0.0	0.0
Options	7,083.5	6,954.1	5,964.2	1,420.5	956.8	2,332.4	1,019.3	115.2
Hedge transactions	3,934.4	3,419.5	2,181.4	596.0	545.0	503.4	396.8	269.0

1 Without ETFs (Exchange Traded Funds).
2 Available data: May 2016.

Margin trading for sales and securities lending

TABLE 1.6

Million euro	2013	2014	2015	2015 II	III	IV	2016 I	II[1]
TRADING								
Securities lending[2]	464,521.5	599,051.5	691,486.7	201,952.7	167,537.8	160,890.1	152,217.8	55,676.4
Margin trading for sales of securities[3]	326.8	357.9	178.2	63.2	7.0	0.0	0.0	0.0
Margin trading for securities purchases[3]	34.1	16.2	6.4	3.7	0.3	0.0	0.0	0.0
OUTSTANDING BALANCE								
Securities lending[2]	43,398.9	61,076.1	79,952.8	76,628.8	74,169.5	79,952.8	83,785.2	92,662.6
Margin trading for sales of securities[3]	7.3	6.4	0.0	9.4	0.0	0.0	0.0	0.0
Margin trading for securities purchases[3]	0.6	0.4	0.0	0.6	0.0	0.0	0.0	0.0

1 Available data: May 2016.
2 Regulated by Article 36.7 of the Securities Market Law and Order ECO/764/2004.
3 Transactions performed in accordance with Ministerial Order dated 25 March 1991 on the margin system in spot transactions.

1.2 Fixed-income

Gross issues registered at the CNMV

TABLE 1.7

	2013	2014	2015	2015 II	2015 III	2015 IV	2016 I	2016 II[1]
NO. OF ISSUERS								
Total	49	46	49	18	14	29	20	20
Mortgage covered bonds	12	13	13	5	6	8	8	7
Territorial covered bonds	5	3	3	2	1	1	0	1
Non-convertible bonds and debentures	11	16	16	8	7	10	8	10
Convertible bonds and debentures	4	1	1	0	0	1	0	0
Backed securities	18	13	16	5	2	9	5	2
Commercial paper	20	18	16	3	2	5	4	1
Of which, asset-backed	0	1	1	0	0	0	1	0
Of which, non-asset-backed	20	17	15	3	2	5	3	1
Other fixed-income issues	0	0	0	0	0	0	0	0
Preference shares	0	0	0	0	0	0	0	0
NO. OF ISSUES								
Total	297	662	415	127	77	119	97	64
Mortgage covered bonds	40	27	34	9	8	8	14	12
Territorial covered bonds	6	3	6	3	1	1	0	1
Non-convertible bonds and debentures	170	578	318	103	62	79	65	48
Convertible bonds and debentures	8	1	1	0	0	1	0	0
Backed securities	53	35	40	9	4	25	13	2
Commercial paper[2]	20	18	16	3	2	5	5	1
Of which, asset-backed	0	1	1	0	0	0	1	0
Of which, non-asset-backed	20	17	15	3	2	5	4	1
Other fixed-income issues	0	0	0	0	0	0	0	0
Preference shares	0	0	0	0	0	0	0	0
NOMINAL AMOUNT (million euro)								
Total	138,838.6	130,258.4	136,607.3	31,006.2	22,019.4	46,948.9	40,721.8	13,625.4
Mortgage covered bonds	24,799.7	23,838.0	31,375.0	8,025.0	8,050.0	7,000.0	9,943.0	3,549.5
Territorial covered bonds	8,115.0	1,853.3	10,400.0	3,500.0	3,000.0	400.0	0.0	250.0
Non-convertible bonds and debentures	32,536.9	41,154.7	39,099.9	3,761.2	2,494.5	18,943.6	8,344.2	3,351.7
Convertible bonds and debentures	803.3	750.0	53.2	0.0	0.0	53.2	0.0	0.0
Backed securities	28,592.9	29,008.0	28,369.6	11,773.3	1,950.0	11,646.3	17,038.2	2,082.0
Spanish tranche	24,980.1	26,972.1	25,147.2	9,506.5	1,950.0	10,690.7	15,233.5	2,082.0
International tranche	3,612.8	2,035.9	3,222.4	2,266.8	0.0	955.6	1,804.7	0.0
Commercial paper[3]	43,990.8	33,654.4	27,309.6	3,946.7	6,524.9	8,905.8	5,396.4	4,392.3
Of which, asset-backed	1,410.0	620.0	2,420.0	480.0	400.0	600.0	560.0	280.0
Of which, non-asset-backed	42,580.8	33,034.4	24,889.6	3,466.7	6,124.9	8,305.8	4,836.4	4,112.3
Other fixed-income issues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pro memoria:								
Subordinated issues	4,776.0	7,999.3	5,452.2	1,810.0	741.6	2,240.6	1,980.0	0.0
Underwritten issues	193.0	195.8	0.0	0.0	0.0	0.0	421.0	0.0

1 Available data: May 2016.
2 Shelf registrations.
3 The figures for commercial paper refer to the amount placed.

Issues admitted to trading on AIAF[1]

TABLE 1.8

Nominal amount in million euro	2013	2014	2015	2015 II	2015 III	2015 IV	2016 I	2016 II[2]
Total	130,467.7	114,956.4	145,890.9	29,662.7	29,008.1	30,363.5	52,821.7	15,890.6
Commercial paper	45,228.6	33,493.1	27,455.3	4,530.8	6,229.7	9,161.8	4,989.4	4,295.3
Bonds and debentures	22,414.4	25,712.5	47,616.4	3,273.1	2,679.1	2,140.5	24,431.4	3,405.9
Mortgage covered bonds	25,399.7	24,438.0	31,375.0	10,025.0	8,050.0	7,000.0	7,143.0	5,849.5
Territorial covered bonds	8,115.0	1,853.3	10,400.0	500.0	6,000.0	400.0	0.0	250.0
Backed securities	29,309.9	29,459.5	29,044.2	11,333.8	6,049.3	11,661.1	16,257.9	2,089.9
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Includes only corporate bonds.
2 Available data: May 2016.

AIAF. Issuers, issues and outstanding balance

TABLE 1.9

	2013	2014	2015	2015 II	III	IV	2016 I	II[1]
NO. OF ISSUERS								
Total	493	465	388	417	419	388	381	378
Corporate bonds	492	464	387	416	418	387	380	377
Commercial paper	30	19	16	16	16	16	14	14
Bonds and debentures	91	79	64	73	73	64	61	57
Mortgage covered bonds	48	49	44	45	44	44	42	43
Territorial covered bonds	12	9	9	10	9	9	9	9
Backed securities	341	329	278	297	299	278	274	274
Preference shares	34	23	13	13	13	13	9	9
Matador bonds	9	9	7	9	9	7	7	7
Government bonds	1	1	1	1	1	1	1	1
Letras del Tesoro	1	1	1	1	1	1	1	1
Long Government bonds	1	1	1	1	1	1	1	1
NO. OF ISSUES								
Total	5,060	3,345	2,723	2,777	2,732	2,723	2,759	2,717
Corporate bonds	4,907	3,192	2,531	2,615	2,537	2,531	2,519	2,510
Commercial paper	2,529	1,130	392	399	380	392	371	365
Bonds and debentures	558	495	882	822	826	882	923	916
Mortgage covered bonds	328	283	238	244	241	238	230	235
Territorial covered bonds	52	39	32	35	31	32	31	32
Backed securities	1,334	1,188	966	1,084	1,034	966	945	943
Preference shares	94	47	16	22	16	16	12	12
Matador bonds	12	10	7	9	9	7	7	7
Government bonds	153	153	193	162	195	193	240	207
Letras del Tesoro	12	12	12	12	12	12	12	12
Long Government bonds	141	141	181	150	183	181	228	195
OUTSTANDING BALANCE[2] (million euro)								
Total	1,442,270.2	1,374,947.5	1,386,289.8	1,381,434.3	1,390,566.9	1,386,289.8	1,385,905.0	1,398,272.5
Corporate bonds	708,601.8	581,825.3	534,088.9	575,524.0	563,727.9	534,088.9	535,398.0	538,052.6
Commercial paper	28,816.3	20,361.6	15,172.9	15,993.3	15,827.3	15,172.9	13,662.0	15,148.3
Bonds and debentures	132,076.6	74,076.5	74,082.2	96,235.0	95,543.4	74,082.2	88,142.0	88,217.5
Mortgage covered bonds	246,967.9	208,314.2	194,072.7	195,042.2	194,646.4	194,072.7	178,610.7	181,990.2
Territorial covered bonds	29,793.5	24,671.3	27,586.3	28,171.3	22,971.3	27,586.3	27,336.3	27,586.3
Backed securities	269,176.8	253,045.1	222,100.4	238,823.6	233,535.7	222,100.4	226,702.1	224,165.5
Preference shares	1,076.2	782.1	627.4	684.2	629.6	627.4	497.8	497.8
Matador bonds	694.6	574.4	447.1	574.4	574.4	447.1	447.1	447.1
Government bonds	733,668.3	793,122.3	852,200.9	805,910.3	826,838.9	852,200.9	850,507.0	860,219.9
Letras del Tesoro	89,174.4	77,926.1	82,435.4	77,345.3	78,127.0	82,435.4	84,129.6	75,332.5
Long Government bonds	644,493.9	715,196.2	769,765.5	728,565.0	748,711.9	769,765.5	816,022.8	784,887.4

1 Available data: May 2016.
2 Nominal amount.

AIAF. Trading

TABLE 1.10

Nominal amount in million euro	2013	2014	2015	2015 II	III	IV	2016 I	II[1]
BY TYPE OF ASSET								
Total	1,400,757.7	1,118,963.7	521,853.7	174,511.7	84,989.0	105,131.4	57,380.2	24,452.9
Corporate bonds	1,400,601.6	1,118,719.6	521,590.4	174,451.0	84,955.1	105,077.8	57,350.7	24,426.2
Commercial paper	112,559.8	48,817.3	31,346.2	7,591.7	6,905.2	8,116.7	4,274.6	3,560.9
Bonds and debentures	295,191.7	269,659.8	78,120.5	24,757.5	6,498.2	13,342.8	6,876.9	6,466.7
Mortgage covered bonds	341,674.0	376,273.3	187,201.7	52,685.2	31,768.1	38,663.4	33,020.3	8,443.8
Territorial covered bonds	86,758.6	82,023.2	46,711.4	20,787.2	8,038.4	11,530.0	2,506.7	27.5
Backed securities	538,064.8	341,827.8	177,844.1	68,590.5	31,713.2	33,148.4	10,658.1	5,924.1
Preference shares	26,256.0	97.7	295.5	12.9	8.0	258.0	13.9	0.3
Matador bonds	96.7	20.5	71.1	26.1	24.0	18.5	0.1	2.9
Government bonds	156.1	244.1	263.3	60.7	33.8	53.6	29.5	26.7
Letras del Tesoro	11.6	30.7	30.2	8.4	8.4	0.0	0.0	0.0
Long Government bonds	144.4	213.4	233.1	52.3	25.4	53.6	29.5	26.7
BY TYPE OF TRANSACTION								
Total	1,400,757.6	1,118,963.7	521,853.7	174,511.7	84,989.0	105,131.4	57,380.1	24,452.9
Outright	290,633.0	396,341.0	239,086.8	64,054.0	42,729.2	53,887.6	43,126.0	19,498.7
Repos	69,063.3	29,800.4	7,144.5	3,205.6	3,132.4	3,881.8	2,480.1	793.6
Sell-buybacks/Buy-sellbacks	1,041,061.3	692,822.2	267,875.7	107,252.1	39,127.3	47,362.0	11,774.1	4,160.6

1 Available data: May 2016.

AIAF. Third-party trading. By purchaser sector

TABLE 1.11

Nominal amount in million euro	2013	2014	2015	2015 II	III	IV	2016 I	II[1]
Total	275,939.0	262,527.8	193,694.8	51,803.8	40,629.2	51,360.3	40,730.0	16,698.9
Non-financial companies	45,351.7	30,843.4	22,747.1	6,768.9	2,758.9	5,841.2	3,617.7	1,083.3
Financial institutions	163,671.3	132,114.5	95,467.1	30,193.6	20,540.4	19,720.2	19,669.1	7,247.7
Credit institutions	97,674.3	87,475.6	74,196.0	23,260.4	16,223.5	14,058.2	14,439.6	4,699.0
IICs,[2] insurance and pension funds	59,371.8	34,205.9	8,835.4	2,636.1	1,612.5	3,466.4	2,464.7	1,489.6
Other financial institutions	6,625.2	10,433.1	12,435.7	4,297.1	2,704.3	2,195.6	2,764.8	1,059.1
General government	2,438.8	5,067.3	10,414.4	2,251.9	3,424.6	1,042.3	1,300.8	1,098.8
Households and NPISHs[3]	8,598.4	2,861.8	1,575.2	286.7	390.6	319.8	352.2	209.2
Rest of the world	55,878.8	91,640.7	63,491.1	12,302.8	13,514.7	24,436.8	15,790.2	7,059.9

1 Available data: May 2016.
2 IICs: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.
3 Non-profit institutions serving households.

Issues admitted to trading on equity markets[1]

TABLE 1.12

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

1 Includes only corporate bonds.
2 Available data: May 2016.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.13

	2013	2014	2015	2015 II	III	IV	2016 I	II[1]
NO. OF ISSUERS								
Total	40	28	20	24	23	20	19	19
Private issuers	27	17	10	13	12	10	9	9
Non-financial companies	2	0	0	0	0	0	0	0
Financial institutions	25	17	10	13	12	10	9	9
General government[2]	13	11	10	11	11	10	10	10
Regional governments	3	3	2	3	3	2	2	2
NO. OF ISSUES								
Total	197	165	103	133	115	103	96	92
Private issuers	89	65	43	52	47	43	37	35
Non-financial companies	2	0	0	0	0	0	0	0
Financial institutions	87	65	43	52	47	43	37	35
General government[2]	108	100	60	81	68	60	59	57
Regional governments	64	56	25	37	29	25	25	25
OUTSTANDING BALANCES[3] (million euro)								
Total	25,284.5	16,800.4	11,702.2	14,650.0	12,614.9	11,702.2	11,596.1	11,563.4
Private issuers	8,317.5	3,401.2	1,383.3	3,082.8	2,406.9	1,383.3	1,186.6	1,154.8
Non-financial companies	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	8,315.5	3,401.2	1,383.3	3,082.8	2,406.9	1,383.3	1,186.6	1,154.8
General government[2]	16,967.0	13,399.2	10,319.0	11,567.2	10,208.0	10,319.0	10,409.6	10,408.6
Regional governments	15,716.3	12,227.2	9,320.2	10,491.6	9,156.3	9,320.2	9,411.7	9,411.7

1 Available data: May 2016.
2 Without public book-entry debt.
3 Nominal amount.

Trading on equity markets

TABLE 1.14

Nominal amounts in million euro	2013	2014	2015	2015 II	III	IV	2016 I	II[1]
Electronic market	1,592.6	861.2	19.3	5.8	4.2	1.4	0.0	0.0
Open outcry	3,388.3	5,534.0	2,050.2	166.9	787.7	723.7	172.7	228.4
Madrid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barcelona	3,197.4	5,527.0	2,050.2	166.9	787.7	723.7	172.7	228.4
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	190.9	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Public book-entry debt	137.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional governments debt	41,062.2	42,677.2	22,169.0	8,408.1	2,809.4	2,256.4	1,526.3	218.4

1 Available data: May 2016.

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

TABLE 1.15

Nominal amounts in million euro	2013	2014	2015	2015 II	III	IV	2016 I	II[1]
Total	64,011.0	103,044.0	101,555.0	26,535.0	32,090.0	39,937.0	31,231.0	34,659.0
Outright	64,011.0	103,044.0	101,555.0	26,535.0	32,090.0	39,937.0	31,231.0	34,659.0
Sell-buybacks/Buy-sellbacks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: May 2016.

1.3 Derivatives and other products

1.3.1 Financial derivatives markets: MEFF

Trading on MEFF

TABLE 1.16

Number of contracts	2013	2014	2015	2015 II	III	IV	2016 I	II[1]
Debt products	13,667	4,690	8,012	3,035	1,200	616	230	9
Debt futures[2]	13,667	4,690	8,012	3,035	1,200	616	230	9
Ibex 35 products[3, 4]	6,416,073	7,728,494	8,279,939	2,129,718	2,068,055	1,943,701	2,125,580	1,164,248
Ibex 35 plus futures	5,578,607	6,924,068	7,384,896	1,909,834	1,869,745	1,743,089	1,920,556	1,087,381
Ibex 35 mini futures	198,736	304,891	318,129	81,209	79,730	71,809	89,717	36,502
Ibex 35 dividend impact futures	3,520	23,939	32,499	1,775	4,731	13,321	13,908	4,771
Call mini options	308,084	302,255	325,479	83,437	64,019	58,337	51,347	16,654
Put mini options	327,126	173,342	218,937	53,463	49,830	57,146	50,053	18,940
Stock products[5]	35,884,393	27,697,961	31,768,355	7,723,250	6,771,629	8,509,783	8,253,156	3,554,655
Futures	14,927,659	12,740,105	10,054,830	2,616,035	1,709,635	2,069,470	3,312,316	707,125
Stock dividend futures	66,650	236,151	292,840	75,637	61,935	97,940	112,248	95,347
Call options	10,534,741	5,773,662	8,572,088	2,228,050	1,951,235	2,032,647	2,394,785	1,568,984
Put options	10,355,343	8,948,043	12,848,597	2,803,528	3,048,824	4,309,726	2,433,807	1,183,199
***Pro memoria:* MEFF trading on Eurex**								
Debt products[6]	167,827	172,883	149,378	55,580	24,938	28,388	41,979	45,937
Index products[7]	111,924	56,356	49,119	15,682	9,983	8,285	12,050	6,272

1 Available data: May 2016.
2 Contract size: 100 thousand euros.
3 The number of Ibex 35 mini futures (multiples of 1 euro) was standardised to the size of the Ibex 35 plus futures (multiples of 10 euro).
4 Contract size: Ibex 35, 10 euros.
5 Contract size: 100 Stocks.
6 Bund, Bobl , Schatz, Bon, Btp, Bts, Bux and Oat futures.
7 Dax 30, DJ Eurostoxx 50, DJ Stoxx 50 and MiniDax futures.

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

Issues registered at the CNMV

TABLE 1.17

				2015			2016	
	2013	2014	2015	II	III	IV	I	II[1]
WARRANTS[2]								
Premium amount (million euro)	3,621.2	3,644.2	3,479.1	574.7	735.6	1,053.4	762.3	208.2
On stocks	2,211.8	1,770.9	1,807.3	295.8	321.9	583.5	431.3	140.3
On indexes	1,122.6	1,697.3	1,486.1	242.9	389.1	425.7	294.5	66.9
Other underlyings[3]	286.8	176.0	185.6	36.1	24.6	44.2	36.5	0.9
Number of issues	8,347	8,574	9,059	1,611	1,792	2,822	2,294	608
Number of issuers	7	6	8	4	5	6	5	3
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On indexes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other underlyings[3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	0	0	0	0	0	0	0	0
Number of issuers	0	0	0	0	0	0	0	0

1 Available data: May 2016.
2 Includes issuance and trading prospectuses.
3 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

Equity markets. Warrants and ETF trading

TABLE 1.18

				2015			2016	
	2013	2014	2015	II	III	IV	I	II[1]
WARRANTS								
Trading (million euro)	752.7	817.7	1,095.9	304.4	247.8	208.5	213.4	106.0
On Spanish stocks	379.4	379.8	303.6	82.7	60.2	63.8	77.2	47.2
On foreign stocks	86.3	51.2	66.7	18.7	12.9	12.5	8.8	5.5
On indexes	255.4	364.3	692.0	193.1	167.9	128.4	122.6	50.9
Other underlyings[2]	31.6	22.4	33.6	9.9	6.7	3.7	4.8	2.4
Number of issues[3]	7,299	7,612	7,530	3,277	2,934	2,635	2,757	1,978
Number of issuers[3]	8	8	9	7	8	9	8	8
CERTIFICATES								
Trading (million euro)	1.0	1.7	1.1	0.0	0.6	0.5	0.1	0.1
Number of issues[3]	2	2	2	2	2	2	2	2
Number of issuers[3]	1	1	1	1	1	1	1	1
ETFs								
Trading (million euro)	2,736.0	9,849.5	12,633.8	3,263.8	3,577.9	2,632.2	2,273.4	814.6
Number of funds	72	70	58	69	69	58	58	58
Assets[4] (million euro)	382.0	436.1	436.0	550.0	486.0	485.0	358.0	N/A

1 Available data: May 2016.
2 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.
3 Issues or issuers which were traded in each period.
4 Assets from national collective investment schemes is only included because assets from foreign ones are not available.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2013	2014	2015	2015 II	2015 III	2015 IV	2016 I	2016 II[1]
BROKER-DEALERS								
Spanish firms	41	38	39	38	38	39	39	41
Branches	20	21	25	22	22	25	23	21
Agents	6,269	6,116	5,819	6,340	6,354	5,819	5,740	5,742
BROKERS								
Spanish firms	41	37	39	37	39	39	38	37
Branches	11	19	21	17	21	21	22	25
Agents	520	466	468	473	470	468	457	491
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	5	5	3	4	4	3	2	2
Branches	5	5	9	5	5	9	8	8
Agents	1	1	0	1	1	0	0	0
FINANCIAL ADVISORY FIRMS								
Spanish firms	126	143	154	149	150	154	154	161
Branches	9	11	12	12	12	12	12	12
CREDIT INSTITUTIONS[2]								
Spanish firms	141	137	134	134	134	134	133	133

1 Available data: May 2016.
2 Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2013	2014	2015	2015 II	2015 III	2015 IV	2016 I	2016 II[1]
Total	3,104	3,102	3,183	3,128	3,151	3,183	3,203	3,243
Investment services firms	2,650	2,641	2,723	2,669	2,691	2,723	2,741	2,781
From EU member states	2,647	2,639	2,720	2,666	2,688	2,720	2,738	2,778
Branches	38	39	42	40	42	42	45	45
Free provision of services	2,609	2,600	2,678	2,626	2,646	2,678	2,693	2,733
From non-EU states	3	2	3	3	3	3	3	3
Branches	0	0	0	0	0	0	0	0
Free provision of services	3	2	3	3	3	3	3	3
Credit institutions[2]	454	461	460	459	460	460	462	462
From EU member states	444	452	451	450	451	451	454	454
Branches	52	54	53	54	53	53	53	53
Free provision of services	392	398	398	396	398	398	401	401
Subsidiaries of free provision of services institutions	0	0	0	0	0	0	0	0
From non-EU states	10	9	9	9	9	9	8	8
Branches	8	6	6	6	6	6	5	5
Free provision of services	2	3	3	3	3	3	3	3

1 Available data: May 2016.
2 Source: Banco de España and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

Million euro	2013	2014	2015	2015 I	II	III	IV	2016 I
FIXED-INCOME								
Total	10,492,026.8	9,264,859.8	5,365,817.5	1,711,077.5	1,405,666.4	1,134,941.3	1,114,132.3	1,234,449.1
Broker-dealers	5,217,059.4	4,989,059.9	3,774,816.4	1,189,914.6	1,021,811.5	799,467.0	763,623.3	805,643.4
Spanish organised markets	2,597,608.6	2,372,515.0	1,909,130.4	625,586.4	546,559.9	401,189.0	335,795.1	369,646.2
Other Spanish markets	2,310,403.7	2,388,868.8	1,689,702.4	504,753.7	437,936.6	359,034.3	387,977.8	364,162.5
Foreign markets	309,047.1	227,676.1	175,983.6	59,574.5	37,315.0	39,243.7	39,850.4	71,834.7
Brokers	5,274,967.4	4,275,799.9	1,591,001.1	521,162.9	383,854.9	335,474.3	350,509.0	428,805.7
Spanish organised markets	69,066.6	89,472.6	14,160.0	4,233.9	3,241.3	4,423.8	2,261.0	14,338.1
Other Spanish markets	5,007,723.4	3,955,091.6	1,402,106.3	454,161.1	340,405.4	299,276.2	308,263.6	353,710.7
Foreign markets	198,177.4	231,235.7	174,734.8	62,767.9	40,208.2	31,774.3	39,984.4	60,756.9
EQUITY								
Total	692,872.0	940,623.2	1,020,289.5	280,029.3	261,073.4	213,264.8	265,922.0	210,419.3
Broker-dealers	650,094.9	875,037.7	914,649.2	269,822.5	241,888.9	193,200.2	209,737.6	194,853.2
Spanish organised markets	590,027.1	814,349.4	855,883.2	254,159.7	225,587.1	180,329.1	195,807.3	180,804.3
Other Spanish markets	2,585.4	2,828.5	3,327.8	1,022.8	898.3	590.4	816.3	637.2
Foreign markets	57,482.4	57,859.8	55,438.2	14,640.0	15,403.5	12,280.7	13,114.0	13,411.7
Brokers	42,777.1	65,585.5	105,640.3	10,206.8	19,184.5	20,064.6	56,184.4	15,566.1
Spanish organised markets	14,677.2	16,726.7	14,207.3	4,028.0	3,753.5	3,349.1	3,076.7	3,001.3
Other Spanish markets	9,140.4	14,009.1	13,769.0	1,512.5	2,816.7	2,973.6	6,466.2	846.9
Foreign markets	18,959.5	34,849.7	77,664.0	4,666.3	12,614.3	13,741.9	46,641.5	11,717.9

1 Period accumulated data. Quarterly.

Intermediation of derivative transactions[1, 2]

TABLE 2.4

Million euro	2013	2014	2015	2015 I	II	III	IV	2016 I
Total	6,316,221.8	10,095,572.3	12,104,474.3	2,779,120.5	3,038,237.6	3,222,631.2	3,064,485.0	3,087,332.5
Broker-dealers	6,110,753.4	9,918,555.0	11,958,716.2	2,757,477.2	2,998,514.6	3,182,974.2	3,019,750.2	3,025,120.2
Spanish organised markets	2,410,367.9	4,625,999.8	6,215,223.3	1,485,199.0	1,549,034.6	1,659,817.4	1,521,172.3	1,474,859.7
Foreign organised markets	3,423,638.5	4,913,770.3	5,386,722.4	1,213,448.6	1,389,688.8	1,432,185.7	1,351,399.3	1,360,289.3
Non-organised markets	276,747.0	378,784.9	356,770.5	58,829.6	59,791.2	90,971.1	147,178.6	189,971.2
Brokers	205,468.4	177,017.3	145,758.1	21,643.3	39,723.0	39,657.0	44,734.8	62,212.3
Spanish organised markets	4,668.8	6,881.8	7,510.9	1,268.2	1,285.3	2,115.4	2,842.0	5,151.0
Foreign organised markets	29,584.9	37,016.8	27,846.8	4,247.1	5,970.4	7,148.0	10,481.3	12,857.3
Non-organised markets	171,214.7	133,118.7	110,400.4	16,128.0	32,467.3	30,393.6	31,411.5	44,204.0

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

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

TABLE 2.5

Million euro	2013	2014	2015	2015 I	II	III	IV	2016 I[2]
NUMBER OF PORTFOLIOS								
Total	11,380	13,483	13,713	14,074	14,474	14,896	13,713	–
Broker-dealers. Total	4,001	4,741	5,711	4,847	4,975	5,168	5,711	5,739
IIC[3]	59	63	60	62	65	65	60	37
Other[4]	3,942	4,678	5,651	4,785	4,910	5,103	5,651	5,702
Brokers. Total	3,699	4,484	5,681	4,950	5,354	5,534	5,681	5,799
IIC[3]	57	63	95	63	66	70	95	99
Other[4]	3,642	4,421	5,586	4,887	5,288	5,464	5,586	5,700
Portfolio management companies. Total	3,680	4,258	2,321	4,277	4,145	4,194	2,321	–
IIC[3]	12	5	1	5	1	1	1	–
Other[4]	3,668	4,253	2,320	4,272	4,144	4,193	2,320	–
ASSETS UNDER MANAGEMENT (thousand euro)								
Total	10,692,140	11,661,203	9,201,678	12,419,967	12,187,689	12,092,946	9,201,678	–
Broker-dealers. Total	4,171,331	4,905,630	5,406,804	5,168,610	5,125,196	5,039,779	5,406,804	5,954,257
IIC[3]	1,160,986	1,371,924	1,546,293	1,503,201	1,498,082	1,466,505	1,546,293	1,075,230
Other[4]	3,010,345	3,533,706	3,860,511	3,665,409	3,627,114	3,573,274	3,860,511	4,879,027
Brokers. Total	2,284,773	1,935,646	2,565,132	2,196,350	2,168,348	2,230,847	2,565,132	2,325,402
IIC[3]	610,839	846,244	1,448,260	1,060,456	1,061,598	1,155,605	1,448,260	1,503,738
Other[4]	1,673,934	1,089,403	1,116,872	1,135,894	1,106,750	1,075,242	1,116,872	821,664
Portfolio management companies. Total	4,236,036	4,819,927	1,229,742	5,055,007	4,894,145	4,822,320	1,229,742	–
IIC[3]	195,735	118,847	15,729	125,495	17,339	15,322	15,729	–
Other[4]	4,040,301	4,701,080	1,214,013	4,929,512	4,876,806	4,806,998	1,214,013	–

1 Data at the end of period. Quarterly.
2 Portfolio management companies information is not shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes. Includes both resident and non-resident IICs management.
4 Includes the rest of clients, both covered and not covered by the Investment Guarantee Fund, an investor compensation scheme regulated by Royal Decree 948/2001.

Financial advice. Number of contracts[1, 2]

TABLE 2.6

Million euro	2013	2014	2015	2015 I	II	III	IV	2016 I[3]
NUMBER OF CONTRACTS								
Total	11,730	12,761	14,569	12,641	12,886	13,562	14,569	–
Broker-dealers. Total[4]	3,074	3,437	1,183	1,210	1,198	1,202	1,183	1,190
Retail clients	3,041	3,409	1,159	1,178	1,173	1,177	1,159	1,164
Professional clients	10	11	11	15	11	11	11	15
Brokers. Total[4]	6,919	7,511	11,456	9,634	9,832	10,507	11,456	11,823
Retail clients	6,617	7,322	11,247	9,425	9,624	10,298	11,247	11,639
Professional clients	279	169	176	179	177	177	176	148
Portfolio management companies. Total[4]	1,737	1,813	1,930	1,797	1,856	1,853	1,930	–
Retail clients	1,732	1,805	1,928	1,793	1,855	1,852	1,928	–
Professional clients	5	8	2	4	1	1	2	–

1 Data at the end of period. Quarterly.
2 Quarterly data on assets advised are not available since the entry into force of Circular 3/2014, of 22 October.
3 Portfolio management companies information is not shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
4 Includes retail, professional and other clients.

Aggregated income statement. Broker-dealers

TABLE 2.7

Thousand euro[1]	2013	2014	2015	2015 II	III	IV	2016 I	II[2]
I. Interest income	67,333	74,177	55,570	19,859	39,104	55,570	7,216	35,117
II. Net commission	387,216	445,317	422,542	229,613	326,720	422,542	91,676	121,164
Commission revenues	565,787	633,263	614,705	327,200	474,430	614,705	137,511	180,660
Brokering	347,522	342,462	322,857	175,630	249,783	322,857	65,205	87,777
Placement and underwriting	4,824	21,414	11,556	6,594	10,659	11,556	629	2,248
Securities deposit and recording	17,987	22,347	24,358	12,211	18,355	24,358	12,323	15,564
Portfolio management	15,581	21,046	22,541	11,744	16,133	22,541	5,453	7,058
Design and advising	18,597	19,502	13,575	7,175	10,324	13,575	4,414	5,158
Stocks search and placement	8,659	4,367	1,497	744	1,420	1,497	80	105
Market credit transactions	22	0	0	0	0	0	0	0
IICs[3] marketing	51,766	62,948	73,889	36,225	54,906	73,889	18,307	24,409
Other	100,829	139,177	144,432	76,878	112,848	144,432	31,101	38,341
Commission expenses	178,571	187,946	192,163	97,587	147,710	192,163	45,835	59,496
III. Financial investment income	256,110	222,077	215,861	114,846	186,154	215,861	21,838	38,943
IV. Net exchange differences and other operating products and expenses	-138,467	-96,425	-128,200	-56,310	-117,105	-128,200	3,793	-2,236
V. Gross income	572,192	645,146	565,773	308,008	434,873	565,773	124,523	192,988
VI. Operating income	185,040	265,509	186,771	109,895	151,869	186,771	37,138	68,583
VII. Earnings from continuous activities	140,805	192,467	141,291	93,159	128,364	141,291	40,695	73,836
VIII. Net earnings of the period	140,805	192,467	141,291	93,159	128,364	141,291	40,695	73,836

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
2 Available data: April 2016.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro[1]	2013	2014	2015	2015 I	II	III	IV	2016 I
TOTAL								
Total	192,753	200,010	137,327	37,798	77,953	108,105	137,327	32,932
Money market assets and public debt	17,163	12,342	9,327	3,325	5,422	7,259	9,327	2,397
Other fixed-income securities	55,096	31,631	24,795	9,454	14,995	21,497	24,795	9,674
Domestic portfolio	42,328	23,038	8,990	3,936	6,725	9,417	8,990	5,155
Foreign portfolio	12,768	8,593	15,805	5,518	8,270	12,080	15,805	4,519
Equities	17,869	800,035	112,943	160,100	143,100	52,417	112,943	-116,403
Domestic portfolio	44,517	112,635	18,141	7,922	14,208	12,172	18,141	-598
Foreign portfolio	-26,648	687,400	94,802	152,178	128,892	40,245	94,802	-115,805
Derivatives	207,347	-565,800	109,668	-111,864	-34,258	135,442	109,668	131,289
Repurchase agreements	1,378	345	-248	-32	-96	-165	-248	-99
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial Intermediaries	3,405	1,205	1,605	388	329	895	1,605	-571
Net exchange differences	-149,034	-110,807	-142,545	-27,423	-63,866	-127,967	-142,545	-2,440
Other operating products and expenses	10,565	14,384	14,344	3,648	7,555	10,862	14,344	6,232
Other transactions	28,964	16,675	7,438	202	4,772	7,865	7,438	2,853
INTEREST INCOME								
Total	67,333	74,177	55,570	7,986	19,860	39,103	55,570	7,216
Money market assets and public debt	4,356	2,123	2,156	399	725	1,056	2,156	389
Other fixed-income securities	4,572	3,371	2,731	802	1,391	2,083	2,731	580
Domestic portfolio	3,149	2,147	1,534	518	807	1,188	1,534	320
Foreign portfolio	1,423	1,224	1,197	284	584	895	1,197	260
Equities	40,163	63,460	43,826	6,458	16,619	33,847	43,826	8,213
Domestic portfolio	14,672	28,679	3,622	33	1,799	2,557	3,622	102
Foreign portfolio	25,491	34,781	40,204	6,425	14,820	31,290	40,204	8,111
Repurchase agreements	1,378	345	-248	-32	-96	-165	-248	-99
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial Intermediaries	3,405	1,205	1,605	388	329	895	1,605	-571
Other transactions	13,459	3,673	5,500	-29	892	1,387	5,500	-1,296
FINANCIAL INVEST INCOME								
Total	256,109	222,077	215,861	55,797	114,846	186,154	215,861	21,838
Money market assets and public debt	12,807	10,219	7,171	2,926	4,697	6,203	7,171	2,008
Other fixed-income securities	50,524	28,260	22,064	8,652	13,604	19,414	22,064	9,094
Domestic portfolio	39,179	20,891	7,456	3,418	5,918	8,229	7,456	4,835
Foreign portfolio	11,345	7,369	14,608	5,234	7,686	11,185	14,608	4,259
Equities	-22,294	736,575	69,117	153,642	126,481	18,570	69,117	-124,616
Domestic portfolio	29,845	83,956	14,519	7,889	12,409	9,615	14,519	-700
Foreign portfolio	-52,139	652,619	54,598	145,753	114,072	8,955	54,598	-123,916
Derivatives	207,347	-565,800	109,668	-111,864	-34,258	135,442	109,668	131,289
Other transactions	7,725	12,823	7,841	2,441	4,322	6,525	7,841	4,063
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	-130,689	-96,244	-134,104	-25,985	-56,753	-117,152	-134,104	3,878
Net exchange differences	-149,034	-110,807	-142,545	-27,423	-63,866	-127,967	-142,545	-2,440
Other operating products and expenses	10,565	14,384	14,344	3,648	7,555	10,862	14,344	6,232
Other transactions	7,780	179	-5,903	-2,210	-442	-47	-5,903	86

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

Aggregated income statement. Brokers

TABLE 2.9

				2015			2016	
Thousand euro[1]	2013	2014	2015	II	III	IV	I	II[2]
I. Interest income	1,799	1,119	884	448	633	884	159	181
II. Net commission	110,422	120,634	113,904	57,929	83,955	113,904	24,770	34,073
Commission revenues	130,738	147,137	135,320	68,206	99,357	135,320	29,949	40,989
Brokering	40,196	41,745	31,845	17,922	25,069	31,845	6,404	9,335
Placement and underwriting	4,715	8,129	3,829	1,891	2,296	3,829	229	332
Securities deposit and recording	505	567	521	226	361	521	147	213
Portfolio management	16,267	15,062	10,711	4,640	7,362	10,711	2,844	3,690
Design and advising	5,894	7,576	7,856	4,413	5,390	7,856	1,857	2,365
Stocks search and placement	55	0	216	186	186	216	18	40
Market credit transactions	11	0	0	0	0	0	0	0
IICs[3] marketing	35,823	46,565	53,169	26,577	39,519	53,169	12,457	16,563
Other	27,272	27,493	27,173	12,351	19,174	27,173	5,993	8,451
Commission expenses	20,316	26,503	21,416	10,277	15,402	21,416	5,179	6,916
III. Financial investment income	5	775	592	731	319	592	-94	-18
IV. Net exchange differences and other operating products and expenses	-1,633	1,102	1,197	1,633	1,236	1,197	-421	-401
V. Gross income	110,593	123,626	116,577	60,741	86,143	116,577	24,414	33,834
VI. Operating income	18,422	24,366	22,148	15,871	19,100	22,148	1,702	3,432
VII. Earnings from continuous activities	14,321	19,922	17,266	15,058	18,113	17,266	1,488	2,647
VIII. Net earnings of the period	14,321	19,922	17,266	15,058	18,113	17,266	1,488	2,647

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
2 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Aggregated income statement. Portfolio management companies[1, 2]

TABLE 2.10

				2015			2016	
Thousand euro	2013	2014	2015	II	III	IV	I	II
I. Interest income	667	574	399	226	325	399	–	–
II. Net commission	9,362	11,104	8,526	4,944	7,362	8,526	–	–
Commission revenues	18,603	15,411	13,064	7,594	10,982	13,064	–	–
Portfolio management	17,028	13,572	11,150	6,290	8,902	11,150	–	–
Design and advising	1,575	849	371	193	370	371	–	–
IICs[3] marketing	0	0	0	0	0	0	–	–
Other	0	990	1,544	1,110	1,709	1,544	–	–
Commission expenses	9,241	4,307	4,538	2,650	3,620	4,538	–	–
III. Financial investment income	9	-6	-28	15	-25	-28	–	–
IV. Net exchange differences and other operating products and expenses	-32	-237	-234	-123	-267	-234	–	–
V. Gross income	10,006	11,435	8,663	5,062	7,392	8,663	–	–
VI. Operating income	3,554	5,860	3,331	2,219	3,213	3,331	–	–
VII. Earnings from continuous activities	2,472	4,135	2,335	1,574	2,254	2,335	–	–
VIII. Net earnings of the period	2,472	4,135	2,335	1,574	2,254	2,335	–	–

1 Portfolio management companies information is not shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
2 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Capital adequacy and capital ratio[1, 2]

TABLE 2.11

	2013	2014	2015	2015 I	II	III	IV	2016 I[3]
TOTAL								
Total capital ratio[4]	–	40.27	44.36	39.49	42.55	45.53	44.36	40.99
Own funds surplus (thousand euro)	1,033,669	1,056,285	1,109,837	1,082,326	1,142,943	1,158,626	1,109,837	1,094,708
Surplus (%)[5]	322.58	403.43	454.50	393.63	431.85	469.13	454.50	412.37
Number of companies according to its surplus percentage								
≤100%	34	16	14	16	12	10	14	16
>100-≤300%	22	24	22	23	26	25	22	19
>300-≤500%	17	12	13	11	13	14	13	13
>500%	14	21	21	22	20	22	21	19
BROKER-DEALERS								
Total capital ratio[4]	–	40.84	46.13	39.97	43.11	46.41	46.13	42.23
Own funds surplus (thousand euro)	960,624	981,613	1,055,636	1,002,768	1,058,675	1,077,568	1,055,636	1,046,140
Surplus (%)[5]	367.43	410.56	476.59	399.58	438.88	480.09	476.59	427.88
Number of companies according to its surplus percentage								
≤100%	9	5	4	5	4	3	4	8
>100-≤300%	11	14	12	13	12	11	12	8
>300-≤500%	13	6	8	6	9	9	8	9
>500%	8	14	14	14	13	15	14	13
BROKERS								
Total capital ratio[4]	–	24.30	25.58	23.85	26.51	26.06	25.58	26.52
Own funds surplus (thousand euro)	62,199	42,106	48,197	43,796	50,327	47,091	48,197	48,567
Surplus (%)[5]	164.46	203.80	219.78	198.17	231.40	225.71	219.78	231.51
Number of companies according to its surplus percentage								
≤100%	22	11	10	11	8	7	10	8
>100-≤300%	10	8	9	8	12	12	9	11
>300-≤500%	3	6	5	5	4	5	5	4
>500%	6	4	6	5	5	5	6	6
PORTFOLIO MANAGEMENT COMPANIES								
Total capital ratio[4]	–	133.69	71.26	158.32	168.49	171.65	71.26	–
Own funds surplus (thousand euro)	10,846	32,566	6,004	35,762	33,941	33,967	6,004	–
Surplus (%)[5]	51.21	1,571.12	791.04	1,879.04	2,006.07	2,045.58	791.04	–
Number of companies according to its surplus percentage								–
≤100%	3	0	0	0	0	0	0	–
>100-≤300%	1	2	1	2	2	2	1	–
>300-≤500%	1	0	0	0	0	0	0	–
>500%	0	3	1	3	2	2	1	–

1 On 1 January 2014 entered into force Regulation (EU) No.º 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms, which has changed the own funds requirements calculation.
2 Since January 2014 only the entities subject to reporting requirements are included, according to CNMV Circular 2/2014, of 23 June, on the exercise of various regulatory options regarding solvency requirements for investment firms and their consolidated groups.
3 Portfolio management companies information is not shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
4 Total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount. This ratio should not be under 8%.
5 Average surplus percentage is weighted by the required equity of each company. It is an indicator of the number of times, in percentage terms, that the surplus contains the required equity in an average company.

Return on equity (ROE) before taxes[1]

TABLE 2.12

	2013	2014	2015	2015 I	II	III	IV	2016 I[2]
TOTAL								
Average (%)[3]	16.49	22.83	15.34	18.99	18.02	16.20	15.34	12.69
Number of companies according to its annualized return								
Losses	13	11	21	12	12	19	21	27
0-≤15%	37	30	23	22	23	24	23	26
>15-≤45%	22	23	22	28	26	21	22	12
>45-≤75%	9	11	5	7	6	5	5	3
>75%	6	8	9	11	12	12	9	8
BROKER-DEALERS								
Average (%)[3]	16.39	23.04	14.85	17.84	17.03	15.50	14.85	13.16
Number of companies according to its annualized return								
Losses	5	4	9	6	7	7	9	11
0-≤15%	15	18	14	14	13	13	14	16
>15-≤45%	16	11	10	12	13	13	10	7
>45-≤75%	4	5	4	3	1	1	4	1
>75%	1	2	2	3	4	4	2	3
BROKERS								
Average (%)[3]	19.34	22.18	21.52	37.62	34.48	27.87	21.52	6.30
Number of companies according to its annualized return								
Losses	8	7	12	6	5	11	12	16
0-≤15%	18	11	8	7	8	9	8	10
>15-≤45%	5	8	11	13	11	8	11	5
>45-≤75%	5	6	1	3	5	3	1	2
>75%	5	6	7	8	8	8	7	5
PORTFOLIO MANAGEMENT COMPANIES[2]								
Average (%)[3]	11.41	16.95	24.49	12.59	11.93	11.67	24.49	–
Number of companies according to its annualized return								
Losses	0	0	0	0	0	1	0	–
0-≤15%	4	1	1	1	2	2	1	–
>15-≤45%	1	4	1	3	2	0	1	–
>45-≤75%	0	0	0	1	0	1	0	–
>75%	0	0	0	0	0	0	0	–

1 ROE has been calculated as:

$$ROE = \frac{Earnings\_before\_taxes\_(annualized)}{Own\_Funds}$$

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

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

3 Average weighted by equity, %.

Financial advisory firms. Main figures[1]

TABLE 2.13

Thousand euro	2013	2014	2015	2014 I	II	2015 I	II[2]
ASSETS ADVISED[3]							
Total	17,630,081	21,391,510	25,366,198	14,456,415	21,391,510	–	25,366,198
Retail clients	4,991,653	5,719,292	6,777,181	5,488,399	5,719,292	–	6,777,181
Professional	3,947,782	4,828,459	5,109,979	4,465,564	4,828,459	–	5,109,979
Other	8,690,646	10,843,759	13,479,037	4,502,452	10,843,759	–	13,479,037
COMMISSION INCOME[4]							
Total	33,272	47,767	55,469	21,513	47,767	–	55,469
Commission revenues	33,066	47,188	54,525	21,071	47,188	–	54,525
Other income	206	579	944	442	579	–	944
EQUITY							
Total	21,498	26,538	24,357	22,915	26,538	–	24,357
Share capital	5,156	5,576	5,881	5,230	5,576	–	5,881
Reserves and retained earnings	9,453	8,993	7,451	9,899	8,993	–	7,451
Income for the year[4]	6,890	11,969	11,034	7,787	11,969	–	11,034

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

2 Provisional data.

3 Data at the end of each period.

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

3 Collective investment schemes (IICs)[a]

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

TABLE 3.1

				2015			2016	
	2013	2014	2015	II	III	IV	I	II[1]
Total financial IICs	5,129	5,232	5,180	5,218	5,197	5,180	5,163	5,138
Mutual funds	2,043	1,949	1,760	1,857	1,805	1,760	1,748	1,739
Investment companies	3,035	3,228	3,372	3,308	3,340	3,372	3,367	3,351
Funds of hedge funds	22	18	11	15	14	11	11	10
Hedge funds	29	37	37	38	38	37	37	38
Total real estate IICs	16	11	9	9	9	9	9	9
Real estate mutual funds	6	4	3	3	3	3	3	3
Real estate investment companies	10	7	6	6	6	6	6	6
Total foreign IICs marketed in Spain	782	805	880	851	859	880	904	909
Foreign funds marketed in Spain	409	405	425	417	421	425	428	431
Foreign companies marketed in Spain	373	400	455	434	438	455	476	478
Management companies	96	96	96	97	98	96	100	101
IIC depositories	77	70	65	67	67	65	62	61

1 Available data: May 2016.

Number of IICs investors and shareholders[1]

TABLE 3.2

				2015			2016	
	2013	2014	2015	II	III	IV	I[2]	II[3]
Total financial IICs	5,463,820	6,859,555	8,164,054	7,859,163	7,971,499	8,164,054	8,185,269	8,247,511
Mutual funds	5,050,556	6,409,344	7,680,124	7,395,550	7,502,559	7,680,124	7,697,093	7,758,396
Investment companies	413,264	450,211	483,930	463,613	468,940	483,930	488,176	489,115
Total real estate IICs	6,773	4,866	4,501	4,592	4,495	4,501	4,510	4,515
Real estate mutual funds	5,750	4,021	3,918	3,909	3,912	3,918	3,928	3,933
Real estate investment companies	1,023	845	583	683	583	583	582	582
Total foreign IICs marketed in Spain[4]	1,067,708	1,317,674	1,643,776	1,413,140	1,520,804	1,643,776	1,645,699	–
Foreign funds marketed in Spain	204,067	230,104	298,733	267,824	279,236	298,733	325,003	–
Foreign companies marketed in Spain	863,641	1,087,570	1,345,043	1,145,316	1,241,568	1,345,043	1,320,696	–

1 Investors and shareholders who invest in many sub-funds from the same IIC have been taking into account once. For this reason, the number of investors and shareholders can be different from those in tables 3.6 and 3.7.
2 Provisional data for foreign IICs marketed in Spain.
3 Available data: April 2016.
4 Exchange traded funds (ETFs) data is not included.

IICs total net assets

TABLE 3.3

				2015			2016	
Million euro	2013	2014	2015	II	III	IV	I[1]	II[2]
Total financial IICs	184,300.9	230,205.7	255,677.0	256,455.1	251,566.9	255,677.0	250,634.5	252,173.5
Mutual funds[3]	156,680.1	198,718.8	222,144.6	222,058.0	218,773.8	222,144.6	218,339.2	219,725.0
Investment companies	27,620.8	31,486.9	33,532.4	34,397.1	32,793.1	33,532.4	32,295.3	32,448.5
Total real estate IICs	4,536.2	1,226.3	1,093.1	1,106.9	1,140.9	1,093.1	1,117.8	1,101.1
Real estate mutual funds	3,682.6	419.8	391.0	419.5	420.3	391.0	390.2	386.3
Real estate investment companies	853.7	806.5	702.1	687.3	720.5	702.1	727.5	714.8
Total foreign IICs marketed in Spain[4]	54,727.2	78,904.3	108,091.6	100,881.2	85,462.1	108,091.6	107,329.1	–
Foreign funds marketed in Spain	8,523.2	11,166.0	15,305.1	13,916.7	12,225.2	15,305.1	16,372.7	–
Foreign companies marketed in Spain	46,204.0	67,738.3	92,786.5	86,964.5	73,236.9	92,786.5	90,956.4	–

1 Provisional data for foreign IICs.
2 Available data: April 2016.
3 For March 2016, mutual funds investment in financial IICs reached 5.2 billion euro.
4 Exchange traded funds (ETFs) data is not included.

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

Mutual funds asset allocation[1]

TABLE 3.4

Million euro	2013	2014	2015	2015 I	II	III	IV	2016 I[2]
Asset	156,680.1	198,718.8	222,144.6	219,110.5	222,058.0	218,773.8	222,144.6	218,339.2
Portfolio investment	149,343.3	187,693.9	204,797.4	203,840.3	204,654.1	200,475.4	204,797.4	199,377.2
Domestic securities	108,312.7	114,644.5	93,870.3	112,393.7	101,724.4	96,089.1	93,870.3	92,200.6
Debt securities	79,480.4	79,694.4	58,488.4	75,800.1	64,583.0	59,171.7	58,488.4	57,983.1
Shares	5,367.4	8,448.0	8,757.1	9,716.7	9,525.6	8,560.3	8,757.1	7,787.9
Investment collective schemes	4,498.1	6,065.3	5,698.5	6,512.8	7,069.5	7,382.1	5,698.5	5,663.2
Deposits in Credit institutions	18,443.7	19,927.4	20,482.9	19,578.8	19,918.9	20,590.5	20,482.9	20,559.8
Derivatives	523.0	495.4	433.7	773.5	617.4	374.1	433.7	197.2
Other	0.0	14.0	9.7	11.7	10.0	10.5	9.7	9.5
Foreign securities	41,029.5	73,048.3	110,920.3	91,445.0	102,928.1	104,384.4	110,920.3	107,171.1
Debt securities	20,312.8	38,582.2	48,505.7	45,230.0	46,368.7	47,112.2	48,505.7	47,603.5
Shares	11,034.2	13,042.9	18,654.5	16,424.7	17,038.7	17,057.5	18,654.5	17,699.4
Investment collective schemes	9,286.0	20,863.9	43,365.7	28,679.6	38,557.6	39,628.6	43,365.7	41,507.4
Deposits in Credit institutions	45.6	243.3	104.1	177.1	158.7	141.3	104.1	125.0
Derivatives	350.9	310.6	285.6	927.8	799.0	439.3	285.6	231.4
Other	0.0	5.4	4.8	5.8	5.5	5.4	4.8	4.4
Doubtful assets and matured investment	1.2	1.2	6.8	1.6	1.6	1.9	6.8	5.5
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash	7,062.3	10,895.0	16,594.5	15,628.2	16,630.4	17,474.3	16,594.5	18,354.2
Net balance (Debtors - Creditors)	274.4	129.9	752.7	-358.0	773.5	824.2	752.7	607.8

1 Hedge funds and funds of hedge funds are not included in these figures due to the entry into force on 31 December 2008 of CNMV Circular 3/2008, of 11 September, which establishes a different deadline in reporting accounting information to CNMV.
2 Provisional data.

Investment companies asset allocation

TABLE 3.5

Million euro	2013	2014	2015	2015 I	II	III	IV	2016 I[1]
Asset	27,620.8	31,486.9	33,532.4	34,681.6	34,397.1	32,793.1	33,532.4	32,295.3
Portfolio investment	26,105.6	29,080.6	30,040.4	31,634.5	30,742.8	28,923.1	30,040.4	28,549.3
Domestic securities	12,118.9	11,063.7	9,426.6	11,262.7	10,244.7	9,545.9	9,426.6	8,796.2
Debt securities	6,304.3	5,115.9	3,665.0	4,793.3	3,934.6	3,804.6	3,665.0	3,338.2
Shares	3,005.5	3,324.4	3,090.7	3,606.8	3,461.4	3,161.8	3,090.7	2,913.2
Investment collective schemes	1,134.9	1,433.0	1,418.4	1,645.1	1,623.3	1,464.0	1,418.4	1,355.6
Deposits in Credit institutions	1,645.4	1,169.3	1,226.3	1,189.9	1,199.2	1,096.2	1,226.3	1,157.8
Derivatives	1.4	-10.8	-7.4	-7.2	-7.9	-14.0	-7.4	-3.7
Other	27.4	31.9	33.7	34.7	34.2	33.3	33.7	35.2
Foreign securities	13,985.1	18,015.2	20,611.2	20,370.2	20,496.4	19,375.1	20,611.2	19,748.2
Debt securities	2,613.7	3,897.1	4,474.4	4,481.9	4,421.7	4,381.2	4,474.4	4,455.6
Shares	5,085.5	6,227.7	7,026.6	6,830.3	6,826.7	6,414.7	7,026.6	6,524.8
Investment collective schemes	6,119.8	7,784.2	9,090.2	8,979.4	9,198.1	8,562.4	9,090.2	8,743.3
Deposits in Credit institutions	5.5	2.3	6.2	3.5	12.3	10.3	6.2	8.9
Derivatives	152.5	94.4	8.3	67.0	29.8	0.1	8.3	9.8
Other	8.1	9.5	5.5	8.1	7.8	6.4	5.5	5.9
Doubtful assets and matured investment	1.5	1.7	2.7	1.5	1.7	2.1	2.7	4.8
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Cash	1,302.0	2,197.7	3,211.3	2,836.5	3,435.2	3,462.6	3,211.3	3,389.8
Net balance (Debtors - Creditors)	213.1	208.5	280.6	210.5	219.0	407.3	280.6	356.2

1 Provisional data.

Financial mutual funds: Number, investors and total net assets by category[1, 2]

TABLE 3.6

	2013	2014	2015	2015			2016	
				II	III	IV	I	II[3]
NO. OF FUNDS								
Total financial mutual funds	2,045	1,951	1,804	1,862	1,846	1,804	1,799	1,796
Fixed-income[4]	384	359	319	359	350	319	309	310
Mixed fixed-income[5]	122	123	132	126	128	132	135	137
Mixed equity[6]	128	131	142	132	134	142	147	151
Euro equity	108	103	109	109	108	109	111	112
Foreign equity	193	191	200	196	195	200	201	202
Guaranteed fixed-income	374	280	186	226	202	186	171	164
Guaranteed equity[7]	308	273	205	225	215	205	204	194
Global funds	162	162	178	172	176	178	185	190
Passive management	169	227	213	221	218	213	221	217
Absolute return	97	102	97	96	97	97	92	96
INVESTORS								
Total financial mutual funds	5,050,719	6,409,806	7,682,947	7,396,161	7,505,825	7,682,947	7,699,646	7,762,221
Fixed-income[4]	1,508,009	1,941,567	2,203,847	2,113,775	2,135,489	2,203,847	2,222,005	2,265,413
Mixed fixed-income[5]	240,676	603,099	1,130,190	1,047,453	1,093,235	1,130,190	1,113,180	1,117,098
Mixed equity[6]	182,223	377,265	612,276	559,016	588,211	612,276	596,136	598,075
Euro equity	293,193	381,822	422,469	423,996	410,777	422,469	412,495	412,625
Foreign equity	457,606	705,055	1,041,517	955,135	988,191	1,041,517	1,052,810	1,055,571
Guaranteed fixed-income	1,002,458	669,448	423,409	498,140	453,383	423,409	378,017	370,043
Guaranteed equity[7]	608,051	557,030	417,843	438,262	419,718	417,843	463,423	466,497
Global funds	128,741	223,670	381,590	371,784	396,176	381,590	383,066	385,211
Passive management	441,705	686,526	554,698	584,270	574,816	554,698	557,262	565,757
Absolute return	188,057	264,324	479,182	404,330	429,512	479,182	505,442	510,292
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	156,680.1	198,718.8	222,144.6	222,058.0	218,773.8	222,144.6	218,339.2	219,725.0
Fixed-income[4]	55,058.9	70,330.9	65,583.8	67,600.0	66,979.3	65,583.8	67,765.4	69,025.9
Mixed fixed-income[5]	8,138.0	24,314.3	44,791.8	42,820.0	43,536.3	44,791.8	42,585.9	42,656.4
Mixed equity[6]	6,312.4	13,570.4	21,502.9	20,056.7	20,138.7	21,502.9	20,170.2	20,421.1
Euro equity	8,632.8	8,401.5	9,092.9	9,377.7	8,535.9	9,092.9	8,160.0	8,285.2
Foreign equity	8,849.0	12,266.4	17,143.2	16,320.9	15,545.7	17,143.2	16,162.8	16,195.6
Guaranteed fixed-income	31,481.2	20,417.0	12,375.6	14,702.3	13,437.4	12,375.6	10,818.8	10,451.5
Guaranteed equity[7]	12,503.8	12,196.4	9,966.6	9,996.9	9,567.6	9,966.6	11,862.3	12,159.7
Global funds	4,528.1	6,886.3	12,683.3	11,587.0	11,743.2	12,683.3	12,300.8	11,902.9
Passive management	16,515.9	23,837.5	17,731.1	19,608.4	18,636.8	17,731.1	17,403.6	17,459.8
Absolute return	4,659.9	6,498.1	11,228.1	9,988.1	10,595.6	11,228.1	11,073.7	11,139.6

1 Sub-funds which have sent reports to the CNMV excluding those in process of dissolution or liquidation.
2 From July 2015 on, side-pocket sub-funds data is only included in aggregate figures, but it is not included in any category.
3 Available data: April 2016.
4 Fixed income euro, Foreign fixed-income, Monetary market funds and Short-term monetary market funds.
5 Mixed euro fixed-income and Foreign mixed fixed-income.
6 Mixed euro equity and Foreign mixed equity.
7 Guaranteed equity and Partial guarantee.

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

TABLE 3.7

	2013	2014	2015	2015 II	III	IV	2016 I	II[1]
INVESTORS								
Total financial mutual funds	5,050,719	6,409,806	7,682,947	7,396,161	7,505,825	7,682,947	7,699,646	7,762,221
Individuals	4,906,380	6,235,148	7,494,162	7,206,805	7,317,375	7,494,162	7,512,398	7,574,835
Residents	4,848,184	6,170,201	7,422,330	7,136,999	7,246,672	7,422,330	7,440,677	7,502,980
Non-residents	58,196	64,947	71,832	69,806	70,703	71,832	71,721	71,855
Legal entities	144,339	174,658	188,785	189,356	188,450	188,785	187,248	187,386
Credit Institutions	521	493	532	615	606	532	480	474
Other resident Institutions	143,083	173,351	187,395	187,916	187,003	187,395	185,938	186,077
Non-resident Institutions	735	814	858	825	841	858	830	835
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	156,680.1	198,718.8	222,144.6	222,058.0	218,773.8	222,144.6	218,339.2	219,725.0
Individuals	125,957.2	159,423.5	181,868.0	179,160.5	177,186.3	181,868.0	178,669.1	179,843.1
Residents	124,175.3	157,135.2	179,232.4	176,579.9	174,631.0	179,232.4	176,070.8	177,228.7
Non-residents	1,781.9	2,288.3	2,635.6	2,580.6	2,555.3	2,635.6	2,598.2	2,614.4
Legal entities	30,722.9	39,295.4	40,276.6	42,897.5	41,587.6	40,276.6	39,670.2	39,881.9
Credit Institutions	547.6	459.8	483.0	524.2	492.5	483.0	500.3	624.0
Other resident Institutions	29,743.3	38,245.2	39,071.0	41,739.8	40,378.2	39,071.0	38,598.3	38,671.9
Non-resident Institutions	431.9	590.4	722.6	633.4	716.9	722.6	571.5	586.1

1 Available data: April 2016.

Subscriptions and redemptions of financial mutual funds by category[1, 2]

TABLE 3.8

Million euro	2013	2014	2015	2015 I	II	III	IV	2016 I
SUBSCRIPTIONS								
Total financial mutual funds	91,115.7	136,161.2	159,036.2	48,382.7	47,749.4	29,322.7	33,581.4	26,772.1
Fixed-income	50,154.7	65,698.5	66,789.7	19,411.7	17,262.1	12,821.2	17,294.7	14,415.3
Mixed fixed-income	4,569.8	21,675.7	36,441.2	12,631.5	13,267.9	5,307.6	5,234.2	2,429.8
Mixed equity	3,021.8	8,991.2	13,771.0	4,174.2	4,940.3	2,434.2	2,222.3	1,038.1
Euro equity	4,082.8	6,702.0	6,719.9	1,653.5	2,125.5	1,639.6	1,301.3	999.5
Foreign equity	3,697.4	5,843.2	11,236.2	3,177.2	3,274.7	2,274.9	2,509.4	1,560.4
Guaranteed fixed-income	5,964.0	847.8	562.4	207.8	41.7	251.4	61.5	131.1
Guaranteed equity	1,937.5	3,684.6	1,993.2	174.8	281.9	428.3	1,108.2	2,370.8
Global funds	2,175.2	3,752.9	9,636.1	3,355.6	3,008.5	1,635.8	1,636.2	1,303.2
Passive management	13,627.5	15,081.3	3,350.5	1,118.2	530.3	894.4	807.6	969.2
Absolute return	1,885.0	3,884.4	8,363.0	2,478.2	3,016.5	1,462.2	1,406.1	1,554.4
REDEMPTIONS								
Total financial mutual funds	66,982.7	100,188.5	135,569.6	34,975.3	40,183.3	27,182.6	33,228.4	27,264.5
Fixed-income	36,371.6	52,205.8	72,141.1	18,334.6	21,188.9	13,745.3	18,872.3	12,336.8
Mixed fixed-income	2,510.5	5,963.7	15,273.7	3,630.1	3,932.0	3,443.5	4,268.1	4,034.2
Mixed equity	1,139.9	2,423.5	5,617.2	1,507.4	1,392.1	1,245.9	1,471.8	1,750.9
Euro equity	2,352.5	4,517.1	6,251.0	1,750.8	1,893.6	1,526.9	1,079.7	1,251.1
Foreign equity	2,797.2	5,311.4	7,175.7	1,736.9	2,005.2	1,544.0	1,889.6	1,884.8
Guaranteed fixed-income	10,433.2	11,301.4	7,369.8	2,035.2	2,971.4	1,478.7	884.5	1,399.3
Guaranteed equity	4,007.7	4,594.1	4,593.0	1,096.4	1,708.4	780.3	1,007.9	617.9
Global funds	1,327.8	1,570.6	3,830.8	1,002.8	863.3	979.7	985.0	1,381.2
Passive management	4,089.3	10,110.4	9,614.7	3,040.3	3,046.3	1,589.9	1,938.2	1,121.6
Absolute return	1,952.8	2,190.5	3,551.6	840.8	1,182.1	709.7	819.0	1,477.0

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

Financial mutual funds asset change by category: Net subscriptions/redemptions and return on assets[1]

TABLE 3.9

				2015				2016
Million euro	2013	2014	2015	I	II	III	IV	I
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	24,086.2	35,794.5	22,763.6	12,863.8	7,536.9	2,128.4	234.5	-508.8
Fixed-income	13,405.0	13,821.0	-4,816.1	1,021.4	-3,551.5	-629.0	-1,657.0	2,093.1
Mixed fixed-income	2,369.7	15,689.2	20,903.0	9,002.9	9,509.7	1,552.8	837.6	-1,618.6
Mixed equity	2,673.3	6,842.3	8,227.3	2,666.8	3,533.3	1,150.2	877.0	-698.6
Euro equity	1,733.5	-338.3	467.2	-96.1	229.2	112.5	221.6	-274.1
Foreign equity	865.9	2,715.6	4,110.2	1,440.3	1,317.1	733.0	619.8	-132.8
Guaranteed fixed-income	-6,717.5	-11,761.5	-8,093.5	-2,243.4	-3,467.1	-1,309.5	-1,073.5	-1,566.5
Guaranteed equity	-2,689.1	-651.7	-2,396.4	-936.0	-1,462.9	-287.5	290.0	1,984.5
Global funds	-176.7	2,110.3	5,787.9	2,308.8	2,111.3	692.8	675.0	-75.7
Passive management	12,675.2	5,632.0	-6,274.9	-1,932.5	-2,516.0	-695.7	-1,130.7	-113.5
Absolute return	-53.2	1,735.6	4,802.6	1,631.6	1,833.8	750.2	587.0	-97.4
RETURN ON ASSETS								
Total financial mutual funds	8,566.5	6,260.3	680.1	7,535.3	-4,589.2	-5,402.5	3,136.5	-3,290.6
Fixed-income	990.0	1,451.7	69.3	707.5	-908.0	8.3	261.5	88.4
Mixed fixed-income	267.6	487.2	-425.2	900.2	-906.9	-836.6	418.1	-587.1
Mixed equity	459.3	415.5	-294.8	801.8	-515.6	-1,068.3	487.3	-634.1
Euro equity	1,629.1	107.0	224.2	1,315.7	-472.6	-954.3	335.4	-658.8
Foreign equity	1,368.1	701.7	766.6	1,772.2	-475.2	-1,508.2	977.8	-847.6
Guaranteed fixed-income	1,754.3	697.3	52.1	98.3	-102.5	44.6	11.7	9.7
Guaranteed equity	779.8	344.5	166.6	490.6	-291.2	-141.8	109.0	-88.8
Global funds	346.2	248.0	9.3	490.5	-209.7	-536.7	265.2	-306.9
Passive management	861.0	1,704.8	185.5	790.1	-563.7	-265.9	225.0	-208.3
Absolute return	111.1	102.7	-72.7	168.3	-143.8	-142.6	45.4	-56.9

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

Financial mutual funds return on assets. Detail by category[1]

TABLE 3.10

% of daily average total net assets	2013	2014	2015	2015 I	II	III	IV	2016 I
MANAGEMENT YIELDS								
Total financial mutual funds	7.37	4.84	1.54	3.94	-1.81	-2.18	1.71	-1.26
Fixed-income	2.96	3.20	0.85	1.19	-1.11	0.19	0.59	0.30
Mixed fixed-income	5.20	5.16	1.06	3.49	-1.98	-1.61	1.25	-1.07
Mixed equity	11.84	6.46	0.83	5.78	-2.41	-4.85	2.65	-2.78
Euro equity	28.36	4.00	3.52	15.38	-4.44	-9.84	4.14	-7.64
Foreign equity	21.47	8.38	7.25	13.47	-2.46	-8.81	6.26	-4.84
Guaranteed fixed-income	5.80	3.52	1.20	0.75	-0.43	0.56	0.32	0.30
Guaranteed equity	7.34	4.08	2.01	4.47	-2.54	-1.19	1.40	-0.61
Global funds	9.86	6.07	2.73	6.57	-1.68	-4.28	2.43	-2.23
Passive management	9.84	8.80	1.17	3.61	-2.52	-1.22	1.41	-1.02
Absolute return	3.61	3.11	0.85	2.66	-1.33	-1.13	0.70	-0.28
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.98	0.98	1.00	0.26	0.24	0.24	0.26	0.24
Fixed-income	0.68	0.70	0.65	0.17	0.16	0.16	0.16	0.14
Mixed fixed-income	1.13	1.19	1.17	0.30	0.28	0.29	0.29	0.28
Mixed equity	1.51	1.42	1.44	0.41	0.33	0.33	0.36	0.34
Euro equity	1.85	1.80	1.78	0.51	0.42	0.39	0.45	0.43
Foreign equity	1.83	1.78	1.72	0.50	0.40	0.38	0.43	0.41
Guaranteed fixed-income	0.86	0.88	0.84	0.21	0.21	0.21	0.21	0.19
Guaranteed equity	1.25	1.20	1.04	0.27	0.27	0.26	0.24	0.20
Global funds	1.32	1.20	1.10	0.39	0.23	0.21	0.27	0.25
Passive management	0.72	0.64	0.65	0.17	0.16	0.16	0.16	0.15
Absolute return	1.13	1.07	1.00	0.29	0.23	0.23	0.25	0.24
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Fixed-income	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Mixed fixed-income	0.08	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.12	0.10	0.12	0.03	0.03	0.03	0.03	0.03
Euro equity	0.09	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Foreign equity	0.12	0.11	0.12	0.03	0.03	0.03	0.03	0.03
Guaranteed fixed-income	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Guaranteed equity	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Global funds	0.08	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Passive management	0.08	0.07	0.08	0.02	0.02	0.02	0.02	0.02
Absolute return	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02

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

Mutual funds quarterly returns. Detail by category[1]

TABLE 3.11

In %	2013	2014	2015	2015 II	III	IV	2016 I	II[2]
Total financial mutual funds	6.50	3.67	0.89	-1.98	-2.36	1.51	-1.36	0.34
Fixed-income	2.28	2.41	0.10	-1.24	-0.02	0.38	0.16	0.08
Mixed fixed-income	4.16	3.67	0.16	-2.14	-1.84	0.97	-1.27	0.19
Mixed equity	10.85	4.70	0.15	-2.53	-4.97	2.43	-2.84	0.37
Euro equity	28.06	2.09	3.44	-4.81	-9.98	4.12	-6.99	2.69
Foreign equity	20.30	6.61	7.84	-2.75	-8.71	6.30	-4.62	0.86
Guaranteed fixed-income	4.96	2.54	0.27	-0.65	0.32	0.09	0.09	0.00
Guaranteed equity	6.15	2.64	1.07	-2.76	-1.48	1.18	-0.87	0.15
Global funds	8.71	4.63	2.45	-1.82	-4.38	2.33	-2.21	0.46
Passive management	8.88	7.74	0.53	-2.68	-1.44	1.23	-1.13	0.52
Absolute return	2.46	1.98	0.12	-1.47	-1.31	0.45	-0.51	0.16

1 From July 2015 on, side-pocket sub-funds data is only included in aggregate figures, but it is not included in any category.
2 Available data: April 2016.

Hedge funds and funds of hedge funds

TABLE 3.12

	2012	2013	2014	2015 I	II	III	IV	2016 I[1]
HEDGE FUNDS								
Investors/shareholders	2,415	2,819	3,089	3,024	3,120	3,121	3,089	3,030
Total net assets (million euro)	1,036.7	1,369.5	1,762.0	1,585.2	1,704.1	1,708.4	1,764.8	1,622.7
Subscriptions (million euro)	401.7	574.6	596.6	144.5	249.8	151.1	51.2	18.4
Redemptions (million euro)	414.3	293.8	260.5	61.9	85.2	54.9	58.5	90.1
Net subscriptions/redemptions (million euro)	-12.6	280.8	336.1	82.6	164.6	96.2	-7.3	-71.6
Return on assets (million euro)	130.0	52.0	56.3	133.1	-45.8	-91.9	63.6	-70.4
Returns (%)	16.48	5.30	4.83	9.71	-2.49	-5.56	3.90	-3.87
Management yields (%)[2]	17.22	7.39	6.17	10.14	-2.58	-5.05	4.36	-3.55
Management fee (%)[2]	2.87	2.21	2.34	1.20	0.30	0.21	0.60	0.28
Financial expenses (%)[2]	0.04	0.32	0.51	0.17	0.13	0.11	0.10	0.03
FUNDS OF HEDGE FUNDS								
Investors/shareholders	3,022	2,734	1,265	2,735	1,363	1,365	1,265	1,261
Total net assets (million euro)	350.3	345.4	319.8	367.0	345.6	338.0	319.8	310.7
Subscriptions (million euro)	4.9	7.1	8.3	0.8	3.3	0.4	3.8	–
Redemptions (million euro)	215.2	40.8	54.9	12.0	12.8	1.0	29.1	–
Net subscriptions/redemptions (million euro)	-210.3	-33.7	-46.6	-11.2	-9.5	-0.6	-25.3	–
Return on assets (million euro)	20.6	28.9	21.0	32.8	-12.0	-7.0	7.2	–
Returns (%)	4.39	8.48	6.16	9.63	-3.29	-1.90	2.07	-1.55
Management yields (%)[3]	5.78	9.72	6.61	9.50	-3.17	-1.86	2.45	–
Management fee (%)[3]	1.28	1.07	0.48	0.28	0.22	0.21	0.23	–
Depository fee (%)[3]	0.08	0.08	0.04	0.02	0.02	0.02	0.02	–

1 Available data: February 2016. Return refers to the period December-February.
2 % of monthly average total net assets.
3 % of daily average total net assets.

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

TABLE 3.13

	2013	2014	2015	2015 II	III	IV	2016 I	II[3]
NUMBER OF PORTFOLIOS[2]								
Mutual funds	2,043	1,949	1,760	1,857	1,805	1,760	1,748	1,737
Investment companies	2,975	3,164	3,333	3,245	3,292	3,333	3,338	3,330
Funds of hedge funds	22	18	11	15	14	11	11	10
Hedge funds	29	35	37	36	37	37	37	37
Real estate mutual funds	6	4	3	3	3	3	3	3
Real estate investment companies	10	7	6	6	6	6	6	6
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	156,680.1	198,718.8	222,144.6	222,058.0	218,773.8	222,144.6	218,339.2	219,725.0
Investment companies	26,830.1	30,613.8	32,879.4	33,432.2	32,003.7	32,879.4	31,766.3	31,930.6
Funds of hedge funds[4]	350.3	345.4	319.8	345.6	338.0	319.8	310.7	–
Hedge funds[4]	1,036.6	1,328.0	1,764.8	1,641.7	1,699.2	1,764.8	1,622.7	–
Real estate mutual funds	3,682.6	419.8	391.0	419.5	420.3	391.0	390.2	386.3
Real estate investment companies	853.7	806.5	702.1	687.3	720.5	702.1	727.5	714.8

1 It is considered as "assets under management" all the assets of the investment companies which are co-managed by management companies and other different companies.
2 Data source: Collective Investment Schemes Registers.
3 Available data: April 2016.
4 Available data for the first quarter of 2016: February 2016.

Foreign Collective Investment Schemes marketed in Spain[1]

TABLE 3.14

				2015				2016
	2013	2014	2015	I	II	III	IV	I[2]
INVESTMENT VOLUME[3] (million euro)								
Total	54,727.2	78,904.3	108,091.6	95,322.6	100,881.2	85,462.1	108,091.6	107,329.1
Mutual funds	8,523.2	11,166.0	15,305.1	13,187.9	13,916.7	12,225.2	15,305.1	16,372.7
Investment companies	46,204.0	67,738.3	92,786.5	82,134.7	86,964.5	73,236.9	92,786.5	90,956.4
INVESTORS/SHAREHOLDERS								
Total	1,067,708	1,317,674	1,643,776	1,328,282	1,413,140	1,520,804	1,643,776	1,645,699
Mutual funds	204,067	230,104	298,733	260,013	267,824	279,236	298,733	325,003
Investment companies	863,641	1,087,570	1,345,043	1,068,269	1,145,316	1,241,568	1,345,043	1,320,696
NUMBER OF SCHEMES								
Total	782	805	880	836	851	859	880	904
Mutual funds	409	405	425	414	417	421	425	428
Investment companies	373	400	455	422	434	438	455	476
COUNTRY								
Luxembourg	321	333	362	338	344	351	362	378
France	272	264	282	278	282	280	282	277
Ireland	103	117	143	127	134	136	143	152
Germany	32	33	32	32	32	32	32	32
United Kingdom	22	26	31	29	27	29	31	31
The Netherlands	2	2	2	2	2	2	2	2
Austria	24	25	23	25	25	24	23	23
Belgium	4	4	4	4	4	4	4	4
Malta	1	0	0	0	0	0	0	0
Denmark	1	1	1	1	1	1	1	1

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

Real estate investment schemes[1]

TABLE 3.15

				2015			2016	
	2013	2014	2015	II	III	IV	I	II[2]
REAL ESTATE MUTUAL FUNDS								
Number	6	3	3	3	3	3	3	3
Investors	5,750	4,021	3,918	3,909	3,912	3,918	3,928	3,933
Asset (million euro)	3,682.6	419.8	391	419.5	420.3	391.0	390.2	386.3
Return on assets (%)	-11.28	-5.87	-6.66	0.39	0.19	-6.96	-0.21	-1.00
REAL ESTATE INVESTMENT COMPANIES								
Number	10	7	6	6	6	6	6	6
Shareholders	1,023	845	583	683	583	583	582	582
Asset (million euro)	853.7	806.5	702.1	687.3	720.5	702.1	727.5	714.8

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation
2 Available data: April 2016.