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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 Capital, Crecimiento e Inversión (Association of Spanish venture capital firms)
AV	Agencia de valores (Broker)
AVB	Agencia de valores y bolsa (Broker and market member)
BME	Bolsas y Mercados Españoles (Operator of all stock markets and financial systems in Spain)
BTA	Bono de titulización de activos (Asset-backed bond)
BTH	Bono de titulización hipotecaria (Mortgage-backed bond)
CADE	Central de Anotaciones de Deuda del Estado (Public debt book-entry trading system)
CCP	Central Counterparty
CDS	Credit Default Swap
CNMV	Comisión Nacional del Mercado de Valores (Spain's National Securities Market Commission)
CSD	Central Securities Depository
EAFI	Empresa de Asesoramiento Financiero (Financial advisory firm)
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ECR	Entidad de capital-riesgo (Venture capital firm)
EEA	European Economic Area
EFAMA	European Fund and Asset Management Association
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	Mercado Español de Futuros y Opciones Financieros (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

- The international macroeconomic and financial environment over recent months has been characterised by the widespread improvement in activity data and consolidation of the differences between monetary policy in the United States and in other advanced economies. In the United States, growth in activity and progress in the job market allowed new hikes in Federal Reserve rates in June, while in the euro area, the United Kingdom and Japan, central banks maintained a much more accommodative stance. The short-term growth outlook is positive, although some elements of uncertainty remain, relating, for example, to the development of certain geopolitical conflicts. Although growth in Europe has been spread more evenly among the different countries, the risks relating to the strength of the banking sector and to Brexit remain in an environment where the recent appreciation of the euro against the dollar may further complicate the upcoming decisions of the ECB.

- In international financial markets, long-term bond yields have remained relatively stable in the United States, while increases have been recorded in the euro area.[1] These increases are related to certain aspects of political uncertainty that have tended to dissipate as the results of various elections became known, but they are also related to the consolidation of higher growth and inflation in the euro area. The leading stock market indices have recorded significant growth over the year, with sharp rises in prices in the first quarter followed by greater stability. US indices have grown at above 11.5%, while European indices (with the exception of the UK index) have grown at over 7% in an environment where volatility remains at historic lows.

- In Spain, the latest quarterly data of the National Accounts confirms that GDP growth remains above 3% in year-on-year terms, almost one percentage point above growth in the euro area. The dynamism of the economy is also reflected in the employment market, where jobs continue to be created and the employment rate is falling, and in the public accounts as it seems feasible that the public deficit might be reduced to rates close to 3% by the end of the year. Most of the risks faced by the Spanish economy are common to other European economies. The most important risks relate to the development of the banking sector and, more recently, to the impact of the appreciation of the euro on exporters. Among the risks to the Spanish economy, we can highlight the

1 As usual, the closing date of this report is 15 September. Therefore, some economic and financial indicators are presented in their monthly or quarterly equivalent so as to facilitate year-on-year comparison. However, they do not reflect the most recent information on events relating to the political crisis in Catalonia. An analysis of this crisis will be published in the forthcoming October Financial Stability Note.

challenges still posed by the high number of unemployed people and some political uncertainties.

- The development of the banking industry continues to be conditioned by an environment of very low interest rates and the consolidation of other competitive forces (shadow banking, fintech, etc.). This environment is more favourable in the case of Spain as growth is now firmly rooted with the consequent reduction in NPL ratios, which stood at 8.4% in June. Bank income statements showed signs of improvement in the early months of the year even though lending still shows negative growth (in contrast with the positive rates recorded in the euro area) due to the deleveraging process still being undertaken by some market participants in Spain.

- The stress indicator for Spanish financial markets prepared by the CNMV remained at values close to or lower than 0.2 throughout the year, which indicate a low stress level. By segment, the greatest stress was recorded in the bond market as a result of worsening liquidity and increasing volatility recorded in recent months. However, events that might potentially generate uncertainty, such as the resolution process of Banco Popular and the terrorist attacks in Barcelona, have not had a significant impact on the indicator.

- In Spanish equity markets, the Ibex 35, which had begun the year with very strong growth to then stabilise in the second quarter, ended the third quarter was slight falls (-1.2%), which were higher than those recorded in other European indices. Various geopolitical conflicts, the strength of the euro and political uncertainty in Spain are factors that have influenced the index, which has nevertheless recorded cumulative growth of 10.3% over the year. Against this backdrop, volatility indicators have remained at very low levels and liquidity conditions have been positive. Trading of Spanish securities in the Spanish regulated market has fallen slightly, by 3%, over the year, while it continues to rise in foreign markets (with a market share of 35%).[2]

- In Spanish fixed-income markets, short-term interest rates remained at historic lows, while medium-term and long-term rates rose temporarily in the first half of the year and then later stabilised. The rate rise in the United States, the improvement in the economy of the euro area, higher inflation and some political uncertainties were the main triggers for the rise in interest rates. Subsequently, the publication of some less favourable macroeconomic data and the doubts relating to the upcoming decisions of central banks gave rise to few changes in debt yields. Spain's sovereign risk premium rose slightly in the third quarter (12 bp). Fixed-income issues by Spanish issuers abroad have grown by 36% so far this year, to the detriment of issues registered with the CNMV, which have fallen by 29%. Within the latter, all instruments recorded falls in issues except uncovered bonds, which were driven by the ECB's purchasing programme.

2 Includes trading of Spanish equity subject to market or MTF rules (lit plus dark).

- Assets under management in Spanish mutual funds grew by 6.6% in the first half of the year to 253 billion euros. 77% of the increase in assets under management resulted from net subscriptions by unit-holders, the number of which soared by 1,300,000 over the six months, while the remaining 23% was the result of an increase in the portfolio value. As in previous quarters and in the context of strategies that seek a higher return, redemptions were recorded in more conservative fund categories and strong investments in higher risk categories. Following several years of strong growth in the CIS industry, assets under management are approaching the levels recorded prior to the crisis and the number of unit-holders is now higher. This growth is also reflected in the increase in the number of management companies (six new companies between January and June) and an increase in profits of close to 20%.

- Financial intermediaries registered with the CNMV recorded a 6.7% fall in aggregate profit before tax to 111.3 million euros in the first half of the year. This fall was concentrated in broker-dealers (-8.6%), while brokers recorded growth of 39%. In general, fee income from market trading fell while the fee income from CIS marketing and portfolio management rose. The number of loss-making firms stood at 24 at mid-year, five up on December 2016. Nevertheless, solvency conditions in the sector are favourable although there has been a slight fall in the surplus of capital over minimum requirements.

- The growth recorded in the venture capital sector seems to have continued in 2017. Both the number of entities registered with the CNMV (traditional vehicles and the new vehicles that may be created under Law 22/2014) and investment volumes have increased. The increase in volumes has been driven by several large-scale deals closed by international operators.

- This report includes four monographic exhibits:

  – Exhibit 1 describes the sharp appreciation of the euro against major currencies over the year and its possible consequences in economic terms and for monetary authorities.

  – Exhibit 2 summarises the main aspects of CNMV Technical Guide 3/2017 on audit committees at public-interest entities, approved on 27 June.

  – Exhibit 3 addresses the key elements of the incorporation of Iberclear to TARGET2-Securities (T2S) on 18 September. This milestone is the culmination of the reform of the clearing, settlement and registry system of the Spanish securities market.

  – Finally, exhibit 4 addresses the cybersecurity challenges faced by securities markets, their participants and their supervisors, as well as some of the initiatives undertaken.

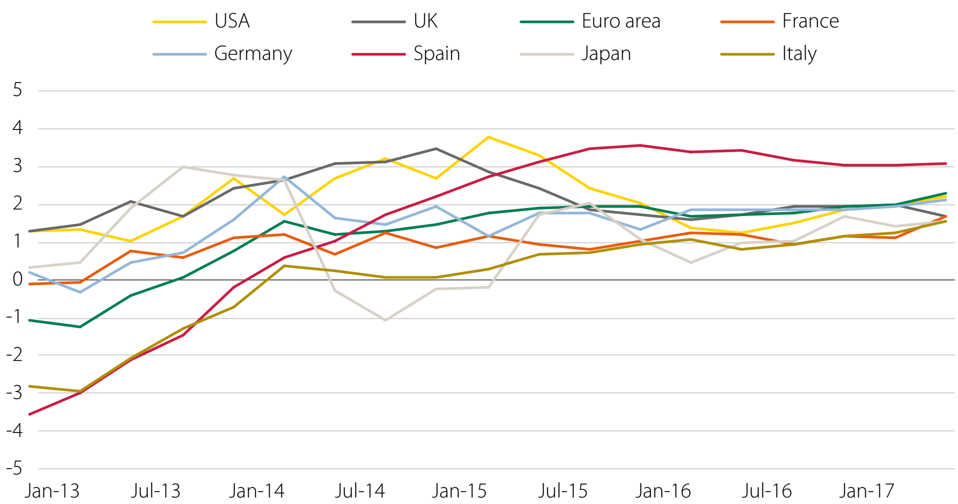
2 Macro-financial background

2.1 International economic and financial developments

The global economy continued to recover in the first half of this year, with growth more evenly spread among European economies.

The global economy continued to recover in the first half of 2017. In the United States, following weak growth in the first quarter (0.3%), activity picked up pace in the second quarter (0.8%) as a result of domestic demand. Within the euro area, the accommodative monetary policy encouraged strengthening economic growth, which was more evenly spread among the regions during the first quarter of the year than in the recent past. The change in GDP in the second quarter compared with the first was similar in Germany (0.6%), France (0.5%) and Italy (0.4%), while Spain stood out with 0.9%. In contrast, economic growth in the United Kingdom slowed down (0.3% in the second quarter) as a result of the increase in inflation following the depreciation of the pound, which had a negative impact on household spending. In Asia, there was noteworthy growth in Japan (0.6% in the second quarter) and in China, where year-on-year GDP growth stood at 6.9% at the end of the first half of the year.

Annual % change in GDP FIGURE 1



Source: Thomson Datastream.

In the US, the Federal Reserve continued normalising its monetary policy stance with a new interest rate rise in June…

The process of normalising monetary policy in the United States continued to contrast with the more accommodative attitude in other advanced economies, where no significant change is expected in the short term. The Federal Reserve once again raised interest rates in June, to a range of 1-1.25%, based on the moderate growth in economic activity, the increase in household spending and the progress recorded in the job market, despite inflation remaining below the 2% target. Although it maintained interest rates at its June meeting, the Federal Reserve expressed its intention to gradually start reducing the size of its balance sheet relatively quickly.

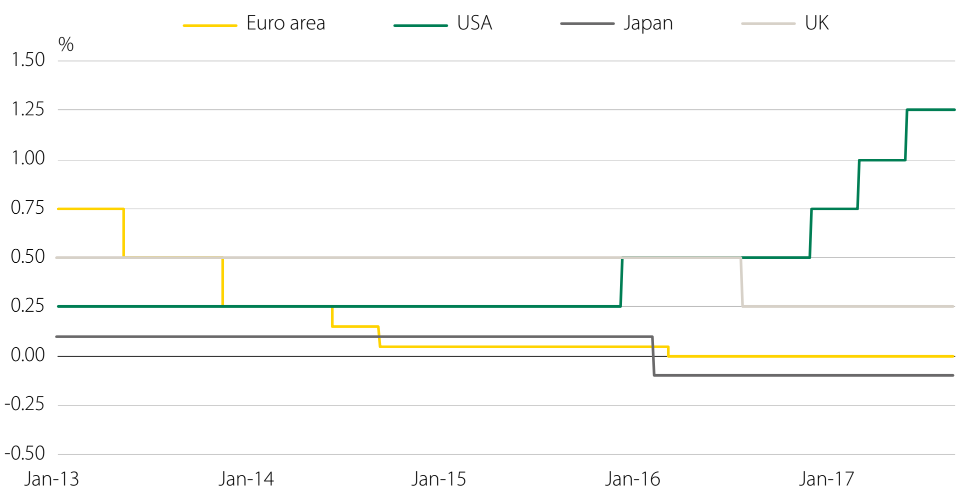
… while the ECB decided to maintain its accommodative tone.

At its September meeting, the ECB decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility would remain unchanged at 0%, 0.25% and -0.4%, respectively, and confirmed that it would continue to run its asset purchasing programme at the monthly pace of 60 billion euros until December 2017 or beyond, if necessary. The ECB considers that the tone of the monetary policy in the euro area should remain accommodative as, even though the economic expansion has strengthened and underlying inflation has increased slightly in recent months, the latter remains at low levels and is yet to show a strong upward trend. In addition, the strong appreciation of the euro against the dollar, which reached highs since January 2015 of 1.2 dollars per euro in September, has introduced some uncertainty regarding the ECB's future decisions (see exhibit 1).

Monetary policy has remained unchanged in both the United Kingdom and in Japan over recent months. In September, the Bank of England maintained interest rates at 0.25% and decided to continue its bond-buying programme even though inflation stood at 2.9% in August (above the 2% target) and is forecast to reach 3% in October due to depreciation of the pound. However, the Bank of England announced that monetary policy night have to be tightened more than the market expects and some withdrawal of monetary stimulus was likely to be appropriate over the coming months. The Bank of Japan maintained the official interest rate at -0.1% and will continue its asset purchase programme with the aim of controlling the interest rate curve.

The Bank of England, which had not decided any major changes over recent months, has started to consider a tightening of its monetary policy to be likely in the short term due to the rise in inflation.

Central bank interest rates FIGURE 2



Source: Thomson Datastream. Data to 15 September.

The movements in short-term interest rates over the central months of 2017 reflected the differences in monetary policies applied in the different regions. In the United States, three-month interbank rates rose by 33 bp from the start of the year and stood at 1.32% in the middle of September as a result of the two increases in the Federal Reserve rate over that period. In contrast, twelve-month rates were more stable (they remained at around 1.7%), partly as a result of doubts about the future movements in inflation and the pace at which monetary policy would return to normal. Three-month rates in the euro area[3] barely recorded any changes over the year and stood at -0.33% in September (practically the same as at year-end 2016), while twelve-month rates fell slightly, moving a little further into negative figures. In mid-September, they stood at -0.17%, nine basis points lower than at year-end 2016.

In the first half of the year, short-term interest rates in the US rose in line with the increases in the Federal Reserve rate, while in the euro area they still remained negative.

3 Euribor interest rates.

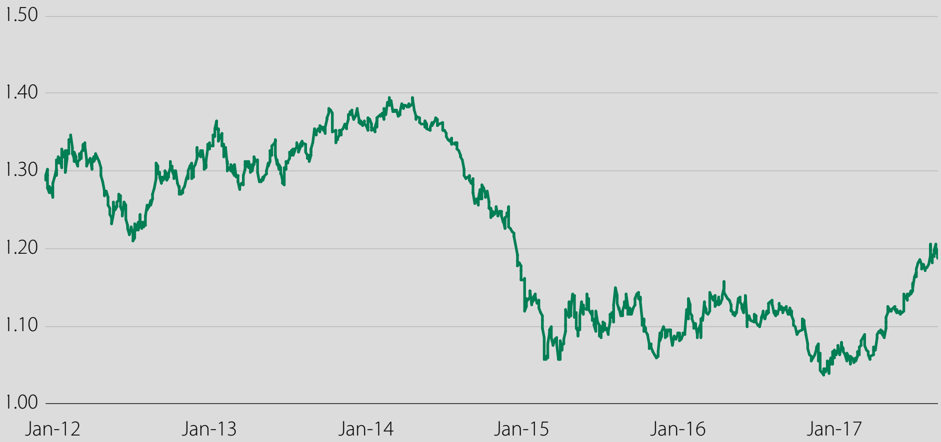
The appreciation of the euro and the ECB's monetary policy

EXHIBIT 1

The euro has appreciated significantly in 2017 in relation to the main international currencies. The exchange rate against the dollar stood at 1.2 dollars in mid-September,[1] a rise of 13.5% over the year, and the exchange rate against the yen and the pound stood at 133 yen and 0.88 pounds, an appreciation of 7.7% and 2.8%, respectively, over the same period. The gain in value of the euro is also noteworthy when compared with the changes recorded over recent years. Against the dollar, this trend contrasts with the depreciation of the last three years (12% in 2014, 10.3% in 2015 and 3.2% in 2016) and compared with the British pound, the euro has reached its highest level of the last five years.

Euro-US dollar exchange rate

FIGURE E.1.1



Source: Thomson Datastream.

The ECB's ultra-expansive monetary policy (its base interest rate and deposit rates currently stand at 0% and -0.4%, respectively), which has included a set of debt purchasing programmes,[2] has encouraged the depreciation of the euro against the dollar in recent years. Implementation or expectations relating to a lax monetary policy tend to have a downward effect on the exchange rate (depreciation). In fact, the ECB's balance sheet has doubled over the last three years[3] due to these non-conventional monetary policy measures.

Bearing in mind that the monetary policy applied by the ECB has not undergone significant changes over recent months, what might explain the behaviour of the euro? It could be argued that there are several reasons (economic, political, etc.) and they do not all have a European origin. The most significant are explained below:

i) The reduction in political uncertainty in Europe after several electoral processes, particularly in France. In the months leading up to the French elections, the possibility that options favouring a political breakup of the European project might win generated market uncertainty, but the electoral result dispelled the threats to the European project and the euro strengthened.

ii) The economic situation of the euro area, whose recent development and outlook are better than expected. In September, the ECB verified that the economic expansion had accelerated in the first half of the year and it upgraded its growth forecasts for the euro area in 2017 to 2.2% (vs. 1.9% previously), and confirmed those for 2018 and 2019 at 1.8% and 1.9%, respectively.

(iii) The markets' expectation of a change in direction in the ECB's accommodative monetary policy for much of the year (withdrawal of monetary stimulus).

(iv) The slowdown in US growth in the middle of the year, which led to postponement of the Federal Reserve's schedule of rate hikes, and delays in implementation of various fiscal measures and spending incentives announced by the new US administration.

The impact of the appreciation of the euro on the European economy has so far been limited, but it could have noticeable effects in the short and medium term. A large part of the European recovery, which comes from countries such as Germany and some peripheral economies that have based their expansion on foreign trade,[4] may be affected. A significant appreciation of the euro might reduce the gains in competitiveness of the leading exporters resulting from the exchange rate and harm their income statements.[5] In addition, it should be noted that a strong currency introduces greater deflationary pressure as it makes imports cheaper, which might have an impact over the medium term on the ECB's target of increasing inflation until it stands slightly below the 2% threshold.

The movements in the European currency are playing a significant role in the decision-making of the European monetary authority. At its last meeting at the start of September, the ECB opted to delay any decision on monetary policy until the coming meeting in October, leaving the door open to an expansion, both in time and in amount, of its debt purchasing program, which would delay the markets' expectations of a change in direction towards a normalisation of monetary policy. The ECB has warned that exchange rate volatility represents a source of uncertainty in formulating monetary policy and requires monitoring for its impact on price stability in the medium term. Thus, in its October meeting it might reveal some details about the evolution of the purchase programme, but little more is expected while there is no additional data on movements in inflation. In principle, if the ECB's inflation forecasts are correct (1.5% in 2017, 1.2% – vs. the previous 1.3% – for 2018 and 1.5% – vs. the previous 1.6% – for 2019), it appears that the ECB will be in no rush to alter its monetary policy.

In the short term, it is possible that the exchange rate of the euro against the dollar will remain at the same level, or slightly lower, as no significant changes are expected in most of the factors that have led to its appreciation. In Europe, expectations about economic activity are positive and there is no reason why political uncertainties should worsen, although the recent narrow victory of the governing party in Germany and the political crisis in Catalonia have introduced some uncertainty with regard to the reform agenda in Europe. In the United States, the debt ceiling still remains to be negotiated and President Trump's fiscal reform measures need to be specified, as it does not appear that there will be significant changes from a fiscal point of view in the short term and it also seems unlikely that the calendar for rate hikes will move faster than expected in view of the latest macroeconomic data.

1 Data to 15 September.
2 The ECB has four different active debt purchase programmes: The Public Sector Purchase Programme (PSPP), the Corporate Sector Purchase Programme (CSPP), the Third Covered Bonds Purchase Programme (CBPP3) and the Asset-Backed Securities Purchase Programme (ABSPP).
3 The size of the ECB' balance sheet has grown from 2 trillion euros in 2014 to currently stand at 4.3 trillion euros.
4 Spanish exports grew at a rate of 11.7% year-on-year to July (compared with 7.5% for the euro area as a whole).
5 By way of example, the latest accounts published by Inditex (September 2017) reflected the lower growth in profits expected by the company due to the appreciation of the euro.

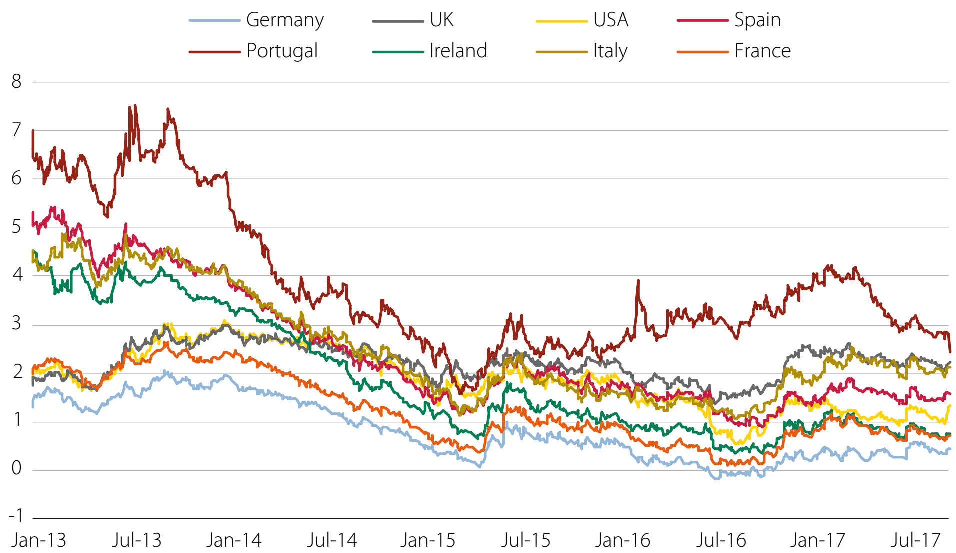
Long-term government bond yields have fallen so far this year in the United States, while yields in euro area economies have risen slightly as a result of several sources of uncertainty and higher inflation.

In international bond markets, ten-year government bond yields remained at higher levels in the United States compared with the stronger euro area economies, mainly as a result of the aforementioned difference in the tone of monetary policies. The yield on the US ten-year sovereign bond has fallen slightly since the start of the year, standing at 2.2% in mid-September (23 bp down on year-end 2016). This fall was partially due to low inflation and the expectation that the fiscal stimulus package proposed by the government, which is still subject to a high level of uncertainty, will have a smaller scope than initially thought. In contrast, government bond yields in euro area countries generally rose moderately until September as a result of the rise in inflation and, in some countries, various sources of uncertainty, in some cases of a political nature. The greatest increase was recorded in Italy, where there are some worries about national political stability and the weakness of the bank sector. Consequently, bond yields reached 2.15% (32 bp higher than at the start of the year), while in Germany, France and Spain, yields stood at 0.44%, 0.72% and 1.61%, respectively (23 bp, 4 bp and 22 bp higher, respectively, than at the start of the year). The sovereign bond yield in Portugal fell to 2.8% (96 bp lower than at year-end 2016) as a result of the significant improvement in the perception of its credit risk.

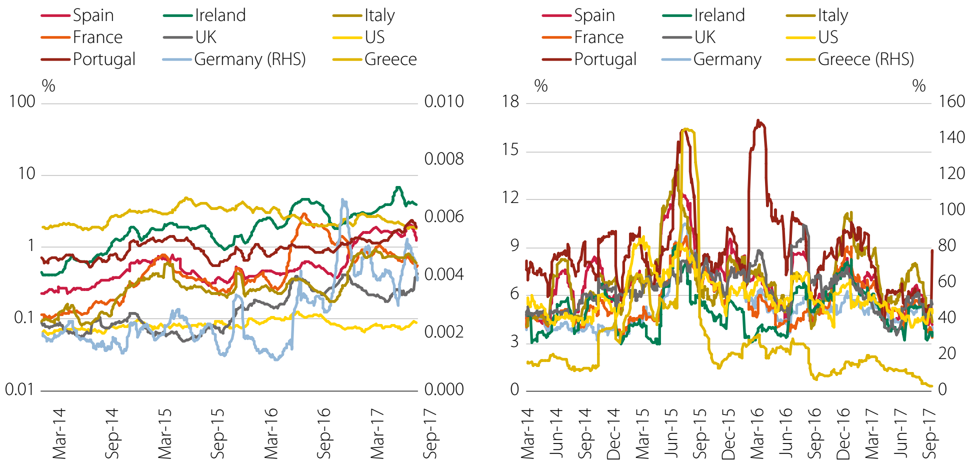
Indicators of the ten-year sovereign bond market

FIGURE 3

Yield, %



Liquidity,[1] % Volatility,[2] %



Sources: Bloomberg, Thomson Datastream and CNMV. Data to 15 September.

1 One-month average of the daily bid-ask spread of ten-year sovereign bond yields (on a logarithmic scale). In the case of the German bond, the one-month average of the bid-ask spread is shown without dividing it by the average of these yields so as to avoid the distortion from its proximity to zero.

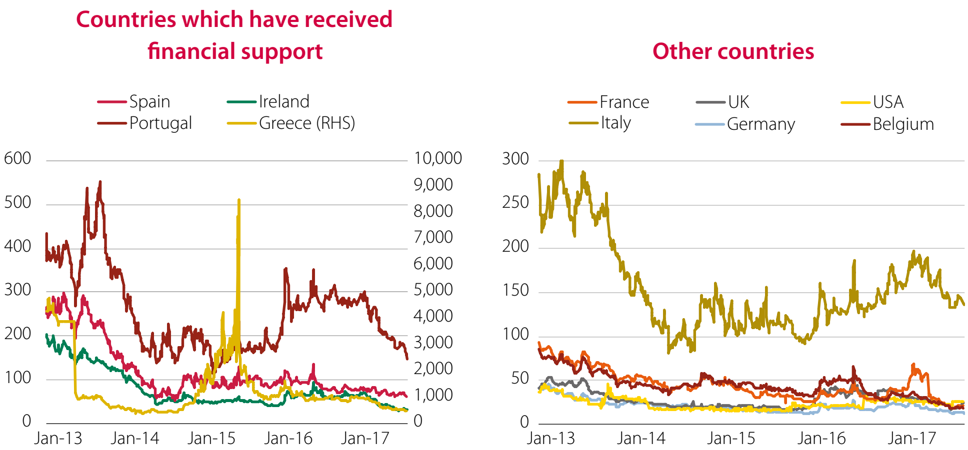
2 Annualised standard deviation of daily changes in the prices of 40-day sovereign bonds.

Sovereign credit risk premiums, assessed through the five-year CDS of sovereign bonds, have fallen since the start of 2017 in most advanced economies (see figure 4). These falls were higher in euro area countries as a result of the improvement in growth forecasts, confirmed by the buoyancy of economic activity in the first half of the year, and the reduction in political risk in the region, as the outcome of the various political events has been interpreted as favourable for EU stability. Consequently, in mid-September credit risk premiums stood at 12 bp in Germany, 20 bp in France (where they have fallen by over 30 bp since March), 59 bp in Spain and 136 bp in Italy. In all these countries, the falls compared with the start of the year range between 10 bp and 30 bp. Particularly noteworthy was the dramatic fall in the Greek risk premium, which dropped from 1,000 bp at the end of 2016 to 478 bp in

Most advanced economies have recorded falls in credit risk premiums over 2017, which were more intense in euro area countries.

September, coinciding with approval of the release of an additional tranche of 8.5 billion euros in financial support offered by the European Stability Mechanism (ESM). The CDS of US sovereign debt remained stable over the same period, at around 25 bp, while in the United Kingdom it fell by 8 bp to 24 bp.

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



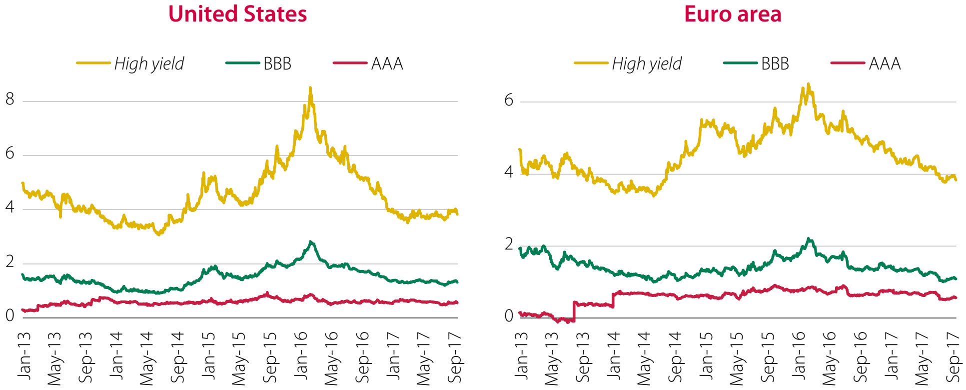
Source: Thomson Datastream. Data to 15 September.

Private debt risk premiums stabilised in the US, while they fell once again in the euro area.

In corporate fixed-income markets, the credit risk premium in the United States behaved differently to the euro area. While the US hardly recorded any changes over the year (the risk premium of AAA-rated bonds rose by 2 bp while that of BBB-rated bonds fell by 6 bp), with the exception of the lowest rated category (whose risk premium decreased by 20 bp), euro area countries recorded significant falls. In particular, the risk premium of high-yield instruments fell by 84 bp to 383 bp. The risk premium of BBB-rated instruments fell by 34 bp to 109 bp due to the purchases by investors that have incentives to seek out higher-return assets. The risk premium of AAA-rated instruments fell by 19 bp to 57 bp due to the fall in perceived political risk in the euro area.

Corporate debt risk premiums FIGURE 5

Spread with respect to the ten-year government bond, percentage points[1]



Sources: Thomson Datastream and CNMV. Data to 15 September.

1 In the euro area versus German public debt.

Net long-term debt issues in international fixed-income markets amount to 1.8 trillion dollars so far this year,[4] 35% down on 2016. This reduction was due to the fall in sovereign issues (-70%) and despite the slight increase in net private sector issues, which grew by 4% compared with the previous year. Cumulative net public sector issues during the year stand at 503 billion dollars, while the private sector has recorded a volume of 1.36 trillion dollars.

The volume of debt issues in international markets has fallen by 35% so far this year due to the reduction in sovereign debt issues…

Every region has recorded reductions in the amount of net public-sector issues over 2016, mainly as a result of the fall in gross issues (see upper right-hand panel of figure 6). There was a noteworthy fall in the United States, where the volume of net issues stood at 60 billion dollars, 474 billion dollars less than in 2016. However, following the increase in the debt ceiling approved by Congress, this amount is likely to recover in the final four months of the year. Net issue volumes in Europe and Japan have remained dependent on the fiscal consolidation processes underway and the recovery in economic activity and have fallen by 62 billion dollars and 254 billion dollars, respectively.

… which has been widespread across advanced economies and is a result of the fall in gross issues.

Net international debt issuance FIGURE 6

Source: Dealogic. Half-year data. The data for the second half of 2017 are up to 15 September, but their semiannual equivalent is shown for comparative purposes.

4 The data for the second half of 2017 are up to 15 September, but their half-yearly equivalent is shown for comparative purposes.

Debt issues by financial institutions have fallen in Spain and grown in the US and Japan…

Net financial sector issues have amounted to 503 billion dollars over 2017, 33 billion dollars up on the previous year. However, the volume of issues in Europe remains in negative numbers and stands at -97 billion dollars, compared with -86 billion dollars in 2016. This negative trend reflects the deleveraging process currently being undertaken by European banks, whose profitability has been affected by very low interest rates, the high percentage of non-performing loans in some countries, high operating costs and growing competition in the provision of some financial services. In contrast, volumes have grown in both the United States and Japan, amounting to 272 billion dollars and 54 billion dollars, respectively, 21% and 31% up on 2016.

… and the same occurred with corporate debt issues.

The volume of corporate debt issued during the year – a net figure of 861 billion dollars – was higher than the amount recorded in the same period of 2016 (841 billion). Issues rose in both the United States and in Japan driven by the accommodative bias of the monetary policies applied, which have significantly improved corporate financing conditions, the debt purchase programmes implemented by central banks and the growth in economic activity, which allows investment projects to be resumed. Specifically, net issues amounted to 542 billion dollars in the United States and 46 billion dollars in Japan, 94 billion and 37 billion dollars up, respectively, on 2016. However, the amount issued in Europe totalled 113 billion dollars, compared with 160 billion dollars in the previous year, as a result of issues being brought forward to the first half of the year as a result of the expectation of a turnaround in the ECB's monetary policy, which dissipated several months later.

The leading international share indices have recorded gains so far this year…

For the year as a whole, the leading international equity indices have recorded growth that was particularly significant in the first quarter and which have helped to keep up the pace of the rises recorded in 2016. The largest gains have been recorded in US stock indices and some European indices. In the United States, the Dow Jones, S&P 500 and Nasdaq have gained 12.7%, 11.7% and 19.8% respectively. In the peripheral countries of the EU and in most euro area economies, share prices were buoyed by a significant reduction in political risk and strengthening of economic growth in the region. Since the start of the year, Italy's Mib index has grown by 15.6%, the Ibex 35 by 10.3%, Germany's Dax 30 by 9% and France's Cac 40 by 7.2%. Gains have been lower in the case of the UK's FTSE 100 (1%) due in part to the slowdown in economic growth over recent quarters and uncertainty relating to the elections held in June. Japan's Nikkei 225 has recorded a smaller gain over the year (4.2%) due to the drop in the third quarter (-0.6%).

… which have come with very low levels of implied volatility and which reflect an increased risk appetite.

The stock market gains have come with very low levels of implied volatility, which remained between 10% and 20% in the first half of the year and between 7% and 15% so far in the second half (see the right-hand panel of figure 7). The positive performance of equity markets worldwide reflects the increased risk appetite recorded since the start of the year (see left-hand panel of figure 7).

Emerging market share indices have generally recorded significant growth so far in 2017.

Emerging market share indices have also generally recorded significant growth over the year. In China, where economic growth has remained stable and the financial sector obtained good results in the first half of the year, the Shanghai Composite has risen by 8.1%. The upward trend in the technology sector has also supported gains in other Asian indices, such as the Korean KOSPI, which has recorded a rise of 17.7% despite the political tensions in the region. In Latin America, the Brazilian Bovespa index has risen by 25.8% after the economy emerged from recession and on the expectation that a series of reforms will be applied that the market considers to be favourable, and the Argentinean Merval index has grown by 40.2%. The Russian stock market has shown very uneven behaviour, with sharp falls in the second quarter (-10.1%) as a result of doubts relating to the trend in the price of oil and the effect of sanctions imposed by several countries, and significant gains in the third quarter (12.2%). All in all, so far this year the Russian index has fallen by 2.5%.

Performance of main stock indices[1] TABLE 1

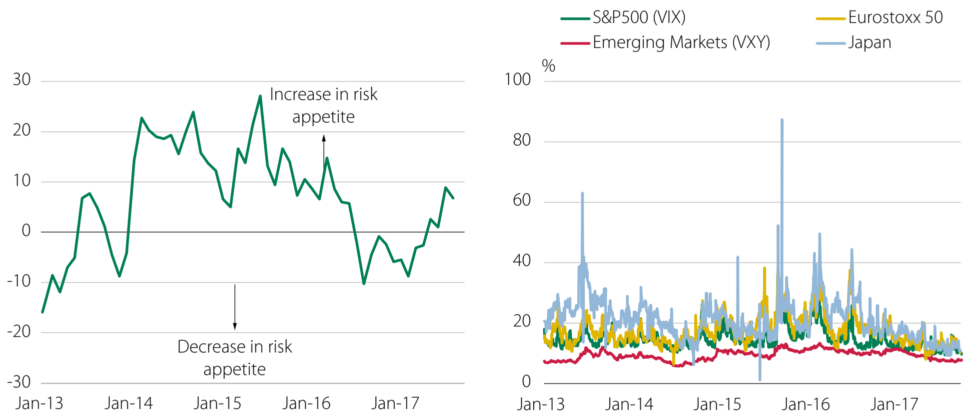
%	2013	2014	2015	2016	III16	IV16	I17	II17	III-17 (up to 15 September) %/prior quarter	III-17 (up to 15 September) %/Dec.
World										
MSCI World	24.1	2.9	-2.7	5.3	4.4	1.5	5.9	3.4	3.7	13.5
Euro area										
EuroStoxx 50	17.9	1.2	3.8	0.7	4.8	9.6	6.4	-1.7	2.1	6.8
Euronext 100	19.0	3.6	8.0	3.0	4.1	5.9	5.6	0.0	3.0	8.8
Dax 30	25.5	2.7	9.6	6.9	8.6	9.2	7.2	0.1	1.6	9.0
Cac 40	18.0	-0.5	8.5	4.9	5.0	9.3	5.4	0.0	1.8	7.2
Mib 30	16.6	0.2	12.7	-10.2	1.3	17.3	6.5	0.4	8.0	15.6
Ibex 35	21.4	3.7	-7.2	-2.0	7.5	6.5	11.9	-0.2	-1.2	10.3
United Kingdom										
FTSE 100	14.4	-2.7	-4.9	14.4	6.1	3.5	2.5	-0.1	-1.3	1.0
United States										
Dow Jones	26.5	7.5	-2.2	13.4	2.1	7.9	4.6	3.3	4.3	12.7
S&P 500	29.6	11.4	-0.7	9.5	3.3	3.3	5.5	2.6	3.2	11.7
Nasdaq-Composite	38.3	13.4	5.7	7.5	9.7	1.3	9.8	3.9	5.0	19.8
Japan										
Nikkei 225	56.7	7.1	9.1	0.4	5.6	16.2	-1.1	5.9	-0.6	4.2
Topix	51.5	8.1	9.9	-1.9	6.2	14.8	-0.4	6.6	1.7	7.9

Source: Datastream.

1 In local currency.

Financial market indicators FIGURE 7

Risk appetite[1] **Implied volatility (%)**



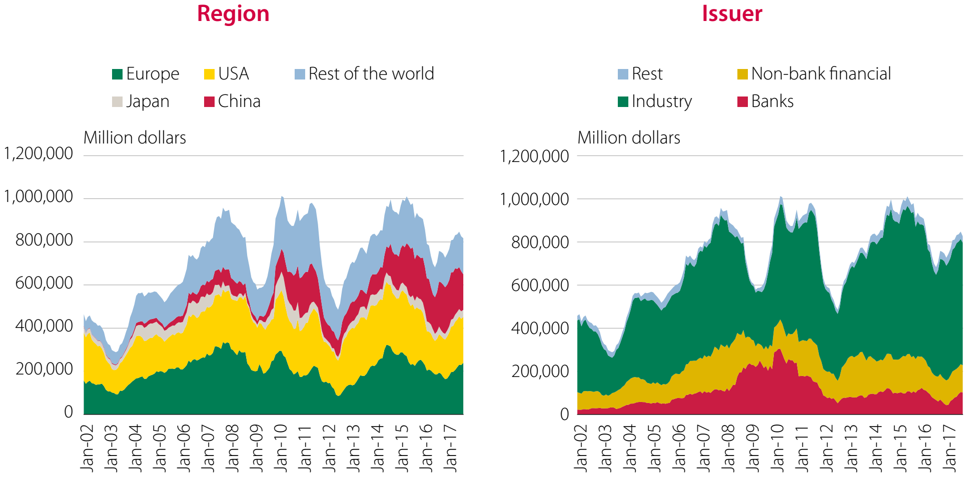
Sources: Thomson Datastream and CNMV.

1 State Street indicator.

Equity issues grew in 2017 in every region except China.

Equity issuance over the first three quarters of the year[5] totals 632 billion dollars, an increase of 16.7% compared with the same period of 2016 (see figure 8). By region, significant rises were recorded in the United States, Europe and Japan, which accumulated volumes of 174 billion dollars, 194 billion dollars and 25 billion dollars, respectively, 20%, 64% and 33% up on 2016. The significant stock-market gains in these regions encouraged the dynamism in primary equity markets. In contrast, the cumulative amount of issues in China so far this year totals 113 billion dollars, 31% down on 2016. The fact that the growth of the Chinese economy was somewhat lower than expected might have influenced this fall. The breakdown by sector shows widespread increases in issues with the exception of utilities, whose volume fell by 26%. In particular, issues by industrial companies rose by 7% and issues by non-bank financial companies rose by 18%. Bank issues increased dramatically (by 173%) on the previous year due to the low level of issues in 2016.

Global equity issuance FIGURE 8



Source: Dealogic. Cumulative twelve-month data to 15 September. The monthly equivalent for September is shown for comparative purposes.

2.2 National economic and financial developments

Spanish GDP continues to grow at almost one percentage point higher than the euro area.

In the first half of the year, the Spanish economy continued the strong growth that it has been recording since the end of 2014 with GDP rising at a much faster rate than in the euro area. The quarterly change in GDP in the second quarter of the year stood at 0.9% (3.1% year-on-year), while the figure for the euro area was 0.6% (2.3% year-on-year).

Growth was balanced as the contribution of both domestic demand and the external sector was positive.

Economic growth remained balanced and the contributions from both domestic demand and from the external sector were positive. In particular, the contribution of domestic demand to GDP growth stood at 2.4 percentage points (pp) at the end of the first half of the year (2.2 pp at year-end 2016) and the contribution of the external sector was 0.68 pp, a little less than at year-end 2016 (0.78 pp). Within the components of domestic demand, private consumption recorded a year-on-year change

5 The data for September 2017 are up to the 15th, but their monthly equivalent is shown for comparative purposes.

of 2.5% in the second quarter, a fall of 0.5 pp compared with year-end 2016, while the growth in public consumption and gross fixed capital formation stood at 1.4% and 3.4%, respectively, which were much larger increases than those recorded at year-end 2016 (0% and 2.2%, respectively). With regard to the components of the external sector, it is important to highlight the stability of exports (around 4.5%) and the acceleration of imports (0.5 pp to 2.8%).

On the supply side, growth of the main branches in the second half was stronger than in December of the previous year with the exception of the services sector, which recorded a slight slowdown (from 3.1% to 2.8 %). The value added of primary branches and construction grew significantly, with year-on-year rises of 4.1% and 4.8%, respectively, in the second quarter (above the 2.9% and 3%, respectively, recorded at year-end 2016). The industrial sector grew by 2.6% (2.2% in December 2016).

On the supply side, all sectors recorded accelerated growth in 2016 except for the services sector, which recorded a slight slowdown.

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

	2013	2014	2015	2016	EC[1] 2017F	EC[1] 2018F
GDP	**-1.7**	**1.4**	**3.2**	**3.2**	**2.8**	**2.4**
Private consumption	-3.2	1.6	2.8	3.2	2.5	2.0
Government consumption	-2.1	-0.3	2.0	0.8	0.9	0.8
Gross fixed capital formation, of which:	-3.4	3.8	6.0	3.1	3.4	3.9
Construction	-8.6	1.2	4.9	1.9	n.a.	n.a.
Capital goods and other assets	5.3	8.4	8.9	5.1	3.9	3.7
Exports	4.3	4.2	4.9	4.4	5.7	4.8
Imports	-0.5	6.5	5.6	3.3	4.8	4.4
Net exports (contribution to growth, pp)	1.4	-0.5	-0.1	0.4	0.4	0.3
Employment[2]	**-3.4**	**1.1**	**3.0**	**2.9**	**2.3**	**2.1**
Unemployment rate	**26.1**	**24.4**	**22.1**	**19.6**	**17.6**	**15.9**
Consumer price index[3]	**1.4**	**-0.1**	**-0.5**	**-0.2**	**1.1**	**1.4**
Current account balance (% GDP)	**1.5**	**1.1**	**1.4**	**1.9**	**1.6**	**1.6**
General government balance (% GDP)[4]	**-7.0**	**-6.0**	**-5.1**	**-4.5**	**-3.2**	**-2.6**
Public debt (% GDP)	**95.5**	**100.4**	**99.8**	**99.4**	**99.2**	**98.5**
Net international investment position (% GDP)	**-85.2**	**-90.1**	**-80.7**	**-70.9**	**n.a.**	**n.a.**

Sources: Thomson Datastream, European Commission, Banco de España and National Statistics Office (INE).
1 European Commission forecasts from May 2017.
2 In full-time equivalent jobs.
3 European Commission forecasts referred to the harmonised index of consumer prices.
4 Data for 2013, 2014, 2015 and 2016 include government aid to credit institutions amounting to 0.4%, 0.1%, 0.1% and 0.2% of GDP, respectively.
n.a.: [data] not available.

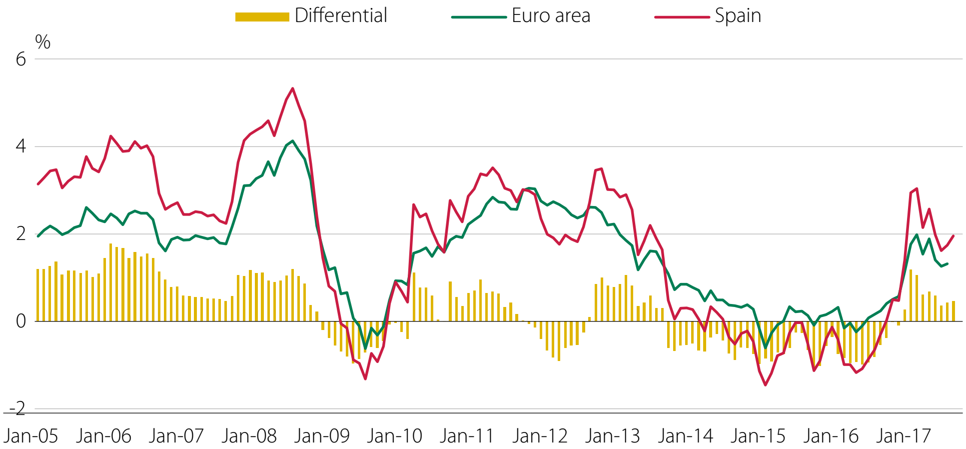
Inflation, which returned to positive numbers in the second half of 2016 after being in negative terrain for over a year, stood at 3% in January and remained above 2% over the first four months of the year. However, this increase was temporary and largely due to the increase in energy prices and in subsequent months, inflation stabilised at around 1.6% (figure for August). In the meantime, the underlying inflation rate, which excludes the most volatile elements such as energy and fresh food, showed a slight upward trend over the first few months of the year and in August stood at 1.2% (1% in December 2016). The inflation gap compared with the euro area, which reached 1.2 pp in December 2016, fell gradually over the year to 0.5 pp in August (see figure 9).

Inflation, which rose significantly in the first few months of 2017 as a result of rising energy prices, fell to below 2% by the middle of the year.

Employment continued to grow at rates slightly below 3% in the first of the year, which once again led to falls in the unemployment rate…

In the job market, the process of job creation continued apace with a year-on year change of 2.8% in the second quarter of the year, a very similar rise to that recorded in 2016 (2.7%). The generation of 284,000 jobs in the first half of the year allowed the employed population to rise to 17.8 million in June and the unemployment rate to fall to 17.2% (18.6% at year-end 2016). The creation of jobs is accompanied by a reduction in unit labour costs, which recorded negative year-on-year growth in June, thus continuing the trend that began in 2015. The fall in unit labour costs can be explained by the increase in apparent productivity (0.28% in the second quarter) outstripping the remuneration per employee (-0.1%).

Harmonised CPI Spain vs. Euro area (annual % change) FIGURE 9



Source: Thomson Datastream. Data to August.

… while favouring reduction in the government deficit through income from contributions. By year-end, the deficit will be close to 3% of GDP, within the limits established by the Stability and Growth Pact.

The cumulative general government deficit[6] in the first half of the year stood at 2.32% of GDP, 0.7 percentage points below that recorded in the same period of 2016 (3.01%). The breakdown by subsector reveals that the central government deficit stood at 1.06% of GDP, while the deficit of the autonomous regions stood at 0.7%, 0.1 percentage points above the figure recorded in the same period of the previous year. The deficit of the Social Security Fund stood at 0.54% of GDP, 0.05 points down on 2016 as a result of the rise in income from social security contributions. According to the Excessive Deficit Procedure, consolidated government debt, after falling to 99.4% of GDP at year-end 2016 (99.8% at year-end 2015), rose to 100.4% in the first quarter of the year.[7] According to the budget forecasts of the latest updated Stability Programme for 2017-2020, the deficit will stand at 3% of GDP in 2017, 2.2% in 2018, 1.3% in 2019 and 0.5% in 2020. These estimates are somewhat more optimistic than those published by the European Commission in May (3.2% in 2017 and 2.6% in 2018).

Banks continue to negotiate a complex business landscape, although one which is somewhat more favourable in Spain due to consolidated growth, although not exempt from risks.

Development of the banking industry in the euro area remains conditioned by an environment of very low interest rates and the consolidation of other competitive factors (shadow banking, fintech, etc.) as key factors. The high percentage of non-performing assets and the slow process of economic recovery are also

6 Excluding local authorities and the net balance of aid given to banks.

7 Advance data from the Banco de España.

significant factors in some peripheral countries. The environment in Spain is more favourable as growth has become consolidated with the consequent reduction in the NPL ratio, but the sector is not exempt from risk. Similarly, in a context in which banks are finding it difficult to increase revenue, the process of streamlining costs in the banking system remains a key challenge for improving efficiency.

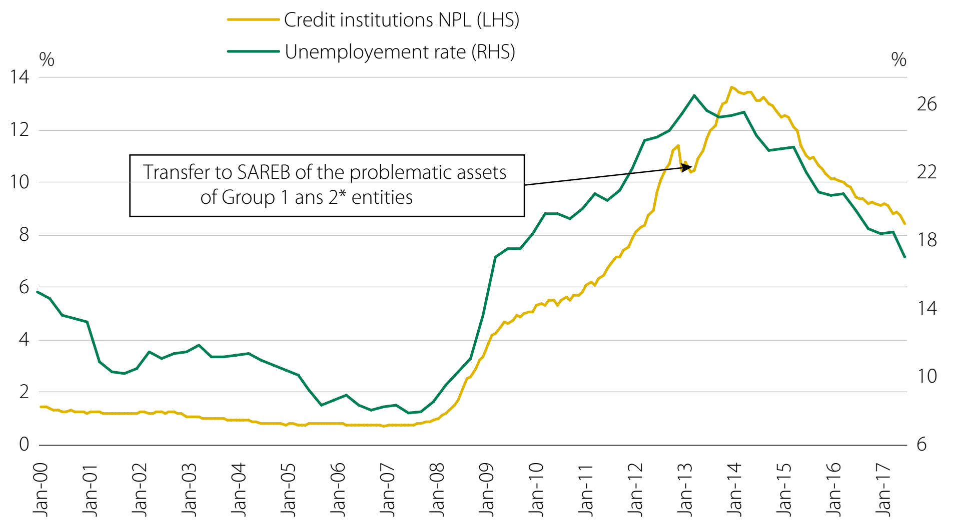
The sector's profits fell in 2016 for different reasons, some of a regulatory nature, but rose in the first quarter of 2017…

Despite this more positive environment, the net profit of credit institutions fell by 35% in 2016 to 6.08 billion euros. The reasons behind this fall are as follows: (I) the decrease in the gross profit margin, as the fall in finance costs did not offset the fall in income; (ii) the impact on the operating profit of the considerable increase in provisions made by one bank in the last quarter of the year,[8] and (iii) the impact on profit before tax of the changes resulting from entry into force of Banco de España Circular 4/2016, which modifies Spanish banking accounting to adapt it to IFRS 9. In the early months of 2017, there was a change in trend in the income statement for the sector. Up to March, profit was 3.51 billion euros, 31% higher than in the same period of 2016. The fall in operating profit was offset by a slight improvement in impairment losses of non-financial assets.

… while the NPL ratio continues to fall.

The ratio of non-performing loans to other resident sectors (households and non-financial companies)[9] continued the downward trend of the last three years and at the end of June stood at 8.4%, its lowest level since 2012. This fall is largely explained by the strength of the economic recovery, the current environment of low interest rates and the fall in the unemployment rate (see figure 10).

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



Sources: Banco de España and National Statistics Office (INE). Data to June.

1 Percentage of active population.

* Group 1 transfers took place in December 2012 (36.7 billion euros) and Group 2 transfers in February 2013 (14.09 billion euros).

8 Banco Popular.

9 Due to adaptation to the preparation and format criteria for the FINREP (Financial Reporting) statements of European Union legislation, the data offered by the Banco de España as from April 2017 are provisional.

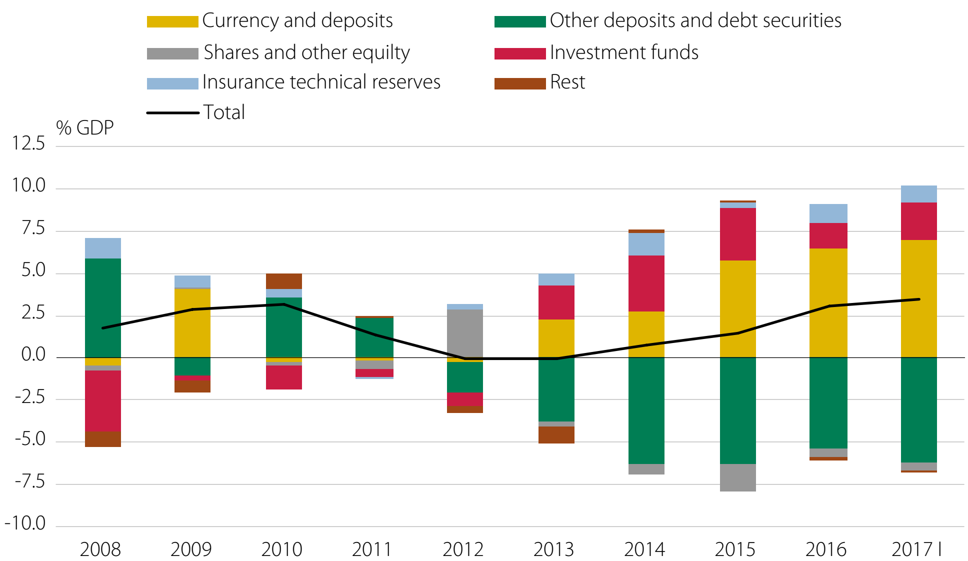
Bank lending to the non-financial sector of the economy (households and companies) reversed its downward trend in the first quarter of the year and grew for the first time since 2011.

Bank lending to the non-financial resident sector (companies and households) temporarily reversed its downward trend in the first quarter of the year, recording positive rates of change between March and June, which had not happened since 2011. However, the year-on-year rate returned to negative numbers in July (-0.3%). In the case of non-financial companies, year-on-year growth stood at 0.6% in July (-0.3% in the same month of 2016). The growth of financing from securities other than shares offset the negative contribution of loans granted by resident credit institutions and loans from abroad. Lending to households, however, continued to contract with the year-on-year rate in July standing at -1.4% (-1.5% in the same month of 2016) due to the reduction in home purchase loans, which contributed -2.4 pp to the rate of change. The growth in lending in the euro area to non-financial companies and households stood at 1.6% and 2.7%, respectively, in May.

The size of the banking sector continues to decline, albeit at a slower pace than in previous years.

The size of the banking sector fell in the first half of 2017, albeit at a slower pace than that recorded in recent years. The total volume of assets in June amounted to 2.63 trillion euros, 15 billion euros less than at year-end 2016. Movements in the main funding sources for banks were uneven. The balance of deposits and net Eurosystem borrowing rose (21 billion euros to 1.89 trillion euros and 32 billion euros to 170 billion euros, respectively), while the volume of debt issued and equity fell (by 9 billion euros and 10 billion euros, respectively, to 192 billion euros and 350 billion euros).

Households: Net financial asset acquisitions (% GDP) FIGURE 11



Source: Banco de España, Financial Accounts. Cumulative data from four quarters.

The financial position of Spanish households has continued to improve, with a fall in the debt ratio and investment of 3.4% of GDP in financial assets, surpassing the figures recorded in recent years.

Indicators for the financial position of households reveal that savings rates fell to 7% of gross disposable income (GDI) in the first quarter of 2017, 0.7 percentage points down on year-end 2016. Furthermore, the combination of lower debt and higher income led to the debt ratio maintaining its downward trend and falling in March to 101.2% of GDI, compared with 105.6% in the same month of 2016. The debt burden ratio stabilised at around 11.7% of GDI. In this context, net acquisition of financial assets by Spanish families amounted to 3.4% of GDP in the first quarter,[10] largely driven by the consolidation of the economic recovery and job creation. By type of financial instrument, net acquisitions followed the same pattern of recent years with sharp divestments from long-term deposits and fixed-income securities (-6.1% of GDP), due to the poor returns on offer, and substantial investments in cash and transferable deposits (7% of GDP) and, to a lesser extent, in mutual funds and insurance products (2.2% and 1% of GDP, respectively).

2.3 Outlook

The IMF, in its July forecasts, estimates global GDP growth of 3.5% in 2017 and 3.6% in 2018. These rates improve on the 3.2% of 2016, but they do not reach the historic average prior to the financial crisis.[11] Advanced economies are expected to grow by 2% in 2017 and 1.9% in 2018 (1.7% in 2016) as factors such as demographic trends, low investment rates and slow productivity gains slow down economic growth. Emerging economies are expected to grow by 4.6% in 2017 and 4.8% in 2018 (4.3% in 2016).

The world economy will grow by 3.45% in 2017, above the 3.2% recorded in 2016.

Gross Domestic Product (annual % change) TABLE 3

					IMF[1]	
	2013	2014	2015	2016	2017F	2018F
World	3.3	3.4	3.4	3.2	3.5 (0.0)	3.6 (0.0)
United States	1.7	2.4	2.6	1.6	2.1 (-0.2)	2.1 (-0.4)
Euro area	-0.3	1.1	2.0	1.8	1.9 (0.2)	1.7 (0.1)
Germany	0.6	1.6	1.5	1.8	1.8 (0.2)	1.6 (0.1)
France	0.6	0.6	1.1	1.2	1.5 (0.1)	1.7 (0.1)
Italy	-1.7	-0.3	0.8	0.9	1.3 (0.5)	1.0 (0.2)
Spain	-1.7	1.4	3.2	3.2	3.1 (0.5)	2.4 (0.3)
United Kingdom	1.9	3.1	2.2	1.8	1.7 (-0.3)	1.5 (0.0)
Japan[2]	2.0	0.3	1.1	1.0	1.3 (0.1)	0.6 (0.0)
Emerging economies	5.0	4.6	4.3	4.3	4.6 (0.1)	4.8 (0.0)

Source: IMF.

1 Figures in brackets show the change vs. previous published forecast. IMF, Forecasts published in July 2017 vs. April 2017.

2 Japan's historical national accounts were revised in December 2016 in line with changes in the country's GDP methodology.

In the international context, the scope of the expansionary fiscal policy announced by the US Administration is still unknown and some of the measures proposed may not be approved or may only be implemented partially or later than expected. Furthermore, a shift towards protectionist policies (in particular, restrictions to trade and immigration) might have a negative impact on global growth in the medium and long term. In this scenario, there is a risk of a downward revision in expectations with

In the international context, economic activity and financial stability in financial markets may be affected by uncertainties about the scope of the measures taken by the US Administration, on the withdrawal of monetary stimulus…

10 With cumulative data from four quarters up to the first quarter of 2017.

11 Between 2000 and 2007, world GDP grew on average by 4.5%.

regard to future corporate profits in some sectors and falls in their share prices. The risk of a faster-than-expected normalisation of US monetary policy, less likely than several months ago, might have a significant impact on financial markets, with sharp falls in fixed income prices and increases in risk premiums worldwide.

… and the development of some geopolitical conflicts.

In addition to these risks, it is important to note the presence of other sources of uncertainty such as, for example, the increase in geopolitical tensions and the possibility of terrorist attacks worldwide. All these elements might have a significant impact on financial markets.

In Europe, where political uncertainty has fallen, the Brexit negotiations and the weakness of the banking sector are the most significant risks.

In Europe, political risk has fallen in recent months following the outcome of several electoral processes, the results of which have been perceived as positive for the continuity of the EU project. Brexit negotiations and the recent appreciation of the euro are other sources of uncertainty that might trigger episodes of volatility in financial markets. In addition, risks remain in the banking sector, as mentioned above.

The Spanish economy will continue to grow at rates higher than those recorded in the euro area. The challenges linked to the high unemployment rate and to fiscal consolidation remain.

With regard to the Spanish economy, the IMF forecasts a slight moderation in growth, which, according to its forecasts, will stand at 3.1% in 2017 and 2.4% in 2018, which is an upward revision of 0.5 percentage points and 0.3 percentage points, respectively, since its previous forecast. Although these rates are above those expected for the euro area as a whole (1.9% in 2017 and 1.7% in 2018), there remain various sources of uncertainty which threaten the sustainability of this growth and financial market stability. Some of these risks, such as those relating to banking or the growing significance of certain geopolitical conflicts, are common to other major economies. In the case of the banking sector, it is important to highlight the improved situation relating to Spanish banks compared with others in the EU due to the progress made in their restructuring processes, which is reflected in a more favourable efficiency ratio and strong growth in the activity in Spain. The most significant domestic risks are those resulting from the high unemployment rate, the process of fiscal consolidation and, more recently, uncertainty relating to the political crisis in Catalonia. Finally, particularly noteworthy are the risks that affect Spanish companies with high exposure to some emerging countries and to the United Kingdom as these may be affected by a tightening of financing conditions in international markets and by Brexit.

3 Spanish markets

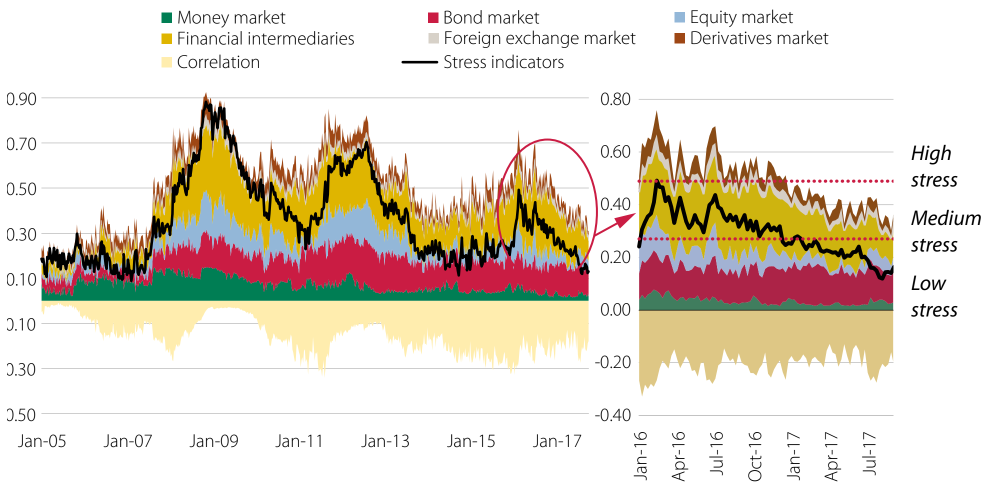
The stress indicator for Spanish financial markets has remained at a low level (below 0.27) throughout the year.

The stress indicator of financial markets in Spain has shown a downward trend over most of the year, with values which correspond to reduced levels of stress.[12]

12 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 of the financial system and aggregates them into a single figure bearing in mind the correlation between said segments. Econometric estimates 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 detailed information on the recent progress of this indicator and its components, see the CNMV's quarterly Financial Stability Note and statistical series (market stress indicators) available at www.cnmv.es/portal/

This indicator reached an annual low in the first few days of August (0.12) and then rose slightly to 0.16. By segment, the higher stress levels were recorded in the bond market, where volatility rose while liquidity fell.[13] Significant events, such as the resolution process of Banco Popular and the terrorist attacks in Barcelona did not have a significant impact on the general stress level of the Spanish financial system.

Spanish financial market stress indicator FIGURE 12



Source: CNMV.

The most important risks in the area of financial markets are market risk and liquidity risk. These risks are felt much more strongly in fixed-income assets, whose prices (many of which are at historic highs) are directly affected by the extremely low interest rates. Furthermore, the liquidity of these assets has been affected over recent years by some regulatory changes,[14] as well as the ECB's asset purchase programmes. In this context, it is important to continuously monitor all the circumstances that might lead to an increase in interest rates or risk premiums and to substantial asset sales and negative contagion spirals between different countries, markets or classes of financial instrument.

The most important risks in the area of financial markets are market risk and liquidity risk, particularly in debt assets.

Menu/Publicaciones-Estadisticas-Investigacion. For further information on the indicator's methodology, see M. I. Cambón and L. Estévez (2016), "A Spanish Financial Market Stress Index (FMSI)", Spanish Review of Financial Economics 14, January (1), pp. 23-41 or CNMV Working Paper No. 60 (www.cnmv.es/portal/Publicaciones/monografias).

13 A detailed analysis of the development of the liquidity of Spanish bonds is offered in a separate article in this bulletin, "Measuring liquidity of Spanish fixed-income securities (2005-2016)", written by the CNMV's Research and Statistics Department.

14 The financial regulation that arose out of the crisis toughened the capital requirements for market making by banks, thus discouraging this activity, which, in theory, is beneficial for market liquidity.

3.1 Equity markets

Equity markets declined slightly in the third quarter as a result of various national and international uncertainties.

Spanish stock markets rose significantly in the early months of the year and then stabilised over the middle part of the year. They fell in the third quarter, which placed stock market indices at their lowest level since April. The fall in share prices resulted from the slowdown in US economic growth, geopolitical tensions in Asia with North Korea and the strength of the euro, which may reduce the competitiveness of the European economy and delay normalisation of the ECB's monetary policy. In Spain, political uncertainty has also had an impact on stock market indices. The Ibex 35 fell by 1.2% in the third quarter, and was thus outperformed by the main benchmark European indices,[15] in a context of moderate volatility and reduced trading volumes. Share prices performed unevenly between sectors and the shares with the greatest falls were concentrated in companies in the industrial, consumer goods, tourism and textile sectors, as well as in companies in the electricity sector. On the positive side, oil, steel and real estate companies together with motorway operators recorded share price rises.

The Ibex 35 fell by 1.2% in the third quarter, recording a poorer relative performance compared with other European indices, although it has accumulated gains of 10.3% in the year.

The Ibex 35, which had risen by 11.9% in the first quarter and remained stable in the second quarter, fell slightly in the third quarter. In the year as a whole,[16] this index has gained 10.3%. The third quarter falls were sharper for mid-cap companies (-3.5%), which are more exposed to the external sector than small-cap companies, which recorded a fall of 1.3%. The indices that reflect movements in Latin American securities listed in euros grew significantly in the third quarter, offsetting the falls recorded in the second quarter. In particular, the FTSE Latibex All-Share and FTSE Latibex Top indices have recorded gains of 12.6% and 14.5%, respectively, so far this year and have benefited from the positive performance of the leading Latin American economies – Brazil came out of recession in the second quarter –[17] as well as the appreciation of their currencies against the euro.[18]

Movements in share prices were not even among sectors. Despite improvements, some uncertainty persists in the financial sector.

With the exception of companies in the oil sector and the motorway concession sector, which were favoured by the recovery of crude oil prices and the possible submission of competing bids for the takeover of the main Spanish company of the motorway concessions sector, most sectors recorded negative growth in the third quarter, although their performance was not entirely even. The largest falls corresponded to the industrial and construction sectors, as well as the consumer goods and services sector. In addition, securities linked to the financial and insurance sectors fell once again as, despite the improvements seen in the sector, problems persist in some companies. The resolution process of Banco Popular decided by the Fund for Orderly Banking Restructuring (FROB) and the Single Resolution Board in early June, and the CNMV's decision to restrict short positions in Liberbank shares, which was adopted on 12 June and extended twice, are two examples of these difficulties.

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15 The leading European indices recorded slight increases: Dax (1.6%), Cac (1.8%), Eurostoxx 50 (2.1%), with the Mib 30 recording a significant gain of 8%.

16 With data to 15 September.

17 The Brazilian economy grew by 0.2% in the second quarter, and has now recorded two consecutive quarters of GDP growth.

18 So far this year, the Brazilian real has gained 8.4% against the euro.

Performance of Spanish stock market indices and sectors

TABLE 4

%							III-17 (Up to 15 September)	
Index	2014	2015	2016	IV-16[1]	I-17[1]	II-17[1]	%/prior quarter	%/Dec. 2016
Ibex 35	3.7	-7.2	-2.0	6.5	11.9	-0.2	-1.2	10.3
Madrid	3.0	-7.4	-2.2	6.7	11.8	-0.2	-1.3	10.1
Ibex Medium Cap	-1.8	13.7	-6.6	3.5	4.3	3.3	-3.5	4.0
Ibex Small Cap	-11.6	6.4	8.9	6.3	15.1	2.2	-1.3	16.0
FTSE Latibex All-Share	-16.1	-39.2	71.0	14.3	10.0	-9.7	12.6	11.8
FTSE Latibex Top	-11.1	-34.6	67.8	17.0	12.4	-9.6	14.5	16.2
Sector[2]								
Financial and real estate services	**1.4**	**-24.2**	**-1.6**	**21.0**	**15.2**	**-0.5**	**-0.4**	**14.2**
Banking	1.6	-26.0	-1.8	22.5	16.0	-0.9	-0.5	14.3
Insurance	-9.2	-5.0	15.5	16.8	9.7	-0.4	-5.7	3.0
Real estate and others	36.3	18.4	-2.3	0.9	8.0	8.1	3.2	20.5
Oil and energy	**11.8**	**0.6**	**0.8**	**1.7**	**7.2**	**-0.4**	**0.4**	**7.2**
Oil	-15.1	-34.9	32.6	11.1	7.9	-7.4	12.1	11.9
Electricity and gas	21.7	9.6	-4.3	-0.2	7.0	1.2	-2.5	5.6
Basic materials, industry and construction	**-1.8**	**2.1**	**2.0**	**-0.4**	**8.9**	**-0.9**	**-7.8**	**-0.5**
Construction	8.9	4.9	-7.9	-1.9	9.0	3.6	-3.8	8.6
Manufacture and assembly of capital goods	-18.3	49.0	7.8	-6.1	11.4	-7.7	-24.2	-22.1
Minerals, metals and metal processing	4.5	-30.8	48.8	11.6	6.8	-5.4	3.1	4.2
Engineering and others	-17.0	-39.6	9.9	6.5	-1.4	-6.5	-3.3	-10.8
Technology and telecommunications	**2.5**	**-5.2**	**-9.0**	**2.8**	**16.2**	**-6.1**	**1.5**	**10.8**
Telecommunications and others	2.6	-12.3	-14.2	-2.7	18.6	-12.3	0.6	4.7
Electronics and software	2.3	22.2	7.9	-3.0	10.7	9.3	3.2	24.8
Consumer goods	**-1.5**	**30.9**	**0.2**	**-0.9**	**4.4**	**3.0**	**-3.0**	**4.4**
Textiles, clothing and footwear	-1.1	33.6	2.6	-1.5	1.9	1.6	-2.8	0.6
Food and drink	-5.2	26.4	-5.4	-2.2	0.4	4.9	-0.8	4.5
Pharmaceuticals and biotechnology	-1.0	23.5	-6.4	1.3	15.5	4.4	-6.5	12.8
Consumer services	**10.0**	**10.4**	**-8.0**	**0.9**	**13.0**	**7.2**	**-3.4**	**17.0**
Motorways and car parks	6.8	-7.9	-3.1	-4.1	13.6	7.4	4.9	28.0
Transport and distribution	27.9	29.6	-15.7	4.3	16.3	13.2	-6.7	22.9

Sources: BME and Thomson Datastream.

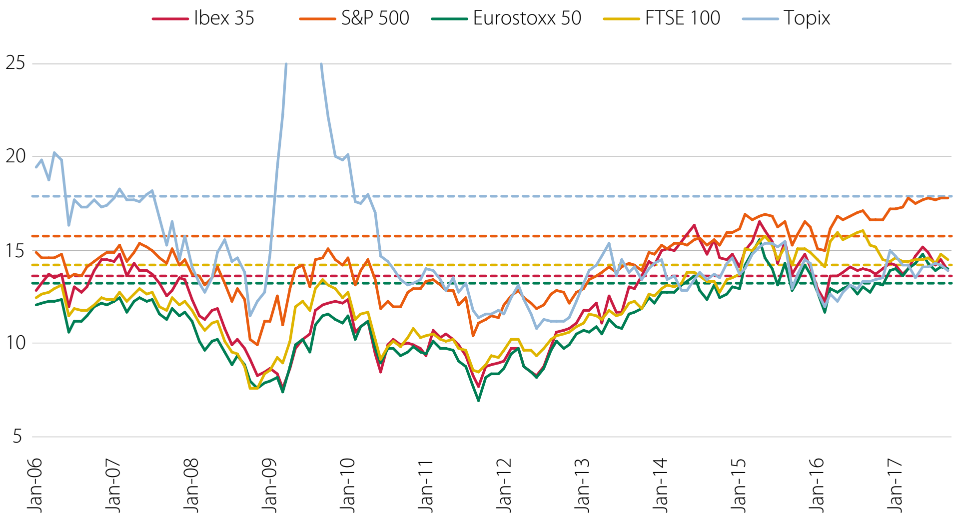
1 Change on previous quarter.

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

The fall in share prices over the quarter together with the increase in corporate profits led to a slight reduction in the price-earnings ratio (PER).

The fall in share prices in the third quarter and the improvement in corporate profits, together with the forecast that this trend will continue in the coming months, allowed the price-earnings (P/E) ratio of the Ibex 35 to fall from 14.9 in mid-June to 13.9 in mid-September. As shown in figure 13, the P/E ratios of the leading stock market indices remained relatively stable in the quarter, mostly standing at above their average values for the period 2000-2017.[19] The P/E ratio of the US S&P 500 index hardly changed as improvements in corporate profits were accompanied by similar price rises in the index. In the European Eurostoxx and the Japanese Topix, there was a slight fall in the ratios as in both cases the improvement in earnings per share was greater than the increase in share prices. On the other hand, the fall in the ratio for the British FTSE 100 was due to a reduction in share prices.

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



Source: Thomson Datastream. Data to 15 September.

1 Twelve-month forward earnings.

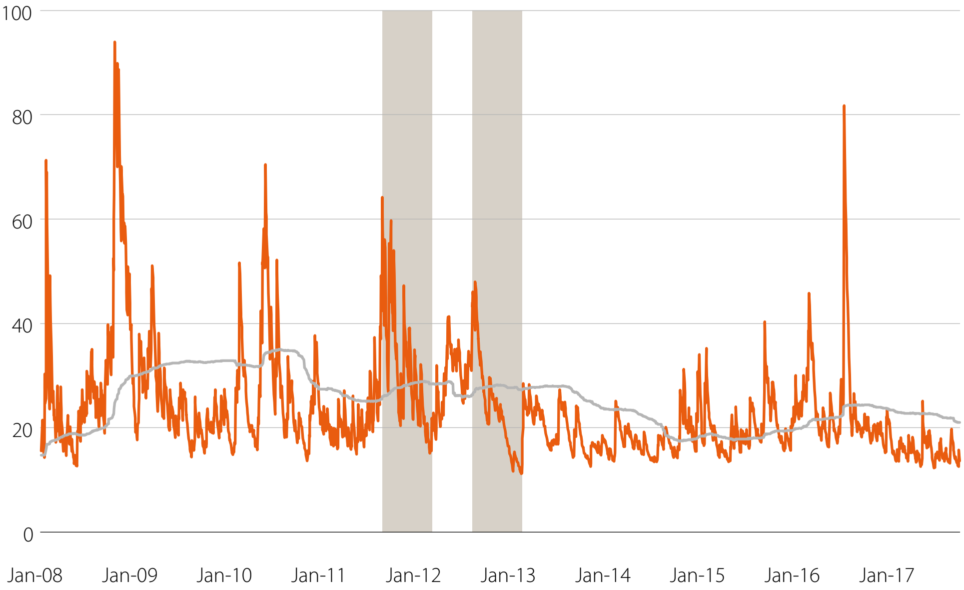
Volatility remained largely unchanged, remaining at low levels in historical terms (below 14%).

The volatility of the Ibex 35 remained stable in the third quarter of the year, with hardly any changes compared with the previous two quarters. Its level was moderate throughout the quarter and ended below 14%. This figure is slightly lower than the average for the two previous quarters (15.4% and 15.8%, respectively) and the average of the year as a whole (15.4%) and reflects the significant decrease in volatility compared with 2016, when it stood at 24%. Movements in volatility in the Spanish market are similar to those recorded in other international markets in which there seems to have been a certain dissociation between market uncertainty (high at certain times due to geopolitical tensions and conflicts) and market volatility, which stands at historic lows. In the case of the Eurostoxx 50, this indicator ended the quarter below 10%, a similar value to that recorded in the US VIX.

19 Except for the Japanese Topix index.

Historical volatility of the Ibex 35

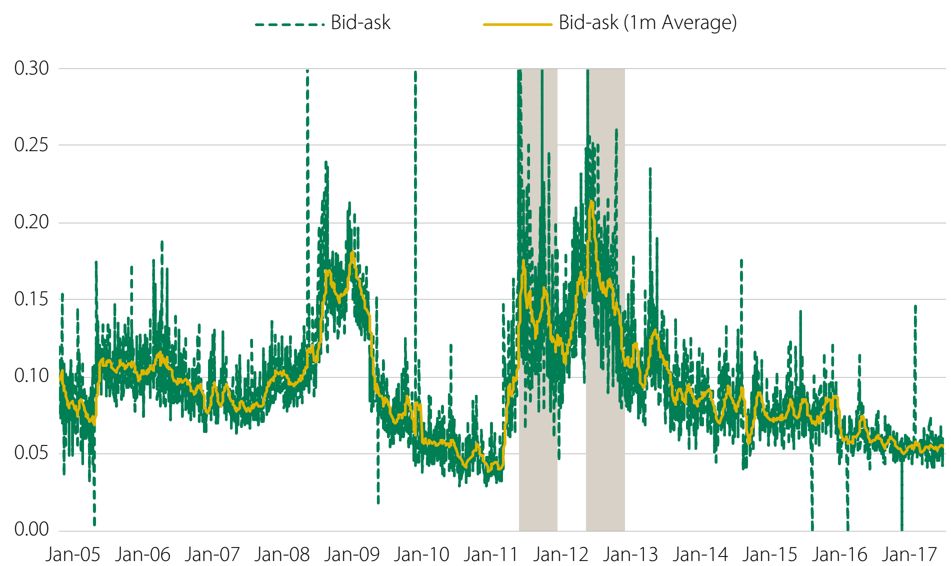
FIGURE 14



Sources: Thomson Datastream and CNMV. Data to 15 September. The grey line tracks conditional volatility and the red line unconditional volatility. The grey shaded areas 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. The first ban affected financial institutions, while the second ban affected all entities.

Ibex 35 liquidity. Bid-ask spread (%)

FIGURE 15



Sources: Thomson Datastream and CNMV. Data to 15 September. The curve represents the bid-ask spread of the Ibex 35 along with the average of the last month. The grey shaded areas 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. The first ban affected financial institutions, while the second ban affected all entities.

IBEX 35 liquidity remained stable at satisfactory levels.

Ibex 35 liquidity, as measured by the bid-ask spread, remained stable in the third quarter, in line with the trend recorded in the previous two quarters. The spread narrowed as a result of the fall in volatility in the year and the improvement in trading volumes compared with the second half of 2016. In particular, the spread stood at 0.05% at the end of the third quarter, a similar level to the second quarter, but below the average for 2016 as a whole (0.064%) and the historical average of the indicator (0.096%).

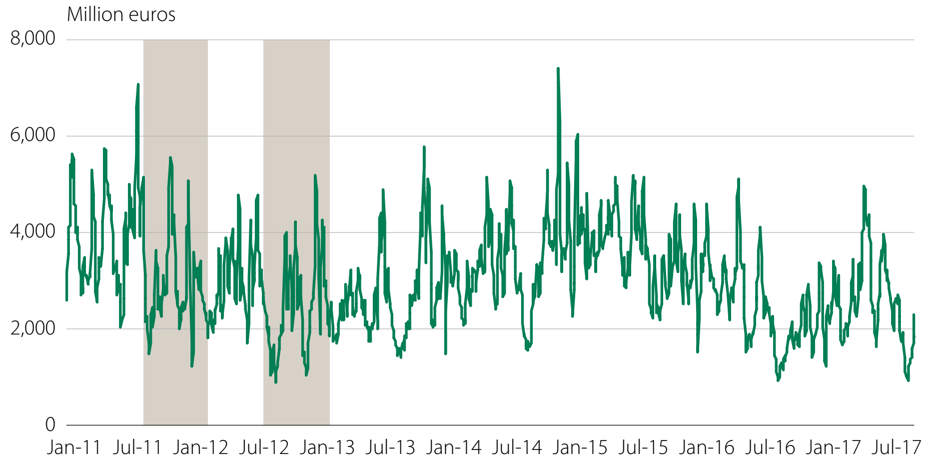
Despite the slight recovery in trading over recent months, the cumulative figure for the year shows a fall of 3%.

After recording rises in the last three quarters with regard to year-end 2016 data, trading in Spanish equity fell in the third quarter, reflecting the usual fall over the summer as well as the growing competition from multilateral trading facilities (MTFs) and OTC trading, as well as uncertainty relating to geopolitical tensions in Asia. For the year as a whole, the volume of equity trading in the Spanish regulated market stood at 460 billion euros, 3% down on the same period of 2016.[20] In addition, total trading of equity admitted to Spanish stock markets rose to over 668 billion euros in mid-September, a year-on-year rise of 3%. The bulk of the trading is still carried out on the regulated Spanish market, but its relative weight in total trading of the securities admitted on it continues to fall in favour of other European regulated markets and MTFs, which now account for over one third of the total. In daily terms, trading on the electronic market stood on average at 1.92 billion euros in the third quarter, below the 2.41 billion euros and 3.27 billion euros in the previous quarters and the cumulative average so far this year of 2.55 billion euros, as shown in figure 16.

Trading abroad now accounts for almost 35% of the total amount of trading in Spanish securities.

The market share of trading in Spanish securities carried out abroad continues to increase and has reached almost 35% of total trading. The most important platform is the Chi-X, with traded volume of 84 billion euros so far this year, accounting for 40% of trading conducted abroad. Among the other competitors, there was a significant fall in Turquoise and notable growth in BATS and the other operators, which recorded gains of 51% and 111%, respectively in year-on-year terms, and which have gained most from the expansion of trading abroad.

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



Source: CNMV. Data to 15 September. The grey shaded areas 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.

20 Deducting trading on the MAB, Latibex and ETFs.

Trading in Spanish shares listed on Spanish exchanges[1]

TABLE 5

Million euros	2013	2014	2015	2016	I-17	II-17	III-17[2]
Total	**764,986.6**	**1,002,189.0**	**1,161,482.8**	**877,413.3**	**224,055.9**	**284,277.4**	**160,226.8**
Admitted on SIBE	**764,933.4**	**1,002,095.9**	**1,161,222.9**	**877,402.7**	**224,051.1**	**284,276.1**	**160,226.4**
BME	687,527.6	849,934.6	925,978.7	631,107.2	154,769.9	200,614.7	104,433.6
Chi-X	53,396.7	95,973.0	150,139.9	117,419.4	28,193.9	33,434.1	22,860.7
Turquoise	11,707.9	28,497.5	35,680.5	51,051.8	11,945.3	12,293.0	8,005.6
BATS	10,632.1	18,671.0	35,857.6	44,839.8	13,446.4	19,511.0	15,733.0
Other[3]	1,669.2	9,019.8	13,566.2	32,984.5	15,695.6	18,423.3	9,193.5
Open outcry	**51.4**	**92.4**	**246.1**	**7.5**	**4.7**	**0.8**	**0.4**
Madrid	7.3	32.7	19.4	3.2	1.6	0.1	0.1
Bilbao	0.1	14.3	7.5	0.0	0.0	0.0	0.0
Barcelona	44.1	45.2	219.1	4.1	3.1	0.7	0.4
Valencia	0.0	0.3	0.1	0.0	0.0	0.0	0.0
Second market	**1.7**	**0.7**	**13.8**	**3.2**	**0.1**	**0.4**	**0.0**
Pro memoria							
BME trading of foreign shares	5,640.0	14,508.9	12,417.7	6,033.0	2,535.4	1,911.0	1,179.4
Alternative stock market (MAB)	5,896.3	7,723.2	6,441.7	5,066.2	1,396.2	1,261.8	667.9
Latibex	367.3	373.1	258.7	156.7	71.2	31.3	10.0
ETF	4,283.9	9,849.4	12,633.8	6,045.2	1,095.7	1,196.3	537.7
Total BME trading	703,768.7	882,482.3	957,990.5	648,418.9	159,873.2	205,016.3	106,829.1
% Spanish shares on BME vs. total Spanish shares	89.9	84.8	80.1	71.9	68.4	68.4	65.4

Sources: Bloomberg and authors.

1 Includes the trading of Spanish equity subject to market or MTF rules (lit plus dark). Spanish shares on Spanish stock exchanges are those with a Spanish ISIN that are admitted to trading on the regulated market of Bolsas y Mercados Españoles and so they do not include the Alternative Stock Market. Foreign shares are those which are admitted to trading on the regulated market of Bolsas y Mercados Españoles whose ISIN is not Spanish.

2 Data to 15 September.

3 Calculated as the difference between the turnover of the EU Composite estimated by Bloomberg for each share and the turnover of the markets and MTFs.

Equity issues in domestic markets amounted to 8.59 billion euros,[21] which is below the values recorded in the first two quarters of the year, but almost five times higher than the volume issued in 2016. Particularly noteworthy was the capital increase with pre-emptive subscription rights of the leading Spanish bank, with a value of over 7.1 billion euros, which was the largest increase of this type by a Spanish company in recent years. In addition, one small bank went public by means of a public offering for subscription (OPS) and three companies went public by means of a public offering for sale (IPO). The market expects that in the coming months there will be similar operations of new companies that will become listed on the market. There was also a significant amount of capital increases under scrip dividends (which amounted to totals similar to those in the same period of 2016) coinciding with the usual payment of dividends at the start of the summer by several large companies.

The volume of share issues in the quarter grew significantly in year-on-year terms thanks to the size of the capital increase performed by the leading Spanish bank.

21 Data to 15 September.

Capital increases and public offerings for sale

TABLE 6

	2014	2015	2016	IV-16	I-17	II-17	III-17
NUMBER OF ISSUERS[1]							
Total	**49**	**50**	**45**	**18**	**16**	**16**	**17**
Capital increases	47	45	45	18	15	13	17
Public offerings for subscription (OPS)	6	0	3	0	1	1	1
Public offerings for sale (IPO)	4	6	2	0	2	3	0
NUMBER OF ISSUES[1]							
Total	**143**	**111**	**81**	**23**	**27**	**18**	**18**
Capital increases	136	99	79	23	25	14	18
Public offerings for subscription (OPS)	8	0	4	0	1	1	1
Public offerings for sale (IPO)[2]	7	12	2	0	2	4	0
CASH AMOUNT[1] (Million euros)							
Total	**32,759.2**	**37,065.5**	**20,251.7**	**4,154.3**	**8,723.5**	**11,068**	**8,591**
Capital increases	27,872.3	28,733.9	19,745.1	4,154.3	7,364.2	10,049.8	8,590.6
Public offerings for subscription (OPS)	2,951.5	0.0	807.6	0.0	100.0	687.5	68.8
Bonus issues	12,650.8	9,627.8	5,898.3	2,552.1	1,084.4	850.3	1,152.5
Of which, scrip dividend[3]	12,573.8	9,627.8	5,898.3	2,552.1	1,084.4	850.3	1,152.5
Capital increases by debt conversion	3,645.6	1,868.7	2,343.9	76.3	0.1	23.6	0.0
Capital increases against non-monetary consideration[4]	2,811.3	365.2	1,791.7	1,502.6	58.0	8,122.6	238.8
With pre-emptive subscription right	2,790.8	7,932.6	6,513.3	4.6	185.3	11.7	7,102.9
Other capital increases	3,022.2	8,939.7	2,390.2	18.6	5,936.4	354.1	27.6
Public offerings for sale (IPO)	4,886.9	8,331.6	506.6	0.0	1,359.3	1,018.0	0.0
Pro memoria: MAB transactions[5]							
Number of issuers	9	16	15	7	2	6	1
Number of issues	15	18	21	7	2	6	1
Cash amount (million euros)	130.1	177.8	219.7	30.1	2.2	84.2	10.9
Capital increases	130.1	177.8	219.7	30.1	2.2	84.2	10.9
Of which, through public offerings for subscription	5.0	21.6	9.7	2.4	0.0	14.1	0.0
Public offerings for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: BME and CNMV. Data to 15 September.

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

2 Greenshoe-related transactions are accounted for separately in this item.

3 In scrip dividends, the issuer gives existing shareholders the option of receiving their dividend in cash or converting it into shares in a bonus issue.

4 Capital increases for non-monetary consideration have been recorded at market value.

5 Transactions not registered with the CNMV.

Brief note on CNMV Technical Guide 3/2017 on audit committees at public-interest entities

EXHIBIT 2

The CNMV's Board approved this technical guide on 27 June 2017 with the aim of publishing certain good practices for the functioning, scope and responsibilities to be undertaken by audit committees in performing their duties.

The importance of audit committees within entities' corporate governance structure was first set out in Spain in the Olivencia Code. One of the principles and most innovative recommendations in the code was that listed companies should create, from the members of the board of directors, an audit committee composed exclusively of non-executive directors that should be responsible for accounting information and oversight and relations with the external auditor and which should include independent directors in proportion to the free float. Since that time, audit committees have taken on growing importance and in 2002, with approval of Law 44/2002, of 22 November, the Olivencia Code recommendation became a legal obligation for entities with listed securities.

Subsequently in 2015, Law 22/2015, of 20 July, on Account Auditing, extended this obligation, with some exemptions, to "public interest entities (PIEs), a category that includes, in addition to listed companies, certain financial institutions subject to supervision and enterprises that exceed a given size threshold.[1]

There are two important aspects to bear in mind in order to understand this guide. The first is that, as the guide itself establishes by referring to the wide range of entities to which it is addressed, not all of the principles or recommendations will be applicable to all entities to the same extent. Each PIE must therefore adapt said principles and recommendations to its particular circumstances and features. The second important aspect is that the guide is not intended to be applied under the principle of "comply or explain", unlike the Good Governance Code, as it refers to good practices based, ultimately, on common sense and supervisory experience. However, if an entity decides not to apply it to its full extent, it should be prepared to give an explanation of the reasons why it believes that the audit committee is able to achieve its aims and suitably perform the functions entrusted to it by law, despite not fully applying these principles or recommendations.

The Guide is structured into two major chapters. The first chapter establishes some key principles to guide audit committees in the performance of their functions. The second sets out a series of criteria and good practices for appropriate and effective performance of the duties entrusted to these committees.

The key principles set out the ideas that inspire the other criteria and good practices that are specified in the second part of the guide. These principles are as follows:

Responsibility. The audit committee is responsible for advising the board of directors and for supervising and monitoring the process of preparation and presentation of financial information and for ensuring the independence of the statutory auditor and the effectiveness of the internal control and risk management systems.

Sceptical stance. Committee members must act with a critical stance, questioning the data and judgements provided to them in order to form their own opinion.

Constructive dialogue that encourages members to speak freely. The audit committee must nurture constructive dialogue, encouraging members to participate and speak freely and to take a critical approach.

Ongoing dialogue with the internal audit unit, the statutory auditor and management. In order to perform its role properly, the committee must put in place channels for effective communication with its usual points of contact. However, this ongoing dialogue should not threaten the independence of the committee or that of the statutory auditors. Therefore, the presence of managers, board members who are not committee members and other persons should be limited to those items on the agenda which require their presence and for which they have been previously invited.

Adequate analytical capability (recourse to experts). The committee must have the power to seek and obtain expert advice or opinions as well as internal support and advice where considered necessary.

As mentioned above, the second part of the guide is based on these principles and sets out a series of criteria and good practices for proper and effective performance of the duties entrusted to the audit committee.

This exhibit essentially aims to provide information on the recent publication of the guide and highlight some of its most important aspects. For further information, the full text of the guide may be found at the following link: https://www.cnmv.es/portal/Legislacion/Guias-Tecnicas.aspx?lang=en.

However, it should be highlighted that it is important for shareholders and other stakeholders to know and understand the activities performed by the audit committee each year and therefore it is essential for the committee to prepare an annual report with the minimum content suggested in Section 9 of the guide and that this report should be published on the company's website and made available to shareholders upon the announcement of the ordinary general meeting, thus encouraging transparency in its actions and greater involvement of shareholders and investors.

1 See the full definition in article 3.5 of Law 22/2015, on Account Auditing and in article 15 of the implementing Royal Decree 1517/2011.

3.2 Fixed-income markets

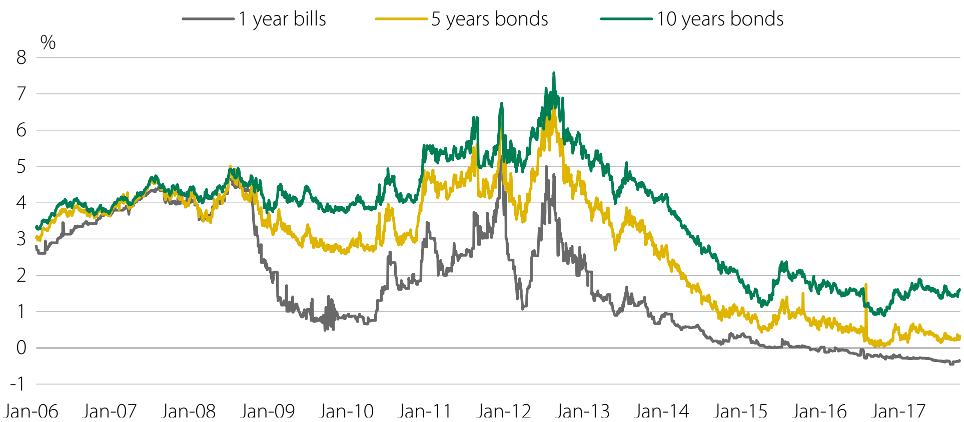
Both Spanish and international fixed-income markets have been aware for most of the year that the rate hikes by the Federal Reserve (the last one in June), as well as improvement in the economy and inflation in the euro area, would force the ECB to adopt the first measures for monetary stimulus withdrawal. This allowed temporary upturns in medium and long-term rates of public and private debt in the first half of the year above the historic lows recorded in the third quarter of 2016. Nevertheless, the recent signs of a slowdown in the US economy, coupled with the strengthening of the euro exchange rate and the moderation of inflation in Europe, have diminished the prospect of a new rate hike by the Federal Reserve before the end of the year. Similarly, the ECB has delayed a possible tightening of its monetary policy until the autumn, leaving the door open to an expansion of the size and duration of its asset purchase programme. The aforementioned doubts about the future of monetary policy in both regions have had an impact on both public and private fixed-income rates, which have remained relatively stable and have hardly changed for most of the curve terms over the third quarter.

Despite initial expectations of rate hikes, the outlook that monetary policies will remain relatively stable in the short term both in the US and in the euro area have allowed debt returns to remain almost unchanged in most curve terms.

In the case of Spain, the sovereign credit risk premium has increased slightly (by around 12 bp) due to domestic political uncertainties and has therefore moved away from the trend in other similar countries in the euro area, which reached annual lows in July. With regard to debt issues, the process of replacing assets registered with the CNMV (-29% in 2017) with debt issued abroad (36%), which now represent 45% of the total, has continued. Falls have been recorded in issues of most fixed-income assets, except uncovered bonds, which continue to benefit from the ECB's debt purchase programme.

The sovereign credit risk premium rose slightly in the third quarter.

Spanish government debt yields FIGURE 17



Source: Thomson Datastream. Data to 15 September.

Yields on short-term government bonds remained relatively unchanged in the third quarter, both in the primary and secondary markets, thereby completing almost one year at historically low levels. Unlike longer-term rates, which have shown greater volatility, movements at the shorter end of the debt curve remain dependent on the ECB's accommodative monetary policy, which maintains base interest rates at historic lows, as well as on the Public Sector Purchase Programme (PSPP).[22] By mid-September,

Yields on short-term government bonds have been at historic lows for close to a year.

22 At the start of September, the ECB had acquired public debt for 1.72 trillion euros, of which 206.19 billion euros corresponded to Spanish debt.

secondary market yields on three-month, six-month and twelve-month Letras del Tesoro stood at -0.42%, -0.39% and -0.37%, respectively, similar to the last quarter and the minimum annual return of -0.4% set by the ECB in its debt purchasing programmes (the marginal deposit facility rate). All auctions of Letras del Tesoro were again settled at negative rates, with the latest auction performed in September settled at a similar rate to those in previous auctions. Short-term corporate debt performed more unevenly, with an increase of 19 bp for three-month rates and falls in longer-term rates (of between 11 and 32 bp), which placed the rates for twelve-month commercial paper into negative territory for the first time. Yields on these assets at the time of their issue therefore stood at 0.37%, 0.1% and -0.01% at three months, six months and twelve months, respectively (see table 7).

Short-term interest rates[1] TABLE 7

%	Dec-14	Dec-15	Dec-16	Mar-17	Jun-17	Sep-17[2]
Letras del Tesoro						
3 month	0.12	-0.15	-0.47	-0.42	-0.41	-0.42
6 month	0.25	-0.01	-0.34	-0.35	-0.39	-0.39
12 month	0.34	-0.02	-0.25	-0.28	-0.36	-0.37
Commercial paper[3]						
3 month	0.55	0.31	0.18	0.36	0.18	0.37
6 month	0.91	0.42	0.20	0.20	0.42	0.10
12 month	0.91	0.53	0.15	0.14	0.10	-0.01

Sources: Thomson Datastream and CNMV.
1 Monthly average of daily data.
2 Data to 15 September.
3 Interest rates at issue.

The yields on long-term government bonds rose slightly as a result of expectations of a tightening of monetary policy, although markets later downgraded the likelihood of such a scenario.

Yields on medium and long-term government bonds rose slightly over the third quarter as a result of expectations of further hikes in US interest rates and a tightening of monetary policy in Europe. However, these expectations later diminished, with the rate hikes reduced to a range of 5-7 bp, which even allowed three-year bond rates to remain at negative values. As of the report date (15 September, the yield on three, five and ten-year government bonds stood at -0.08%, 0.27% and 1.53%, respectively (see table 8). The three-year bond has recorded negative values for three consecutive quarters, while the yields of five-year and ten-year bonds have increased slightly although they remain close to historic lows.

Yields on corporate debt fell for medium-term bonds as a result of expectations that the ECB might extend both the volume and duration of its debt purchasing programme.

In the case of corporate debt, the average yield on ten-year bonds recorded a similar rise to that recorded by the government bond, while medium-term returns (three and five years) performed slightly differently from government debt. In general, these assets have benefited from the prospect that the ECB might extend the corporate sector purchase program both in terms of amount and duration, when markets had expected further cuts.[23] In addition, investors continue to opt for this type of debt in their strategies of seeking out returns despite the risk of significant falls in

23 The ECB's President indicated in a meeting on 7 September that the bank is ready to adjust its asset purchasing programme in the autumn both with regard to volume and duration.

their prices in the event of any upturn in interest rates. The fall in medium and long-term yields was between 7 and 14 bp as these tranches are the most sensitive to any change in interest rates. In mid-September, private debt yields stood at 0.55%, 0.91% and 1.92% for the three-year, five year and ten-year bonds, respectively.

Medium and long term yields[1]

TABLE 8

%	Dec-14	Dec-15	Dec-16	Mar-17	Jun-17	Sep-17[2]
Government bonds						
3 year	0.65	0.24	0.04	-0.02	-0.15	-0.08
5 year	0.96	0.72	0.35	0.51	0.22	0.27
10 year	1.77	1.72	1.44	1.76	1.46	1.53
Corporate bonds						
3 year	0.84	0.66	0.69	0.45	0.62	0.55
5 year	1.88	1.95	1.43	1.50	1.05	0.91
10 year	2.32	2.40	2.14	1.96	1.82	1.92

Sources: Thomson Datastream, Reuters and CNMV.

1 Monthly average of daily data.

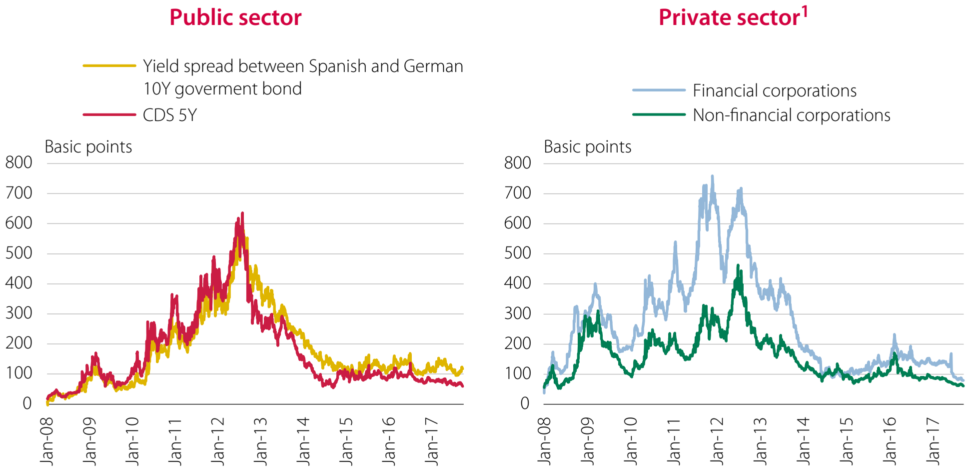
2 Data to 15 September.

The sovereign risk premium has risen slightly over recent months (12 bp to 118 bp) and stands at similar levels to the start of the year.

Private sector risk premiums followed a reverse trend to that of government debt in the third quarter. While the former fell slightly, thus following the trend recorded over the year, the latter rose by 12 bp and stood at practically the same level as at the start of 2017. Accordingly, the positive effect of the ECB's public sector purchase program is increasingly limited at the same time as the relative importance of the public sector debt level and political uncertainties gain weight. The risk premium, measured as the ten-year yield spread versus the German benchmark, stood at 118 bp. In contrast, the risk premium, measured through the Spanish sovereign bond's CDS, followed the opposite trend and closed the quarter at a slightly lower level than at the start (see left-hand panel of figure 18).

Risk premium paid by Spanish issuers

FIGURE 18



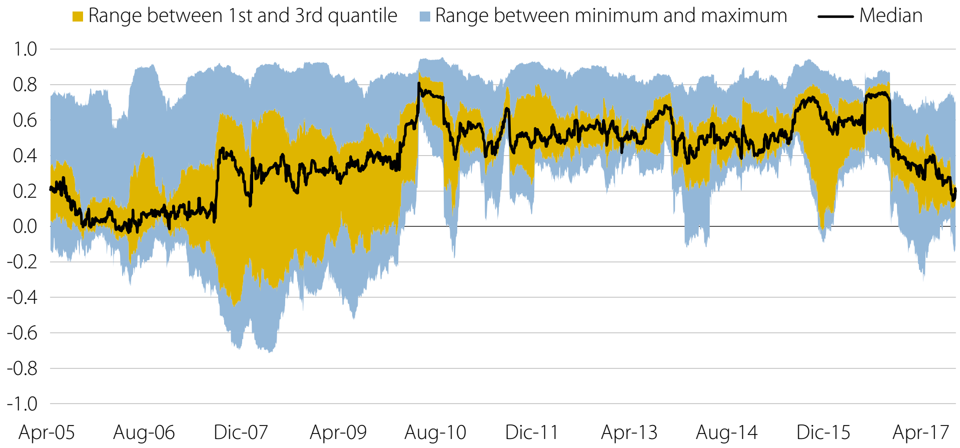
Sources: Thomson Datastream and CNMV. Data to 15 September.

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

Private sector risk premiums continued to fall as they benefited from improvements in balance sheets and the ECB's corporate sector purchase programme.

Similarly, private sector risk premiums continue to benefit from the positive impact of the ECB's corporate sector purchase programme as the main Spanish corporate debt issuers are on the list of eligible issuers and assets for this programme. In addition, although there has been no specific purchase programme for debt issued by financial institutions, their risk premiums have benefited from the strength of their balance sheets and expectations of upward rate hikes. As shown in the right-hand panel of figure 18, the average of CDS of Spanish financial institutions stood at 79 bp in mid-September, down from the 91 bp at the end of the previous quarter and far from the 136 bp at the beginning of the year. In addition, in the case of non-financial companies, average risk premiums amounted to 61 bp on the same date, compared with 68 bp and 89 bp in the previous quarter and at the start of the year, respectively.

Indicator of correlation between asset classes[1, 2] FIGURE 19



Sources: Thomson Datastream and CNMV. Data to 15 September.

1 The indicator of correlation between asset classes is based on pairs of correlations calculated using daily data in three-month windows. The asset classes are sovereign debt, corporate fixed income of financial and non-financial firms and Ibex 35 stocks of financial corporations, utilities and the other sectors. A high correlation between Spanish asset classes points to gregarious investor behaviour, possibly due to the heightened volatility typical at times of stress. Also, diversification would hold out fewer advantages, since it would be harder to avoid exposure to sources of systemic risk.

2 As from 7 June 2017, the calculation of the return on the asset class corresponding to financial fixed income excludes the CDS on the five-year senior debt of Banco Popular.

Correlation between the prices of Spanish financial assets continues to fall and its median reached the lowest level since 2009.

The correlation between the prices of different Spanish equity and fixed-income assets has continued to fall (see figure 19) and in the third quarter stood at its lowest level since 2009. The median correlation between these assets has fallen over most of the years, thus reflecting the lower risk of contagion between the different classes of financial instruments. Similarly, the range of correlations has remained relatively stable.

The volume of fixed-income issues registered with the CNMV fell in the third quarter and also in the year as a whole…

The CNMV registered 9.68 billion euros of gross bond issues in the third quarter (up to 15 September), 18.7% down on the same period of 2016. Despite it being the summer period, this volume is the lowest of the last two years and continues to be symptomatic of more abundant and cheaper traditional bank lending and the fact that Spanish issuers have already covered a large part of their financing needs for this year, and the replacement of domestic issues by issues made abroad. In absolute terms, the largest falls corresponded to territorial covered bonds, as there were no issues in the quarter, as well as commercial paper and asset-backed securities. In contrast, issues of mortgage covered bonds rose by almost 3 billion euros in the quarter.

… with falls in the issues of most instruments, except uncovered bonds, which benefit from the ECB's purchase programme.

In the year as a whole, fixed income issues stood at 58.16 billion euros, 29% down on 2016. Falls were recorded in every asset category except uncovered bonds, whose issues rose by 26.7% to 17.36 billion euros. These assets continue to benefit from the ECB's corporate sector purchase programme (CSPP). Also noteworthy was an issue for almost 1 billion euros of contingently redeemable perpetual bonds registered by the leading Spanish bank so as to offer it to former shareholders and bondholders of Banco Popular. The sharpest falls were recorded in asset-backed securities, with 12 billion euros less issued this year, and in covered bonds (almost 11 billion euros less between mortgage and territorial bonds) and in commercial paper, with 5 billion euros less. Covered bonds also benefit in their issue costs both from their credit rating and the ECB's covered bond purchase programme (CBPP3),[24] but their issue volume is limited by the balance of outstanding mortgage loans, which continues to fall.

In contrast, fixed-income issues abroad continued to rise and now account for 45% of total issues.

As has been the case for several years, fixed-income issues by Spanish issuers abroad continued to rise and now account for 45% of total issues (30% in 2016). In the year to July, these issues amounted to 48.35 billion euros, 36.3% up on the same period of 2016. This increase was exclusively the result of the sharp rise in long-term bond issues, which amounted to 38.52 billion euros, more than double the figure recorded in 2016. In contrast, issues of commercial paper did not reach 10 billion euros (16.48 billion euros in 2016). As in the case of issues registered with the CNMV, the growth in the long-term bond segment is related to their status as eligible assets within the ECB's corporate sector purchase programme (CSPP). Issues by subsidiaries of Spanish companies abroad have also grown over the year (by 8% to 36.13 billion euros), as a result of the rise in issues by financial institutions.

24 Up to 31 August, this programme accumulated purchases for close to 230 billion euros, of which 33.27% corresponded to the primary market.

Grows fixed-income issues

TABLE 9

Registered with the CNMV	2013	2014	2015	2016	2017 I	2017 II	2017 III[1]
NOMINAL AMOUNT (million euros)	**138,839**	**130,258**	**136,607**	**139,028**	**25,429**	**23,050**	**9,682**
Mortgage covered bonds	24,800	23,838	31,375	31,643	2,250	9,050	2,925
Territorial covered bonds	8,115	1,853	10,400	7,250	0	350	0
Non-convertible bonds and debentures	32,537	41,155	39,100	40,170	13,486	2,763	1,108
Convertible/exchangeable bonds and debentures	803	750	53	0	0	0	0
Asset-backed securities	28,593	29,008	28,370	35,505	6,525	3,594	2,969
Spanish tranche	24,980	26,972	25,147	32,229	5,463	1,899	2,969
International tranche	3,613	2,036	3,222	3,276	1,062	1,695	0
Commercial paper[2]	43,991	33,654	27,310	22,960	3,168	6,293	1,700
Securitised	1,410	620	2,420	1,880	0	1,000	0
Other commercial paper	42,581	33,034	24,890	21,080	3,168	5,293	1,700
Other fixed-income issues	0	0	0	1,500	0	0	981
Preferred shares	0	0	0	0	0	1,000	0
Pro memoria:							
Subordinated issues	4,776	7,999	5,452	4,279	1,520	1,956	1,370
Covered issues	193	196	0	421	0	0	0

Abroad by Spanish issuers	2013	2014	2015	2016	2017 I	2017 II	2017 III[3]
NOMINAL AMOUNT (million euros)	**47,852**	**56,736**	**66,347**	**58,587**	**22,064**	**21,617**	**4,665**
Long-term	34,452	35,281	33,362	31,655	17,723	16,996	3,802
Preferred shares	1,653	5,602	2,250	1,200	0	2,000	750
Subordinated debt	750	3,000	2,918	2,333	3,381	968	1,000
Bonds and debentures	32,049	26,679	28,194	28,122	14,342	14,028	2,052
Asset-backed securities	0	0	0	0	0	0	0
Short-term	13,400	21,455	32,984	26,932	4,341	4,621	863
Commercial paper	13,400	21,455	32,984	26,932	4,341	4,621	863
Securitised	0	0	0	0	0	0	0

Pro memoria: Gross issues by subsidiaries of Spanish companies resident abroad

	2013	2014	2015	2016	2017 I	2017 II	2017 III[3]
NOMINAL AMOUNT (million euros)	**48,490**	**42,170**	**55,286**	**56,674**	**15,572**	**15,412**	**5,149**
Financial institutions	7,951	10,201	14,875	11,427	3,785	4,036	1,450
Non-financial companies	40,539	31,969	40,411	45,247	11,788	11,376	3,699

Sources: CNMV and Banco de España.

1 Data available to 15 September.

2 The figures for commercial paper issues correspond to the amounts placed.

3 Data to 31 July.

Integration of Iberclear in TARGET2-Securities EXHIBIT 3

On September 18, Iberclear joined TARGET2-Securities (T2S). This milestone is the culmination of the reform of the clearing, settlement and registry system of the Spanish securities market.

What is T2S?[1]

T2S is the Eurosystem platform for centralised securities settlement in central bank money. T2S offers central securities depositories (CSDs) an integrated settlement service that is neutral and with advanced features. Through this integrated settlement model, European CSDs will use T2S as technical support for providing security settlement services.

The platform allows settlement of securities trading in euros and other currencies issued by the central banks connected to the platform. T2S harmonises the settlement processes in Europe and standardises cross-border settlement with domestic settlement, thus encouraging more economical and efficient management of cross-border securities trading in the European Union.

The platform began to operate in June 2015 and since then 20 CSDs from all over Europe have joined T2S.

Iberclear's migration to T2S

In its meeting held on 20 March 2013, the CNMV board approved the framework agreement between Iberclear and the Eurosystem, which establishes the rights and obligations of both parties with regard to the development and operation of T2S.

On signing this agreement, Iberclear initiated the work aimed at its migration to the platform, which was completed in September this year, together with the CSDs of the Baltic countries.

In parallel, the Spanish market, in order to harmonise its securities clearing, settlement and registry system with its European counterparts and facilitate migration to T2S, launched a process of reform that was divided into two stages:

- Stage I, implemented in April 2016, which led to significant changes to equity trading. This stage established the mandatory intervention of a central counterparty in multilateral trading, eliminated registry references in order to introduce a settlement by balances system and established that transfer orders become irreversible as from the moment they are matched as opposed to the guarantee of delivery at the time of trading in the previous system. In addition, in October 2016 the settlement period was reduced from T+3 to T+2.

- Stage II, completed in September 2017, which involved the incorporation of fixed-income securities to the ARCO settlement system (in which, up to that time, equity securities were settled) and connection of this system to T2S.

The reform process was finalised with completion of Stage II and migration of Iberclear to T2S was carried out on the agreed dates.

This migration is part of the last wave of migrations agreed between the Eurosystem and the CSDs that undertook to join T2S. The European Central Bank expects that, following this last wave, the platform will process an average of 550,000 daily transactions.

Progress towards an integrated post-trading system in the EU and main challenges

As a result of its contribution to unifying European securities markets, T2S is a key piece in financial integration in Europe and in achieving a capital markets union. The T2S settlement platform encourages the opening of the internal market for securities settlement systems with the aim of enhancing cross-border settlement.

This is also one of the aims of the CSD Regulation,[2] which establishes uniform requirements for the settlement of financial instruments in the European Union and rules on the organisation and conduct of central securities depositories (CSDs) to promote safe, efficient and smooth settlement in the EU.

In this regard, the CSD Regulation and T2S are complementary initiatives. Firstly, the CSD Regulation harmonises at an EU level the legal aspects of securities settlement and the rules for CSDs, and, on the other hand, T2S harmonises the operational aspects of securities settlement. This allows any investor in the European Union to invest in all EU securities with the same ease as in, and using the same processes as for, domestic securities.

Progress towards an integrated post-trade system in the EU has been recognised in the report by the European Post Trade Forum[3] (published by the European Commission on 23 August 2017). This report indicates that several of the barriers identified by the Giovannini Group[4] were dismantled with the introduction of T2S and the CSD Regulation (issues such as intraday finality, the differences in settlement periods and harmonisation of operating hours and settlement deadlines).

Nevertheless, the report identifies outstanding elements in order to dismantle these barriers. There are therefore several aspects which require further work. Noteworthy among these aspects due to their impact on the Spanish market is the divergence between national legislations with regard to ownership, insolvency and the holding of securities. These issues are being analysed by the European Commission as set out in the Capital Markets Union Mid-Term Review Action Plan published in June 2017.[5]

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1 For further details, see the annex of the joint communication of the CNMV and the Banco de España on completion of the reform project of the securities clearing, settlement and registry system dated 18 September 2017: http://10.10.1.33/portal/verDoc.axd?t={ff472ea8-8ab1-46bd-89e5-7e66b87df233}

2 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.

3 "European Post Trade Forum Report". Report available on the European Commission's website: https://ec.europa.eu/info/consultations/finance-2017-post-trade_en

4 Reports of the Giovannini Group available on the European Commission's website: https://ec.europa.eu/info/publications/giovannini-reports_en

5 Report available on the European Commission's website: https://ec.europa.eu/info/sites/info/files/communication-cmu-mid-term-review-june2017_en.pdf

4 Market agents

4.1 Investment vehicles

Financial CIS[25]

Assets under management in mutual funds rose by 6.6% in the first half of 2017 to 253 billion euros…

Assets under management in Spanish mutual funds increased by 6.6% in the first half of the year to 253 billion euros, thus consolidating the expansion of the sector that began in 2013. This industry continues to benefit from the behaviour of an increasing number of investors seeking financial investments with a higher return than traditional assets such as deposits or government bonds, which are unappealing given current low interest rates. Consequently, 77% of the increase in assets under management in mutual funds came from net investments by unit-holders, which exceeded 12 billion euros between January and June (see table 10), and the rest came from an increase in the value of the funds' portfolios.

Net mutual fund subscriptions TABLE 10

				2016		2017	
Million euros	2014	2015	2016	III	IV	I	II
Total mutual funds	**35,972.7**	**23,466.6**	**13,782.4**	**5,898.7**	**6,361.9**	**6,266.4**	**5,968.3**
Fixed-income[1]	13,492.7	-5,351.4	7,613.8	2,400.8	1,298.4	-1,952.6	-1,181.5
Mixed fixed-income[2]	15,712.0	21,167.5	-3,177.6	-1,200.0	189.1	1,151.3	395.1
Mixed equity[3]	6,567.7	8,153.8	-3,030.2	-2,312.2	377.8	1,529.4	1,679.7
Euro equity[4]	2,184.9	468.9	-542.9	-172.6	291.4	397.9	957.7
International equity[5]	531.8	4,060.5	346.6	237.2	533.4	1,961.7	403.2
Guaranteed fixed-income	-10,453.6	-6,807.4	-3,202.7	-813.1	-156.5	-832.0	-778.5
Guaranteed equity[6]	-909.5	-2,599.8	5,478.4	770.1	1,434.9	844.6	-439.5
Global funds	2,182.3	5,805.3	3,579.9	3,537.5	403.6	3,350.4	4,353.3
Passively managed[7]	4,970.9	-6,264.2	5,790.0	2,983.2	1,631.1	-1,181.4	-1,215.0
Absolute return[7]	1,693.9	4,811.4	946.4	467.8	358.7	997.0	1,793.8

Source: CNMV. Estimated data.

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 mixed fixed-income and International mixed fixed-income.
3 Includes: Euro mixed equity and International mixed equity.
4 Includes: Euro equity.
5 Includes: International equity.
6 Includes: Guaranteed equity and Partial guarantee.
7 New categories as of 2Q09. All absolute return funds were previously classified as Global Funds.

… as a result of increased investments by unit-holders, which exceeded 12 billion euros between January and June.

The breakdown of subscriptions according to fund category shows that the more conservative categories, such as fixed-income funds, guaranteed fixed-income funds and, to a lesser extent, passively managed funds underwent significant divestments in the first half of the year (over 7 billion euros as a whole). In contrast, other categories that

25 Hedge funds and funds of hedge funds are financial CIS, but due to their specific features they are described in a separate sub-heading.

involve greater risk-taking received the bulk of the investments. Among the latter we can highlight global funds, whose net subscriptions exceeded 7.7 billion euros (over 60% of total subscriptions) and the different categories of equity funds: Mixed equity funds received 3.2 billion euros, international equity funds received 2.37 billion euros and euro equity funds received 1.36 billion euros. Absolute return funds also received substantial investments (close to 2.8 billion euros over the first half of the year).

The cumulative return of mutual funds (1.5%) is already higher than in 2015 and 2016 as a result of the increased value of the share portfolio.

The cumulative return on the funds between January and June was 1.5%, which is higher than the annual returns recorded in 2015 and 2016, which did not reach 1%. The improvement in the funds' returns this year is linked to the appreciation of the portfolio held by equity funds, which is greater than 10% in the case of euro equity and 5% in the case of international equity. In addition, the highest returns were received in the first quarter of the year, while the returns recorded in the second quarter were much lower, in line with the sluggish nature of the markets over those months (see table 11).

The number of funds remained almost unchanged, but there was a shift towards riskier categories.

The number of mutual funds remained practically stable during the first half of the year with a total of 1,804, only one fewer than in December 2016. The funds wound up in the most conservative categories – guaranteed fixed-income funds (-22), passively managed funds (-8) and fixed-income funds (-7) – were offset by the additions in the higher risk categories: Global funds (14) and equity funds (16).

The significant increase in the number of unit-holders - more than 1,300,000 investors in six months - left the total number of investors at higher levels than prior to the crisis.

The number of unit-holders in mutual funds grew significantly between January and June of this year, with a rise of 16% to 9,570,000.[26] The increase in the number of unit-holders (over 1,300,000 in six months) was higher than that recorded in 2015 as a whole (1,273,000) and 2016 as a whole (570,000). By category, the most significant increases were recorded in those categories that also showed significant growth in assets under management. Accordingly, 29% of the new investors chose international equity funds, 19% chose global funds and 17% chose absolute return funds. The only exception was an increase in unit-holders of fixed-income funds together with a fall in their assets under management (as a result of heavy redemptions), which may be explained by the existence of savers that invest small amounts of money in these products, some of which came about as a result of the maturity of bank deposits.

Provisional data for July indicate that the expansion of the mutual fund industry continued, particularly as a result of the dynamic performance of riskier categories.

The provisional data for the month of July reveal that most of these trends were maintained. Accordingly, the assets under management in mutual funds once again grew (over 2.2 billion euros), as a result of the dynamism of riskier categories (global, absolute return and equity funds), as did the number of unit-holders (227,000 more in that month).

26 Since March this year, the total number of mutual fund unit-holders has exceeded the pre-crisis levels (just over nine million unit-holders in 2006).

Main mutual fund variables*

TABLE 11

Number	2014	2015	2016	2016 III	2016 IV	2017 I	2017 II
Total mutual funds	**1,951**	**1,804**	**1,805**	**1,810**	**1,805**	**1,815**	**1,804**
Fixed-income[1]	359	319	306	308	306	296	299
Mixed fixed-income[2]	123	132	148	146	148	154	154
Mixed equity[3]	131	142	168	166	168	172	173
Euro equity[4]	103	109	112	112	112	114	112
International Equity[5]	191	200	201	201	201	209	212
Guaranteed fixed-income	280	186	122	135	122	111	100
Guaranteed equity[6]	273	205	198	196	198	201	197
Global funds	162	178	203	200	203	208	217
Passively managed[7]	227	213	220	221	220	218	212
Absolute return[7]	102	97	106	104	106	111	107
Assets under management (million euros)							
Total mutual funds	**198,718.8**	**222,144.6**	**237,862.2**	**229,117.4**	**237,862.2**	**247,279.3**	**253,581.1**
Fixed-income[1]	70,330.9	65,583.8	74,226.4	73,001.3	74,226.4	72,038.9	71,124.9
Mixed fixed-income[2]	24,314.3	44,791.8	40,065.6	39,644.2	40,065.6	41,468.7	41,777.8
Mixed equity[3]	13,570.4	21,502.9	16,310.6	15,601.3	16,310.6	18,159.5	19,831.4
Euro equity[4]	8,401.5	9,092.9	8,665.9	7,795.7	8,665.9	9,874.5	10,996.5
International equity[5]	12,266.4	17,143.2	17,678.8	16,274.4	17,678.8	20,687.1	20,994.3
Guaranteed fixed-income	20,417.0	12,375.6	8,679.8	9,066.1	8,679.8	7,694.5	6,858.1
Guaranteed equity[6]	12,196.4	9,966.6	15,475.7	14,064.6	15,475.7	16,418.9	16,183.3
Global funds	6,886.3	12,683.3	20,916.8	20,067.8	20,916.8	24,735.0	29,044.8
Passively managed[7]	23,837.5	17,731.1	23,601.6	21,872.0	23,601.6	22,701.7	21,601.5
Absolute return[7]	6,498.1	11,228.1	12,215.2	11,704.0	12,215.2	13,474.6	15,142.6
Unit-holders							
Total mutual funds	**6,409,806**	**7,682,947**	**8,253,611**	**8,022,685**	**8,253,611**	**9,332,934**	**9,569,922**
Fixed-income[1]	1,941,567	2,203,847	2,347,984	2,315,533	2,347,984	2,554,194	2,656,675
Mixed fixed-income[2]	603,099	1,130,190	1,043,798	1,033,454	1,043,798	1,169,480	1,114,668
Mixed equity[3]	377,265	612,276	448,491	451,040	448,491	485,795	533,200
Euro equity[4]	381,822	422,469	395,697	387,786	395,697	429,147	515,999
International equity[5]	705,055	1,041,517	1,172,287	1,138,697	1,172,287	1,505,724	1,547,970
Guaranteed fixed-income	669,448	423,409	307,771	325,955	307,771	273,188	239,787
Guaranteed equity[6]	557,030	417,843	552,445	515,563	552,445	576,664	560,146
Global funds	223,670	381,590	658,722	625,931	658,722	857,135	903,273
Passively managed[7]	686,526	554,698	746,233	681,545	746,233	723,472	697,071
Absolute return[7]	264,324	479,182	565,325	532,151	565,325	743,411	786,472
Return[8] (%)							
Total mutual funds	**3.67**	**0.89**	**0.98**	**1.34**	**1.05**	**1.35**	**0.16**
Fixed-income[1]	2.41	0.10	0.52	0.34	-0.21	-0.07	-0.03
Mixed fixed-income[2]	3.67	0.16	0.27	0.69	0.56	0.58	0.02
Mixed equity[3]	4.70	0.15	1.19	1.75	2.35	1.95	-0.12
Euro equity[4]	2.09	3.44	2.61	7.89	7.06	8.57	2.06
International equity[5]	6.61	7.84	4.15	4.00	5.46	5.67	-0.46
Guaranteed fixed-income	2.54	0.27	-0.03	0.27	-0.58	-0.35	0.48
Guaranteed equity[6]	2.64	1.07	0.19	0.97	-0.27	0.41	0.68
Global funds	4.63	2.45	1.99	2.10	2.13	2.08	0.07
Passively managed[7]	7.74	0.53	1.16	1.63	0.71	1.30	0.52
Absolute return[7]	1.98	0.12	0.38	0.65	0.12	0.50	0.27

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 mixed fixed-income and International mixed fixed-income.

3 Includes: Euro mixed equity and International mixed equity.

4 Includes: Euro equity.

5 Includes: International equity.

6 Includes: Guaranteed equity and Partial guarantee.

7 New categories as of 2Q09. All absolute return funds were previously classified as Global Funds.

8 Annual returns of 2014, 2015 2016. Quarterly data comprise non-annualised quarterly returns.

The volume of less-liquid assets of mutual funds, which recorded a slight increase in the first half of the year, account for 1.4% of their total assets.

The volume of less-liquid assets in the private fixed-income portfolio of mutual funds grew by close to 600 million euros between December 2016 and June 2017 to stand at 3.54 billion euros. As shown in table 12, these assets account for only 1.4% of total assets under management in mutual funds, 0.2 percentage points up on December, and they are concentrated in debt instruments issued by financial institutions rated below AA (46% of the total of less liquid assets) and, to a lesser extent, in asset-backed securities (27%) and in non-financial fixed income (25%). The 80% increase in these less-liquid assets was recorded in lower rated financial debt.

Estimated liquidity of mutual fund assets TABLE 12

	Less-liquid assets					
	Million euros			% total portfolio		
Asset type	**Dec-16**	**Mar-17**	**Jun-17**	**Dec-16**	**Mar-17**	**Jun-17**
Financial fixed income rated AAA/AA	43	39	39	4%	4%	5%
Financial fixed income rated below AAA/AA	1,174	1,406	1,644	5%	6%	6%
Non-financial fixed income	760	833	898	6%	6%	6%
Securitisations	984	949	963	73%	81%	71%
AAA-rated securitisations	116	124	120	100%	100%	100%
Other securitisations	869	825	843	71%	78%	92%
Total	**2,960**	**3,227**	**3,544**	**7.7%**	**8%**	**8%**
% of mutual fund assets	**1.2**	**1.3**	**1.4**			

Source: CNMV.

Real estate CIS

As a whole, real estate CIS have recorded slight growth so far this year, although significant differences have been recorded between real estate funds…

Real estate CIS as a whole grew slightly over the first half of the year in line with the improvement in the construction sector and real estate activities since 2015. Nevertheless, the different types of schemes (funds and companies) performed very unevenly.

… which have gradually reduced their portfolio over recent years and are likely to de-register in the coming months, and…

Real estate funds, of which there was a high of 10 in 2007, were the schemes hit hardest by the crisis. The number of funds has fallen to the three that are currently registered with the CNMV. These three funds gradually reduced their real estate portfolio and ended this process in the early months of the year. At the end of July, their assets amounted to 360.4 million euros, 2.6% below the figure for December 2016. The reason for this contraction was the 2.5% cumulative loss suffered by real estate funds over the first seven months. The number of unit-holders remained practically unchanged until July, at slightly over 3,900.

… real estate investment companies, whose assets grew by 2.4% in the first half of the year.

There are a total of seven active investment companies, one more than at year-end 2016. The assets managed by real estate companies rose by 2.4% to 724.3 million euros at the end of July while the number of shareholders fell significantly from 674 to 490. This was the result of two investment companies belonging to the same collective investment scheme management company, which recorded a 65% reduction in the number of unit-holders in the first quarter.

Hedge funds

Movements in the key figures of these funds in the first half of the year show that the hedge fund segment continues to grow and the segment of funds of hedge funds, which suffered a severe adjustment during the crisis, has reversed the trend and started to expand. The total number of the latter at mid-year was nine, two more than in December 2016, the number of unit-holders stood at 2,426 (up 1,189) and assets under management amounted to 328 million euros (up 34.3 million).

Following several years of harsh adjustment, the funds of hedge funds segment has started to expand once again…

Hedge funds maintained the growth seen over previous years. The number of these funds in June totalled 45, four more than in December 2016, the number of unit-holders was 3,254 (up 324) and the assets under management totalled close to 2.1 billion euros (up 202 million). A key difference can be seen between the development of hedge funds and funds of hedge funds, which is linked to the returns of these funds. As shown in table 13, returns are much higher in hedge funds, standing at 4.1% and 3% in the first and second quarter, while the returns of funds of hedge funds were very low or negative.

… a trend that is maintained in hedge funds, as assets under management now exceed 2 billion euros.

Main hedge fund and fund of hedge fund variables

TABLE 13

				2016		2017	
	2014	2015	2016	III	IV	I	II[1]
FUNDS OF HEDGE FUNDS							
Number	18	11	7	10	7	8	9
Unit-holders	2,734	1,265	1,237	1,244	1,237	1,231	2,426
Assets under management (million euros)	345.4	319.8	293.7	286.7	293.7	293.2	328.1
Return (%)	8.48	6.16	0.90	0.48	2.83	0.16	-1.16
HEDGE FUNDS							
Number	37	37	41	40	41	41	45
Unit-holders	2,819	3,089	2,930	2,916	2,930	3,080	3,254
Assets under management (million euros)	1,369.5	1,764.8	1,889.2	1,793.0	1,889.2	1,972.0	2,091.3
Return (%)	5.30	4.83	4.32	3.62	2.51	4.08	3.00

Source: CNMV.

1 Data to May, except number of vehicles, which are shown to June.

Foreign UCITS marketed in Spain

The expansion enjoyed by foreign UCITS marketed in Spain, which began strongly in 2012 (the volume of that year had tripled by 2015) and which seemed to stop in 2016, continued in the first half of 2017. Assets managed by these UCITS grew by 19.4% in the first six months of the year to 137.34 billion euros. As shown in figure 20, this volume accounts for 32.2% of the total assets of CIS marketed in Spain, a proportion that has not stopped growing since 2011.

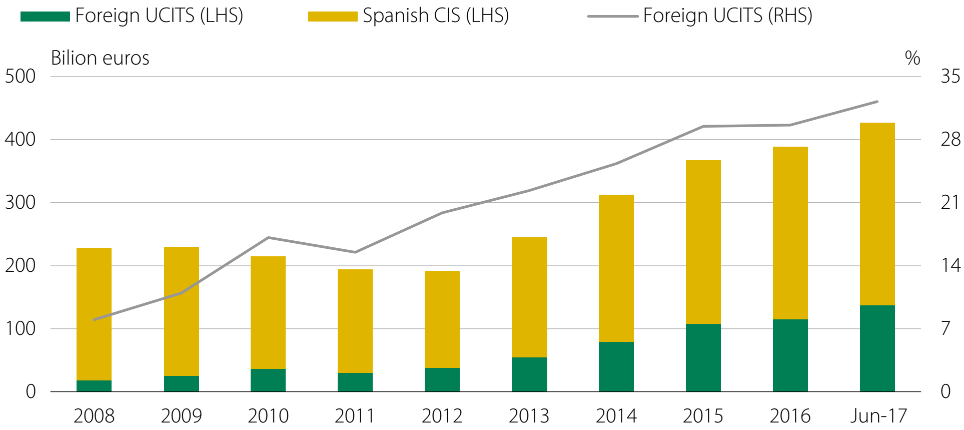
The expansion of foreign UCITS marketed in Spain continued in the first half of the year. Their investments (137 billion euros) now account for 32% of total assets managed by this sector.

This increase in investment by foreign UCITS occurred in both funds and investment companies. Assets managed by the former grew by 25.9% in the first half of 2017 to 26.86 billion euros. Assets under management by investment companies

Assets under management grew both in funds (25.9%) and in companies (18%).

rose by 18% to 110.48 billion euros. In line with the growth in investment, the number of investors grew by 4% in funds and by 8.5% in companies. The total number of investors stood at 2.1 million, 7.5% up on December 2016. In contrast, the number of schemes fell by seven in the case of funds to 430. However, this figure was more than offset by the increase in the number of companies, which reached 527, 37 up on year-end 2016. There was therefore a total of 957 foreign UCITS registered with the CNMV at the end of June. As in previous years, most of the additions were from Luxembourg and Ireland.

Assets of foreign UCITS marketed in Spain FIGURE 20



Source: CNMV.

Outlook

Investors have more resources to invest and, furthermore, they wish to do so in riskier assets, such as mutual funds, in order to obtain higher returns, but they need to be aware of their features.

The outlook for collective investment is positive because, firstly, investors have greater income to invest as a result of the current economic recovery and, secondly, a substantial proportion of investors are seeking more profitable alternatives to traditional products such as bank deposits, whose returns are low in the current context of such low interest rates. The world of collective investment offers such a wide variety of products based on the desired risk that it has become one of the preferred options of investors over recent years. The fact that equity funds, global funds and absolute return funds receive the bulk of the subscriptions confirms this search for more profitable assets by investors. In this context, it is important that unit-holders in mutual funds are able to obtain sufficient information on the features of the funds in which they invest. These are related not only to the commissions to be paid, the return and expected risk of the product, but also to its liquidity conditions. It is important to bear in mind that a change in the market scenario leading to significant increases in interest rates might lead to the sale of certain assets, thus reducing the liquidity of some of the portfolios that are most exposed to certain fixed-income assets and, in general, more complex financial assets.

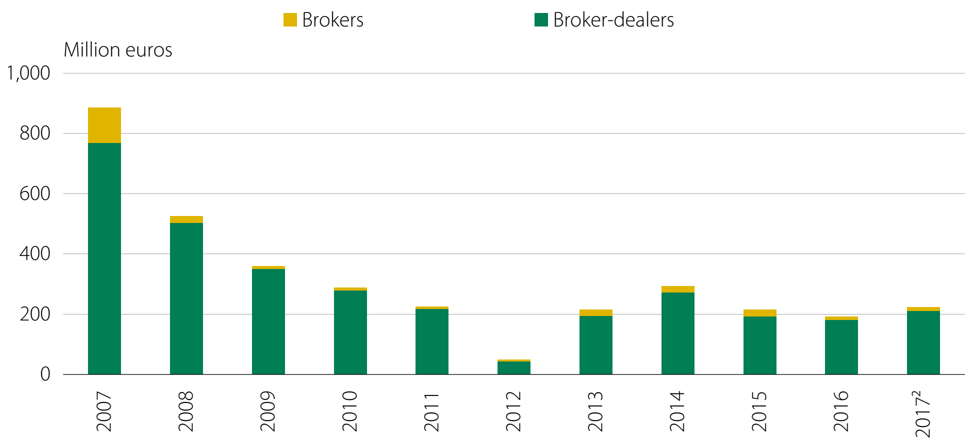
4.2 Investment firms

Broker-dealers and brokers

As has been the case over the last two years, in the first half of 2017 investment firms have operated against a backdrop of uncertainty in financial markets. Aggregate profit before tax between January and June amounted to 111.3 million euros, a year-on-year contraction of 6.7%. In annualised terms, profits increased slightly compared with the figure for 2016 as a result of the weak performance of these intermediaries in the second half of that year (see figure 21). The fall in profits in the first half of 2017 was caused by the performance of broker-dealers, the largest entities in the sector, whose profits fell by 8.6%. In contrast, the aggregate profit of brokers rose by 39%. The number of entities registered with the CNMV at the end of June totalled 88,[27] compared with 83 at year-end 2016 as a result of six additions, all of which were brokers. Of this total, five were passported to operate in other EU countries through a branch, the same figure as last year, and 44 were passported to operate under the free provision of services, five more than at year-end 2016.

Investment firm profits fell by 6.7% in 2017 (in annualised terms) as a result of the poor performance of broker-dealers.

Aggregate pre-tax profit of investment firms[1] FIGURE 21



Source: CNMV.

1 Except financial advisory firms and portfolio management companies. 2017 profits are up to June and presented in their annual equivalents in order to facilitate comparison with previous years.

2 Annualised data.

Broker-dealers recorded reduced activity in the first half of 2017, which led to an 8.6% fall in aggregate profit before tax to 104.8 million euros. This figure accounts for over 90% of total sector profits (see table 14). The contraction was a result of the fall in income from financial investments, which has dropped significantly over recent years and, to a lesser extent, from fee income. The former fell by 77.8% compared with the figures at the same period of the previous year to 20.2 million euros, while fee income fell by only 0.7% to 276.2 million euros. The fees that fell most in absolute terms were those obtained for order processing and execution, which

Pre-tax profit of broker-dealers fell by 8.6% as a result of the drop in income from financial investments and fee income.

27 Except financial advisory firms, which are discussed in a separate heading in this report due to their specific features.

amounted to 120.1 million euros, 6.8% down on the same period of 2016. Despite remaining the most significant for broker-dealers, the relative weight of these fees in the total has fallen over recent years to around 45% (they had reached 70% of the total in 2010). In contrast, the second most important fees, those resulting from CIS marketing, grew by 9.4% to 40.1 million euros, while portfolio management fees amounted to 25.5 million euros, more than double the figure recorded for January-June 2016.

Aggregate income statement (June 2017) TABLE 14

	Broker-dealers			Brokers		
Thousand euros	Jun.-16	Jun.-17	% change	Jun.-16	Jun.-17	% change
1. Net interest income	38,447	49,527	28.8	392	818	108.7
2. Net fee income	191,507	199,702	4.3	51,128	55,773	9.1
2.1. Fee income	278,225	276,224	-0.7	61,487	66,788	8.6
2.1.1. Order processing and execution	128,808	120,062	-6.8	13,647	10,759	-21.2
2.1.2. Initial placement and underwriting	3,346	10,789	222.4	520	1,804	246.9
2.1.3. Securities administration and custody	23,559	19,632	-16.7	296	355	19.9
2.1.4. Portfolio management	10,674	25,648	140.3	5,258	5,797	10.3
2.1.5. Investment advisory services	1,266	1,670	31.9	3,371	4,483	33.0
2.1.6. Search and placement	1,385	947	-31.6	40	0	-100.0
2.1.7. Margin trading	0	0	–	0	0	–
2.1.8. CIS marketing	36,698	40,148	9.4	24,561	26,491	7.9
2.1.9. Other	72,488	57,328	-20.9	13,795	17,099	24.0
2.2. Fee expense	86,718	76,522	-11.8	10,359	11,015	6.3
3. Profit from financial investments	90,667	20,153	-77.8	-133	157	–
4. Net exchange differences	-40,353	4,109	–	-131	-358	-173.3
5. Other operating income and expense	7,964	11,660	46.4	-618	-748	-21.0
GROSS PROFIT MARGIN	**288,232**	**285,151**	**-1.1**	**50,638**	**55,642**	**9.9**
6. Operating expenses	180,188	179,369	-0.5	45,058	48,100	6.8
7. Depreciation and other charges	5,926	6,776	14.3	1,022	892	-12.7
8. Impairment losses on financial assets	164	377	129.9	0	-3	–
OPERATING PROFIT (LOSS)	**101,954**	**98,629**	**-3.3**	**4,558**	**6,653**	**46.0**
9. Other gains/losses	12,696	6,168	-51.4	154	-102	–
PROFIT (LOSS) BEFORE TAX	**114,650**	**104,797**	**-8.6**	**4,712**	**6,551**	**39.0**
10. Corporate income tax	13,175	14,878	12.9	1,037	909	-12.3
PROFIT FROM CONTINUING OPERATIONS	**101,475**	**89,919**	**-11.4**	**3,675**	**5,642**	**53.5**
11. Profit from discontinued operations	0	0	–	0	0	–
NET PROFIT (LOSS) FOR THE PERIOD	**101,475**	**89,919**	**-11.4**	**3,675**	**5,642**	**53.5**

Source: CNMV.

With regard to the other items making up the gross profit margin, the positive effects from both a reduction in the fee expense (down 11.8%) and the change in sign in net exchange differences (from -40 million euros to +4 million euros) led to the gross profit margin at the end of June standing at 285.1 million euros, 1.1% down on June 2016. Lastly, the operating profit, after operating expenses remained practically unchanged, fell by 3.3% to 98.6 million euros as a result of the increase in the depreciation/amortisation charge.

Net exchange differences and the fee expense had a positive impact on the income statement of broker-dealers.

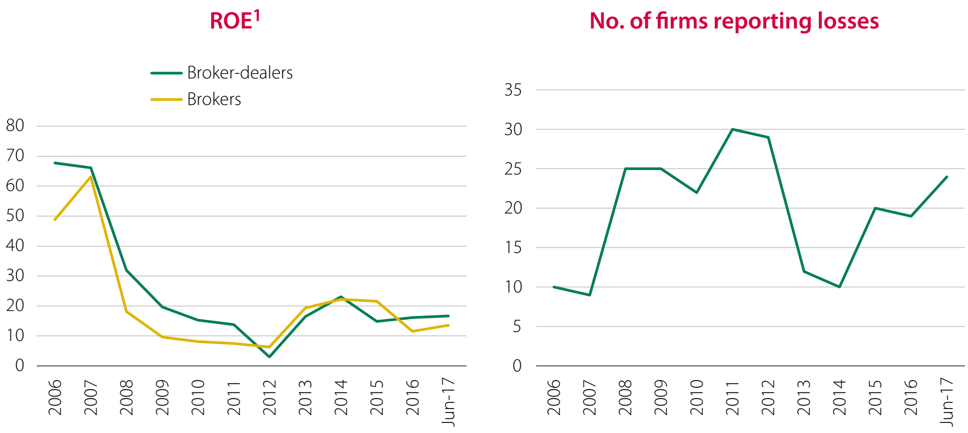
Brokers, unlike broker-dealers and following two years of falls, recorded and improvement in aggregate profit before tax of 39% in the first half of the year to 6.6 million euros. The main reason behind these positive results is the increase in fee income, particularly relating to CIS marketing, the most significant source of income in the case of brokers, with growth of 7.9% to 26.5 million euros. In contrast, fees from order processing and execution, as was the case with broker-dealers, recorded the largest falls and closed the first half of the year at 10.8 million euros, 21.2% down on the same period of 2016. It should also be noted that portfolio management fees, which are the third most important fees, grew by 10.3% to 5.8 million euros. Consequently, the aggregate gross profit margin for the first half of the year rose by 9.9% to 55.6 million euros, which, together with the lower increase in operating expenses (6.8% to 48.1 million euros) led to the operating profit growing by 46% to 6.7 million euros.

In contrast, pre-tax profits of brokers rose by 39% in the first half of the year due to rises in fees, thus breaking the negative trend of the last two years.

Despite the fall in profits, return on equity (ROE) for investment firms as a whole increased slightly between the end of 2016 and the middle of 2017, rising from 16% to 16.4%. Brokers recorded the largest growth with their ROE rising from 11.5% to 13.6%, while broker-dealers recorded a more moderate increase, from 16.2% to 16.6% (see left-hand panel of figure 22).

Despite the fall in profits, return on equity for investment firms as a whole rose slightly between December 2016 and June 2017.

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



Source: CNMV.

1 ROE based on profit before tax.

In line with the fall in the sector's profits, the number of loss-making firms rose in the first half of the year to 24, five more than at the end of last year. There were nine loss-making broker-dealers, two more than in December, and 15 brokers, three more than in December (see right-hand panel of figure 22). The cumulative losses over the

The number of loss-making firms stood at 24 at mid-year, five more than at year-end 2016.

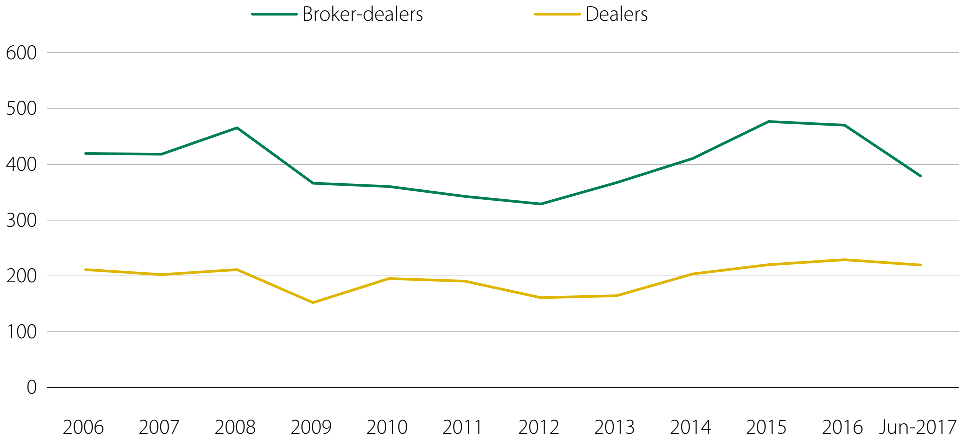
first two quarters amounted to 26 million euros compared with 16.2 million euros in the same period of the previous year.

The sector's aggregate solvency remains satisfactory despite the fall in surplus capital over the first half of the year.

The sector's solvency remained high in relative terms in the first half of 2017 even though the capital adequacy ratio (defined as the surplus of eligible capital over minimum capital requirements) of firms required to file solvency statements[28] fell for both broker-dealers and brokers. Between December 2016 and June 2017, this ratio fell from 4.7 to 3.8 for broker-dealers and from 2.3 to 2.2 for brokers (see figure 23).

Investment firm capital adequacy FIGURE 23

(Surplus of eligible capital over minimum capital requirements, %)



Source: CNMV.

Financial advisory firms

With the information from all the financial advisory firms registered with the CNMV, we can confirm the sector's growth in 2016, with an increase in assets under advice of 12.6%.

The previous issue of this report (corresponding to April) provided an initial analysis of the development of the sector with information on 94% of the financial advisory firms registered with the CNMV. This issue provides an update of these figures after including all the information, which shows few changes with regard to the initial analysis. The financial advisory firm sector grew significantly in 2016, with six more firms (up to 160) and an increase in assets under advice of 12.6% to 28.6 billion euros (almost double the figure for 2012). The distribution of assets under advice among the different types of client was very similar to that recorded in the previous year: Retail clients accounted for 26.6%, professional clients for 19.8% and eligible counterparties[29] (heading of "Other") accounted for 53.6%. Finally, despite the increase in assets under advice, fee income fell by 7.9% as a result of the fall in fees obtained directly from clients (-10.1%).

28 Since 1 January 2014, as established in CNMV Circular 2/2014 of June 23, on the exercise of various regulatory options on solvency matters for investment firms and their consolidated groups, not all entities are required to file these statements. Specifically, 12 of the 83 investment firms were exempt from this requirement in September.

29 "Eligible counterpart" is the classification that MiFID typically gives banks, other financial institutions and governments, and is a category that requires a lower level of protection.

Main financial advisory firm variables TABLE 15

Thousand euros	2014	2015	2016	% change 16/15
NUMBER OF FIRMS	**143**	**154**	**160**	**3.9**
ASSETS UNDER ADVICE[1]	**21,379,858**	**25,366,198**	**28,555,839**	**12.57**
Retail clients	5,707,640	6,777,181	7,592,441	12.03
Professional clients	4,828,459	5,109,979	5,657,508	10.71
Others	10,843,759	13,479,037	15,305,890	13.55
NUMBER OF CLIENTS[1,2]	**4,635**	**5,544**	**5,899**	**6.40**
Retail clients	4,319	5,156	5,480	6.28
Professional clients	276	319	326	2.19
Others	40	69	93	34.78
FEE INCOME[3]	**47,616**	**56,726**	**52,244**	**-7.90**
Fees received	**47,037**	**55,781**	**51,508**	**-7.66**
From clients	37,940	45,180	40,640	-10.05
From other firms	9,098	10,602	10,868	2.51
Other income	**579**	**945**	**736**	**-22.12**
EQUITY	**26,454**	**25,107**	**24,402**	**-2.81**
Share capital	5,576	5,881	6,834	16.20
Reserves and retained earnings	8,993	7,585	11,697	54.21
Profit(loss) for the year	11,885	11,531	7,965	-30.93
Other own funds	–	110	-2,094	–

1 Period-end data at market value.
2 Pre-2015 figures refer to number of contracts.
3 Cumulative data for the period.

Outlook

The lower trading volumes in regulated Spanish markets and growing competition from Spanish credit institutions in activities traditionally carried on by investment firms have had a significant impact on the main business lines of these firms over the last two years, following several years of growth. Income from trading in equity markets and order processing and execution has been particularly affected. The first of the factors may be somewhat temporary in that trading volumes may increase again as the various market uncertainties dissipate. The second factor is more structural in nature and may continue to weigh on the activity of investment firms. The increases in income from CIS marketing and portfolio management seem to indicate that investment firms are opting to shift their business model by modifying their fee income structure.

The business of investment firms is affected by both temporary factors (the fall in trading) and by other more permanent factors (competition from credit institutions). We may not therefore rule out that part of the sector will have to shift its main lines of business over the medium term.

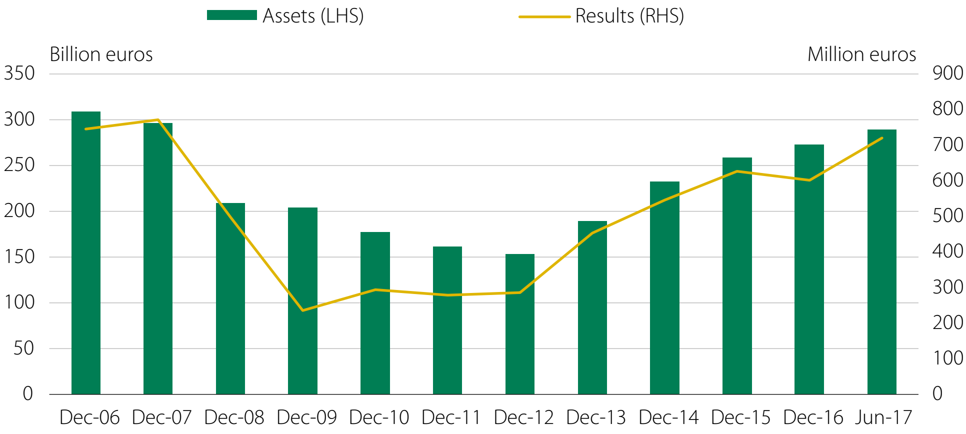
4.3 CIS management companies

CIS management companies have once again benefited from an expansion in assets under management, a trend that has continued since 2013. Assets under management at mid-2017 amounted to 288 billion euros, 5.7% up on December 2016 (see figure 24), a level which is much higher than the lows recorded over the crisis (153 billion euros) and close to the highs recorded prior to the crisis (308 billion euros). It should be pointed out that the growth in assets under management comes exclusively from the increase in assets under management of mutual funds as the assets of investment companies fell by 0.7% in the first half of the year.

CIS management companies have once again benefited from the increase in assets under management of CIS (5.7% between January and June)…

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

FIGURE 24



Source: CNMV.

… which has allowed an increase in pre-tax profits of close to 20%.

The increase in assets under management allowed aggregate profit before tax of CIS management companies to grow by almost 20% between January and June to 720 million euros (in annualised terms) and aggregate return on equity rose from 55% in December 2016 to 69.2% in June 2017. Income from management fees grew by 6.7% to 2.5 billion euros as a result of the slight increase in the average management fee, which rose from 0.86% at year-end 2016 to 0.87% in June of this year. The small increase was the result of the shift of the funds' assets under management towards categories that entail greater risk and which generally have higher fees. Despite the improvement in aggregate profit, it was not distributed evenly among the entities as the number of loss-making CIS management companies rose by two between January and June to a total of 15. However, the volume of losses was lower (3.16 million euros compared with 7.37 million euros in December 2016).

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

TABLE 16

Million euros	Assets under management	CIS management fee income	Average CIS management fee (%)	Fee ratio[1]
2009	203,730	1,717	0.84	68.08
2010	177,055	1,639	0.93	67.24
2011	161,481	1,503	0.93	65.60
2012	152,959	1,416	0.93	64.62
2013	189,433	1,594	0.84	61.94
2014	232,232	2,004	0.85	61.80
2015	258,201	2,442	0.95	63.68
2016	272,906	2,347	0.86	61.67
Jun-17[2]	288,552	2,504	0.87	59.64

Source: CNMV.

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

2 The data on fee income and average management fee are annualised.

The CNMV registry data indicate that the reduction in the number of management companies that began as a result of the reorganisation process undertaken in the Spanish financial system has now been completed. The dramatic expansion of the collective investment industry over recent years has led to the creation of new management companies. Between January and August this year, the number of CIS management companies rose by six, as a result of seven additions and one de-registration, to a total of 107. All the new management companies were independent except one, which belongs to a bank.

The number of CIS management companies has risen once again in 2017, thus consolidating the recovery that began last year.

4.4 Other intermediaries: Venture capital

Since entry into force of Law 22/2014, of 12 November, which opened up the possibility for new vehicles in order to promote venture capital as an alternative source of financing, 42 of the new types of vehicle have been created, nine during the first six months of 2017 (see table 17). At the end of June this year, there were 12 SME venture capital funds, two European venture capital funds, 14 SME venture capital companies and 14 closed-end collective investment entities (two funds and 12 companies).

The growth in the number of venture capital entities continued in the first half of 2017, both of the new vehicles that can be created under Law 22/2014 (nine more)…

As regards traditional vehicles, the first half of 2017 ended with 11 new additions and three de-registrations of venture capital funds, thus giving a total of 174, and eight new additions in venture capital companies and three de-registrations, leading to a total number of 104. As a result of these movements, the total number of venture capital entities at 30 June (excluding closed-end entities) was 306, compared with 291 at the end of 2016. As mentioned above, on the same date there was a total of 14 closed-end vehicles and 86 closed-end investment scheme management companies (a term that includes the old venture capital management companies) following eight new additions and three de-registrations between January and June.

… and traditional vehicles (eight more venture-capital funds and five more companies). The number of management companies also rose by five in the first half of the year.

Movements in the venture capital entity register in 2017 TABLE 17

	Situation at 31/12/2016	New registrations	De-registrations	Situation at 30/06/2017
Entities				
Venture capital funds	166	11	3	174
SME venture capital funds	11	1	0	12
European venture capital funds	2	0	0	2
Venture capital companies	99	8	3	104
SME venture capital companies	13	1	0	14
Total venture capital entities	**291**	**21**	**6**	**306**
Closed-end collective investment funds	1	1	0	2
Closed-end collective investment companies	6	6	0	12
Total closed-end collective investment entities	**7**	**7**	**0**	**14**
Closed-end investment scheme management companies[1]	**81**	**8**	**3**	**86**

Source: CNMV.

1 A name that now applies to both the old venture capital scheme management companies and the management companies of the new closed-end investment schemes.

The assets of venture capital entities grew by 2.5% in 2016…

The assets of venture capital entities rose by 2.5% over 2016 to 7.95 billion euros. This growth was exclusively due to the funds, whose assets rose by 11.3% to 4.84 billion euros, partly as a result of the high number of new registrations. In contrast, the assets of companies fell by 8.6% to 3.11 billion euros.

… as a result of the increase in the assets of funds (11.3%) in which foreign entities became the leading investor.

In the case of venture capital funds (including traditional and newly-created funds, in this case SME and European funds), there was a small shift in the relative importance of their investors in 2016. On the one hand, there was a significant increase in investment performed by CIS, which rose from a very low amount in 2015 (65 million euros) to 358 million euros. Also noteworthy was the increase in investment by foreign entities, which grew by 41.2% to 880 million euros, which makes them the leading investor in the portfolio of venture capital funds (see table 18). At the opposite end, there was a significant 33.1% reduction in the investment of foreign venture capital entities to 242 million euros and, a smaller reduction in government investments of 6.3% to 663 million euros.

Venture capital entities: Assets by type of investor TABLE 18

	Funds		Companies	
Million euros	**2015**	**2016**	**2015**	**2016**
Natural persons				
Resident	317.73	390.59	99.72	100.82
Non-resident	6.78	13.19	153.31	148.56
Legal persons				
Banks	291.86	207.90	506.93	225.34
Savings banks	49.98	42.05	21.98	12.82
Pension funds	541.92	594.81	26.20	28.10
Insurance companies	208.17	264.54	43.75	51.31
Broker-dealers and brokers	1.34	2.02	0.22	0.34
Collective investment schemes	65.43	358.24	3.96	6.41
Spanish venture capital entities	166.44	196.59	45.31	112.81
Foreign venture capital entities	362.37	242.30	0.00	0.00
Public authorities	707.28	663.06	407.61	409.73
Sovereign funds	31.74	4.63	0.00	0.00
Other financial companies	306.25	378.21	980.31	998.24
Non-financial companies	463.59	459.55	859.57	880.05
Foreign entities	623.07	879.82	114.67	92.86
Others	201.91	137.84	142.96	46.13
TOTAL	**4,345.86**	**4,835.34**	**3,406.50**	**3,113.52**

Source: CNMV.

The assets of venture capital companies fell by 8.6% in 2016. Bank investment in these entities fell significantly (55%), thus repeating the pattern of the previous year.

In venture capital companies (as in the case of funds, this includes SME venture capital companies), the two most important types of investors – non-financial companies and other financial companies – increased their investment slightly by 2.4% and 1.8% to 880 million and 998 million euros, respectively. As in the previous year, banks substantially reduced their investment in this type of entity in 2016, specifically by 55.6%

to 225 million euros (their investment exceeded 1.6 billion euros in 2013). Natural-person investors accounted for 8.3% of total assets in venture capital funds and 8% of assets in venture capital companies, figures that are slightly higher than in 2015.

Preliminary data from the Spanish Venture Capital Entity Association (ASCRI) for the first half of 2017 indicate that the sector continued the growth that started in mid-2016, after the first half of 2016 and the final months of 2015 were marked by political uncertainty in Spain and the lack of megadeals. These megadeals, which are defined as being in excess of 100 million euros, grew significantly over the first half of the year with a total of eight deals, all of which were closed by international operators. These deals accounted for 66.5% of the total invested volume, which amounted to 3.05 billion euros, very similar to the figure for the second quarter of 2016, but which is three times higher than the figure for the first half of 2016. In addition, middle market deals (between 10 million and 100 million euros) also grew significantly, with an increase in investment between January and June of 61% percent compared with the same period of the previous year, while small-scale deals (up to 5 million euros) continue to account for the bulk of the deals (84%).

Preliminary data for the first half of 2017 provided by ASCRI reveal strong growth in the venture capital sector as a result of the growth of megadeals.

By investment stage, the bulk of the deals were in venture capital (seed and start-up) with a total of 205, although this figure was far below the 436 recorded in the second half of 2016. The most important in terms of volume were investments in buyouts, with 62% of the total invested amount. Fundraising continued to perform well with over 1 billion euros raised by Spanish private operators in the first half of the year.

Investments in venture capital *(seed and start-up) accounted for the bulk of the deals.*

The outlook for the sector, at least for the rest of the year, is extremely positive, with several significant deals underway that are likely to be closed by the end of the year. In addition, in July, FOND-ICO Global launched its ninth process to promote fundraising and a tenth process is expected in 2018.

The outlook for the sector is favourable as several significant deals are expected to be successfully closed by the end of the year.

Cybersecurity in securities markets

EXHIBIT 4

Cybersecurity has already become one of the major concerns of authorities and businesses around the world. The financial sector is no exception; on the contrary, it has become a key sector for adopting protection measures as cybersecurity threats may have a major impact on this sector.

The financial sector already has some experience, fortunately limited in its effects, that demonstrates the damage of cyberattacks and the need to prevent them. For example, in October 2017, the Securities and Exchange Commission (SEC) acknowledged that in 2016 there was a security breach in its financial reporting system for listed companies (EDGAR), which might have led to the use of insider information and which the SEC was not aware of until September 2017. Another recent example is that of Equifax, the credit reporting agency, which operates in 23 countries, including Spain, where it manages the lists of borrowers with unpaid debt of ASNEF (National Association of Financial Companies), and which holds credit information on over 200 million customers. On 7 September, due to a serious defect on its website, it was subject to an attack which allowed access to confidential data. The firm was blackmailed with the threat of the disclosure of its customers' confidential information if it did not pay a ransom. Since the news broke, the company has lost 30% of its stock market value as a result, among other factors, of the reputational cost of the attack. Its CEO resigned on 26 September.

It is therefore essential that cybersecurity should be among the priorities of financial supervisors, since cyberattacks can disrupt the proper functioning of markets, affect financial stability and steal confidential information from investors and financial institutions. Market infrastructures (trading platforms, central counterparties, settlement and registry systems) have long had in place specific and advanced cybersecurity plans developed under the coordination of various national and international agencies. However, this is a task undergoing constant assessment and evolution which is gradually including, at a different scale, investment firms and fund managers.

Market infrastructures (trading and post-trading) are considered critical for cybersecurity both in Spain and the rest of the world. In particular, a cyberattack on post-trading infrastructures (registry, payments and central counterparty) might generate events of systemic importance and prolonged effects that would be slower to reverse and to recover from than others in trading facilities.

Without appropriate measures, the associated technology and the interoperability of market infrastructures with other platforms and with their members might facilitate the route for these cybernetic threats to materialise, as well as for their effects to propagate and spread.

The cybersecurity of critical infrastructures is an issue of national security in most advanced countries, including Spain. In the context of securities markets, international regulatory forums, such as IOSCO and financial industry associations, such as SIFMA, have already stated that cybersecurity is among their top priorities. Addressing this challenge requires urgent and appropriate provision of staff with a clear technological profile in the supervisory entities. This need is also amplified by the growing development of fintech activities in the financial sector.

The nature of cybersecurity threats is constantly evolving, and the regulatory and supervisory approach therefore also needs to be constantly revised. International cooperation and the sharing of information and experience (cyber intelligence) are key elements in the strategy to obtain greater security.

Over recent years, the Committee on Payments and Market Infrastructures (CPMI) of the BIS and IOSCO have addressed, with the help of specific working groups, the importance of cybersecurity for financial market infrastructures. Particularly relevant is the joint effort of both organisations set out in the "Guidance on cyber resilience for financial market infrastructures" published in June 2016. The document clarifies that it is not aiming to establish new principles for structures, but to provide better guidance and specification of the already existing principles on governance (principle 2), comprehensive management of risks (principle 3), settlement finality (principle 8), operational risk (principle 17) and links (principle 20).

The CPMI-IOSCO document complements another previous IOSCO document published in April 2016, "Cyber Security in securities markets. An international perspective", which provides an overview of the different regulatory approaches that IOSCO members have implemented to date. A specific IOSCO working group, of which the CNMV is a member, has recently been set up. This group has various fields of action and cooperates with the industry and will undertake resilience exercises and tests. IOSCO's framework for cybersecurity is based on five points:

1. **Governance**. This refers to the arrangements and procedures that the infrastructure has put in place to manage cyber risks. The measures must not be limited to technical aspects, but must also include people; specifically, the management and board of the infrastructure will ultimately be responsible for establishing and ensuring compliance with the cybersecurity plan.

2. **Identification**. The aim is to detect the infrastructure's critical processes and operations that require priority protection against cyberattacks. This identification makes it possible to prioritise the use of resources and should include order processing and execution systems and systems for risk management, supervision and disclosure of information.

   Stress is again placed on the need to involve the highest possible number of people in the organisation in cybersecurity tasks and even to create a dedicated committee (with representatives from IT, business, legal, HR, communications, and risk functions). Most trading venues included in the aforementioned document have appointed a Chief Information Security Officer.

3. **Protection**. Infrastructures must implement control mechanisms in accordance with the strictest standards in cybersecurity. The measures may be organisational, such as the creation of security operations centres or technical, such as antivirus and intrusion prevention systems.

4. **Detection**. Capacity to recognise potential incidents or detect a security breach of the systems.

5. **Response and recovery**. The infrastructure's capacity to continue with its functions, restore critical systems following an attack and reduce the systemic risk that will be created by an interruption in its activities.

II Reports and analysis

Measuring liquidity of Spanish fixed-income securities (2005-2016)

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1 Introduction

The concept of liquidity is intuitively simple: It has to do with the ability to buy and sell an asset quickly without incurring too high losses. This concept, however, may have different interpretations depending on the context. In financial markets, for example, providing accurate liquidity measures for each type of asset is a complex task. However, it is possible to establish an order of assets according to their liquidity in which cash can be considered as the most liquid asset, while other assets have very low liquidity, as is the case of structured products, derivatives and all assets for which there is no secondary market. Between these extremes we can find shares, which are generally very liquid products, and fixed-income securities, which are more complex due to the fact that, even though most of the products have a secondary market (a positive factor for liquidity), the range of assets is extremely varied and includes a high proportion of bonds that are not traded for an extended period of time (a negative factor for liquidity).

Assessing the liquidity conditions in fixed-income markets has become an extremely important task, both for market supervisors and for market participants, as a result of three major changes that have taken place in these markets over recent years: (i) regulation following the financial crisis, (ii) the context of extremely low interest rates, especially in Europe, (iii) non-conventional policies of central banks aimed at purchasing bonds. The feeling of some participants is that fixed-income markets are much less liquid than before the crisis due to the above-mentioned changes and despite the fact that technical innovation has favoured the use of faster electronic trading, which has probably had a beneficial effect on liquidity.

Some empirical studies published over recent years analyse the liquidity conditions in different bond markets, mostly European markets.[1] Given the difficulty in measuring liquidity in this context, these studies usually calculate various indicators that represent some aspect of liquidity, such as transaction costs, market depth, breadth and resiliency and then aggregate this information into one synthetic indicator. The first studies of this type did not record a significant worsening in the liquidity of bond markets over recent years. However, some criticisms of the approach and methodology used have resulted in updates which do seem to indicate a loss of liquidity over the most recent period.

1 See AMF (2015); FCA (2016), available at https://www.fca.org.uk/publications/research/new-evidence-liquidity-uk-corporate-bond-markets; ESMA, *Report on Trends, Risks and Vulnerabilities,* No. 2 of 2016, and ESMA, *Report on Trends, Risks and Vulnerabilities,* No. 1 of 2017. In addition, ESMA has created a working group to assess liquidity in the corporate debt market in Europe that uses, among other sources, the information from each State's Transaction Reporting Exchange Mechanism (TREM). Although its results are not yet available, Section 4 provides a general overview of its methodology and the main differences with regard to the one used in this article.

This article presents a summary of a forthcoming longer paper which seeks to assess the liquidity conditions of fixed-income securities of Spanish issuers between 2005 and 2016.[2] This is the first paper that assesses the liquidity of this market over such a long period (including at least two crises) and which covers both public and private sector (financial and non-financial) issues. Following the methodology proposed by Broto and Lamas (2016) for the US market, we have calculated a synthetic indicator of the liquidity of Spanish bonds that aggregates the information from six individual indicators and which allows us to draw conclusions not only on the evolution of liquidity in the domestic market, but also on the contribution of each liquidity dimension (for example, transaction costs) and the sector which contributes to changes in liquidity.

Section two of this article provides a description of the six proposed individual liquidity indicators and their result for the different sectors. Section three provides a summary of the synthetic indicator methodology and presents the most significant results obtained. Section four provides an evaluation of the indicator and, finally, Section Five presents the conclusions.

2 Selection of the individual liquidity indicators

Data

The universe of assets for the liquidity analysis comprises fixed-income instruments corresponding to Spanish issuers. The analysis does not therefore assess the liquidity of the fixed-income market in Spain, but rather the liquidity of Spanish debt issues irrespective of where they are traded. The scope of the study is thus defined partly due to the sharp increase in debt issues by Spanish issuers performed in foreign markets, particularly by non-financial companies. With regard to the instrument type, we have considered bonds, covered bonds and asset-backed securities. Figure 1 shows the amount of the issues considered, broken down by sector, instrument type and issue market.

Individual liquidity indicators based on price and quantities (transactions) have been used in order to calculate the fixed-income liquidity indicator. The bond price information comes from Bloomberg. With regard to the closing prices, information is available on 1,096 public debt bonds and 1,990 private debt bonds. In the case of bid and ask prices, there is information on 494 and 865, respectively. The information on purchase and sale transactions[3] has been obtained from AIAF, the Spanish fixed-income market, from 2005, and from the Transaction Reporting Exchange Mechanism (TREM) from 2011 for OTC transactions and those performed on foreign markets. The number of reference corporate bonds for these transactions stands at 7,678, of which 6,950 were issued by financial institutions and the rest by non-financial companies. In addition, 1,887 issues were made abroad. In total, we

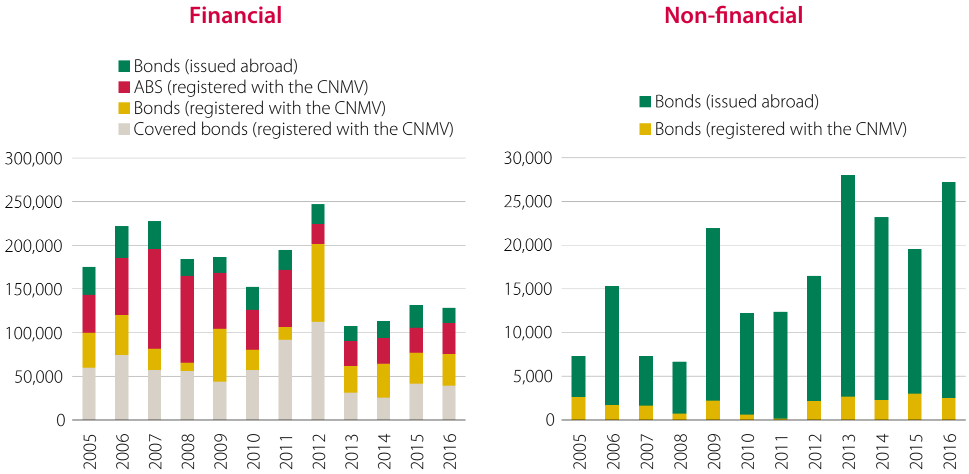
2 See Cambón, Cano and González (2017), "Measuring liquidity of Spanish debt", forthcoming CNMV working paper.

3 We have analysed outright purchase/sale transactions.

have considered almost 2,830,000 transactions performed on AIAF and 766,000 reported through TREM.[4]

Debt issues by Spanish issuers (thousand euros)

FIGURE 1



Source: CNMV.

Individual liquidity indicators

Six indicators have been selected that represent a particular feature of liquidity, although not all of them can be calculated for the reference sectors: financial, non-financial and sovereign. While price-based indicators are available for all sectors, transaction-based indicators are only available for corporate debt. The indicators that are presented below therefore aim to represent one of these market features: Tightness (transaction costs), depth, breadth and resiliency (see table 1).

- **Bid-ask spreads.** This is calculated as the difference between the price quoted for the sale of a bond and the price quoted for an immediate purchase of the same asset (divided by the average of both). This indicator is one of the most commonly used to analyse liquidity in financial markets and may be interpreted as a measure of the order execution cost. In this regard, it is included as one of the representatives of the tightness of the market or of the transaction costs. If the spread is low, the liquidity conditions are good as the bid and ask prices tend to be similar. The data source for these prices is Bloomberg.

- **Volume.** This is calculated by adding the volumes traded each day (in euros). The information on the transactions comes from AIAF and from TREM and is available for corporate debt. Volume is one of the three indicators of this study to represent the depth of the debt market, which entails the existence of assets that cover various contingencies. Markets with greater trading volumes are normally associated with liquid markets.

4 In the transactions from TREM, we have applied various filters to reduce some problems in the quality of the available information. A total of 5.5% of the reported transactions were eliminated.

- **Turnover.** This is defined for each asset as the ratio between its trading volume and the total issued amount of the asset. This indicator represents the proportion of the market that has some trading and is also considered a good measure of market depth. A higher turnover ratio implies a higher proportion of the outstanding fixed-income balance traded and, therefore, greater liquidity.

- **Proportion of bonds traded.** This is calculated (daily) as a percentage of bonds that have had some purchase/sale transaction over the total number of outstanding bonds. As there are a large number of bonds in fixed-income markets for which there is no trading for long periods, trading tends to be concentrated in a few bonds from each issuer (usually benchmarks), which are the most liquid assets on the market. This is the third indicator that represents market depth.

- **Amihud Ratio.** The Amihud ratio aims to measure the effect of trading volume on an asset's return.[5] In this study, a simpler version of the indicator is presented as many bonds are not traded every day. It is therefore calculated as the absolute value of the daily return of each bond over the total traded volume. This indicator, which is widely used in equity markets, is a measure of market breadth. A liquid market should be characterised by an Amihud ratio with a low value. The idea underlying this indicator is the market capacity to absorb large trading volumes (or large orders) without a significant impact on prices.

- **Market Efficiency Coefficient (MEC).** The MEC proposed by Hasbrouck and Schwartz (Sarr and Lybek, 2002) is calculated. This indicator is defined as the coefficient between the variance of an asset's returns over a longer period and over another shorter period. In this case, the former is one week and the latter is one day. This indicator is taken as an approximation of market resiliency. The underlying intuition is that in a resilient market the volatilities of long- and short-term returns tend to be similar as asset prices move quickly to the new equilibrium prices. Consequently, high values of this indicator (a long-term variance higher than the short-term variance) is associated with less resilient markets.

5 The Amihud ratio is defined as:

$$Amihud_{i,t} = \frac{1}{N_{i,t}} \frac{\sum_{j=1}^{Ni,t} |R_{i,t,d}|}{V_{i,t,d}},$$

where $V_{i,t,d}$. is the traded value of asset i on day t, $R_{i,t,d}$ is the return between transaction i and i + 1, and $N_{i,t}$ is the total number of returns on day t. For more details, see Amihud (2002).

Individual liquidity indicators

TABLE 1

Indicator	Definition	Liquidity dimension	Data source	Sector
Bid-ask spread	Difference between the bid and ask prices divided by the average of both.	Transaction costs	Bloomberg	Sov Fin No-Fin
Volume	Daily transactions, in euros	Depth	CNMV	Fin No-Fin
Turnover	Daily volume traded over issue value	Depth	CNMV	Fin No-Fin
% of traded bonds	Number of bonds traded each day divided by total number of outstanding bonds	Depth	CNMV	Fin No-Fin
Amihud Ratio	Daily return (absolute value) over amount traded	Breadth	CNMV / Bloomberg	Fin No-Fin
Market Efficiency Coefficient (MEC)	Variance of weekly returns over variance of daily returns (three-month windows)	Resiliency	Bloomberg	Sov Fin No-Fin

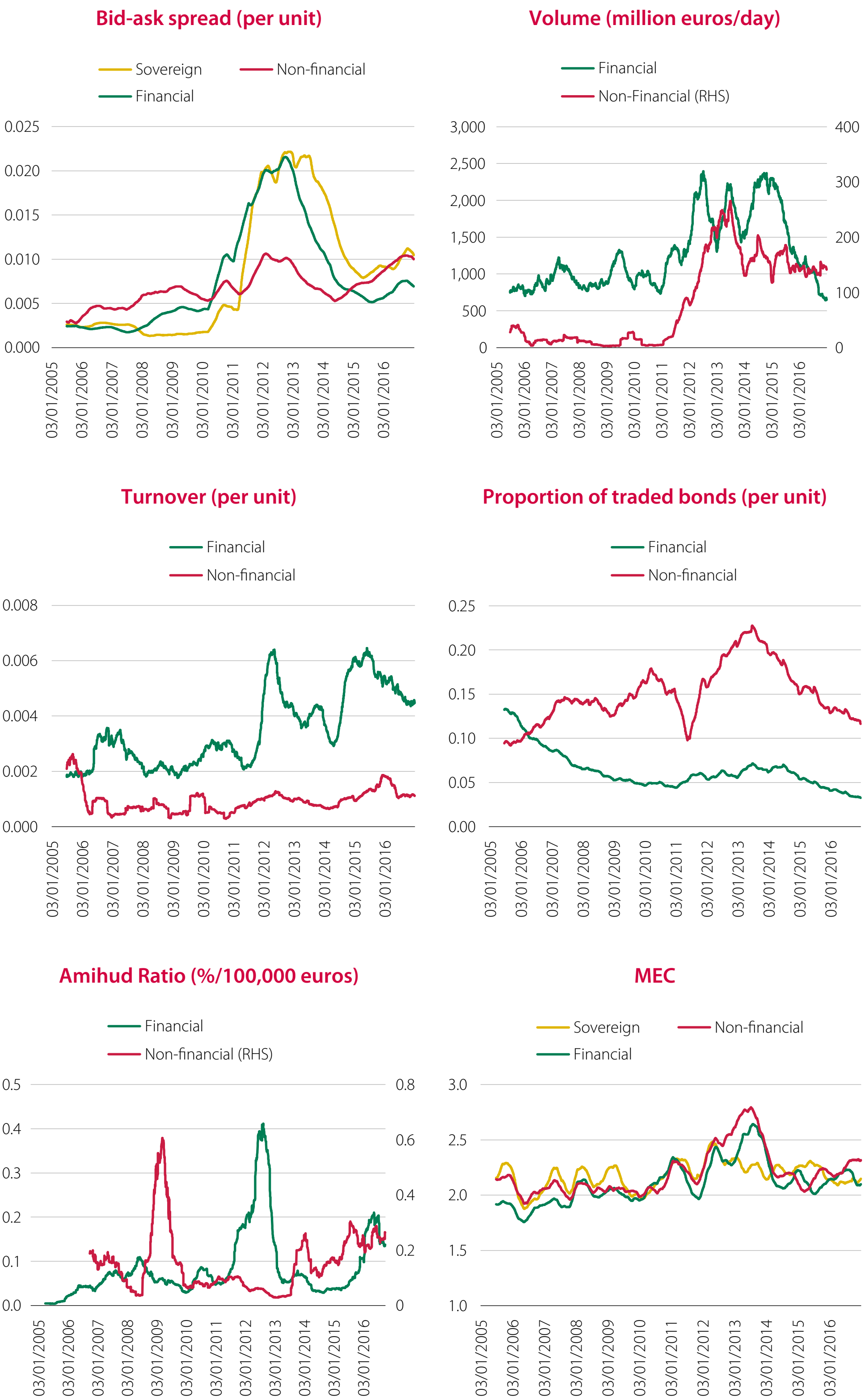
Source: CNMV.

The panels of figure 2 show the six individual liquidity indicators calculated for the sectors in the study. In general, price-based indicators are negatively correlated with transaction-based indicators. In the first figure, which shows bid-ask spreads, we can see an increase in 2010 associated with the first episode of uncertainty related to the Greek crisis in the context of the European sovereign debt crisis. This indicator reached a peak in the case of the sovereign sector and the financial sector in 2012, after the Spanish Government requested financial assistance for the banking sector. Following that, the spreads fell significantly and although they increased slightly in the final months of the sample, the levels remain far below the previous highs.

The trading volumes for financial sector debt rose from a daily average of 920 million euros in 2005 to 1.7 billion euros in 2011 (when the TREM transactions are included). Trading volumes reached highs between 2012 and 2014, and then fell sharply to levels lower than those recorded in the first few years of the sample. Trading of financial securities is much lower than for non-financial securities, although we can see a considerable increase when the TREM data are incorporated, which is explained by the high proportion of these companies' bonds that are traded abroad. Trading of these fixed-income securities also fell in the last few months, but less so than in the case of financial sector securities.

Individual liquidity indicators of Spanish bonds

FIGURE 2



Sources: AIAF, Bloomberg, CNMV and author's calculations. Six-month moving averages.

The movement in the turnover indicator, the second indicator relating to market depth, shows a significant increase in the case of financial debt, up to highs in 2012 and 2015, followed by a fall compatible with the reduction in trading volumes. The movements in turnover for non-financial debt were much more stable, with a slight upward trend between 2011 and 2016 and moderation in the final months of 2016.

With regard to the proportion of securities traded, the last indicator representing depth, we can see different trends between the financial and non-financial sectors. In the former, the proportion of securities traded each day fell over most of the period under study, dropping from 13% in 2005 to 3.3% in 2016. In the case of non-financial debt, there is an uneven increase in the percentage of securities traded from 2005 (10%) to the middle of 2013 (over 20%) and then a prolonged fall to 12% in 2016.

The Amihud ratio (market breadth) shows interesting differences between the financial and non-financial sectors during the most significant crisis periods in the study: at the times of greatest uncertainty during the global financial crisis, towards the end of 2008, this ratio increased more sharply in non-financial sector debt, while in 2012 it increased more sharply in financial debt due to the leading role played by banks in the crisis.

Finally, the market efficiency coefficient (MEC) shows various highs relating to the sovereign debt crisis in Europe, although these do not coincide in the two sectors: In the public sector, the high was reached in 2012, while in the private sector the high was reached in 2013.

3 The synthetic liquidity indicator of the fixed-income market

Methodology

In order to represent the liquidity conditions of the fixed-income market in an aggregate manner, a synthetic liquidity indicator has been calculated based on the information from the individual indicators presented in the above section. The methodology applied consists of:

1. Transforming the original series

2. Aggregating the information into one single indicator

The transformation of the original series is twofold. Firstly, an increase in the value of an individual indicator is made to be associated with a loss of liquidity. This is basically achieved by calculating the inverse of the indicators relating to market depth. Secondly, the series are transformed such that their values oscillate in the range [0.1]. This involves applying the cumulative distribution function (CDF), which offers some advantages compared with usual standardisation, which assumes that the variables are normally distributed. To do this, the values of the fourteen individual liquidity indicators are ordered such that each indicator x=(x1, x2, ...,xT), where T=601[6] is transformed into an ordered sample (x[1], x[2],...,x[T]). The lowest value of the indicator corresponds to x[1] and the highest to x[T]. If r is denoted to the ranking assigned to each value of x_t, the transformed variables z_t are calculated from the original variables through the CDF $F_n(x_t)$, which takes the following form:

$$z_t = F_n(x_t) = \begin{cases} \dfrac{r}{n}, & x_{[r]} \leq x_t \leq x_{[r+1]},\ r = 1,2,\ldots,n-1 \\ 1, & x_{[t]} \geq x_{[n]} \end{cases}$$

from t=1, 2, ...n. This function measures the total number of observations x_t that do not exceed a specific value divided by the total number of observations in the sample. The intuition behind this function is relatively simple: the assigned value is equal to its position (ranking) in relation to the total number of observations: thus, for example, the minimum value of the indicator would receive the value of 1/n, the maximum 1 and the median 0.5.[7]

Principal components analysis (PCA) was used to aggregate the information of the individual liquidity indicators. This offers a significant advantage: with a limited number of principal components (which are a linear combination of the original series), we are able to capture a large part of the variability of the original sample. This technique, however, has some drawbacks when applied to matters such as finance, as it may assign weights to the original indicators that are difficult to justify in economic terms. In this study, this technique has been applied in order to calculate a liquidity indicator for the set of bonds, one for the financial sector and another for the non-financial sector.[8] In the first indicator, the PCA overestimated the weightings assigned to the indicators of the non-financial sector and so they were readjusted according to the importance of their issues and outstanding balances.

Results

The panels of figure 3 show the result of the synthetic liquidity indicator for bonds as a whole, distinguishing between the contribution of the different liquidity dimensions (upper panel) and that of the different sectors (lower panel). According to the study calculations, the indicator shows three moments at which fixed-income liquidity worsened significantly, which correspond to the uncertainty triggered by the collapse of Lehman Brothers at the end of 2008, when the indicator reached a value of 0.84, and with the doubts caused by the sovereign debt crisis in Europe in 2010 and 2012. Between 2012 and 2014, the liquidity indicator improved considerably, but this trend was once again reversed as from 2015, the year from which we can see a gradual worsening of the liquidity conditions of Spanish fixed-income securities. The causes of the most recent downturn in market liquidity may be related

6 This study contains weekly data from 01/01/2005 until 30/12/2016 (601 weeks).

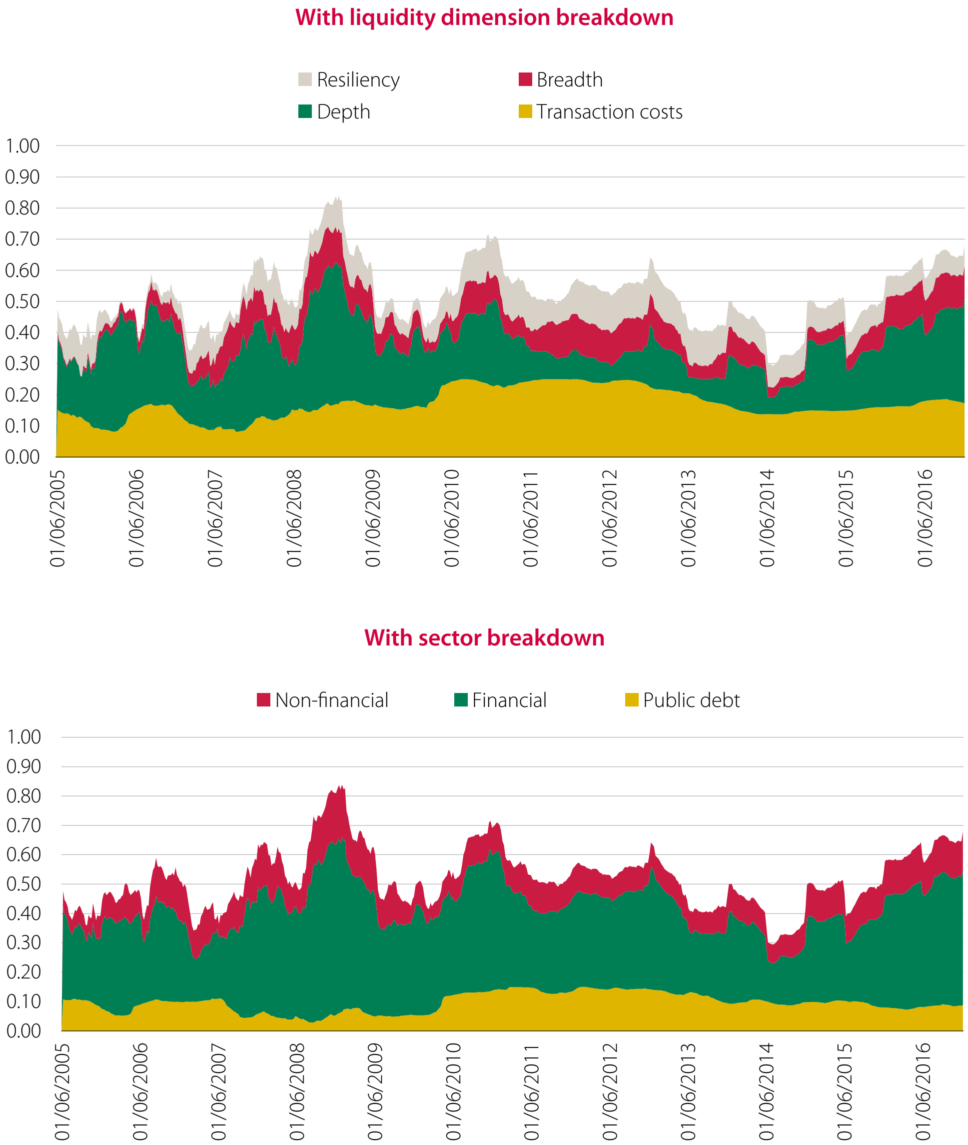
7 In reality, this function is used recursively, i.e., it is first applied to the first four years of the sample and then a new observation is added each week to calculate a new value of the function. For further details, see Hollo, Kremer and Lo Duca (2012).

8 The methodology of the OECD (2008) and of Broto and Lamas (2016) has been followed to gather the information on the first four principal components and obtain a unique weighting vector.

to several elements: (i) the change in financial regulation, which discourages banks' market-making activity, (ii) the context of low interest rates, which makes the contracting of debt products less attractive, and (iii) the ECB's asset purchase programmes, which are withdrawing a significant proportion of bonds.

The contributions of the dimensions of liquidity, as well as of the sectors, have changed over time, particularly during periods of greater stress in the market. For example, we can see that the loss of fixed-income liquidity during the global financial crisis bore more relation to the worsening of the market depth and its resiliency, particularly in the financial sector. However, in the periods of liquidity loss linked to the European sovereign debt crisis, the role of transaction costs was much more significant and in these periods there is a worsening of liquidity both in financial fixed-income securities and in public debt.

The synthetic liquidity indicator FIGURE 3

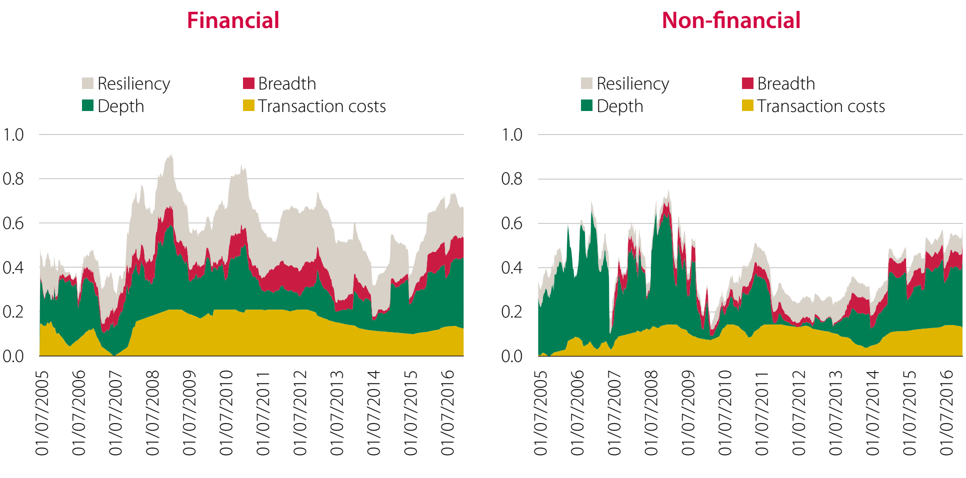


Source: CNMV.

The independent liquidity indicators for the set of financial debt and non-financial debt are presented in the panels of figure 4. The first thing that stands out when comparing the two indicators relates to the level of illiquidity of the sectors, which is significantly higher in the case of financial debt. One of the reasons that might be considered in relation to the greater illiquidity of the debt of these companies may be related to the higher number of issues and their smaller size, many of which are structured products, in relation to the number of issuers. Furthermore, structured bonds are by nature much more illiquid than other fixed-debt instruments as a result, among other aspects, of the complexity entailed in their valuation and the difficulties in comparing them with other similar issues (in short, their lack of standardisation). Furthermore, fixed-income trading tends to be concentrated in a relatively small group of assets of each issuer (usually, the benchmarks), which tend to be very liquid products, such that if the number of issues is very high, the market is more likely, on average, to be less liquid.

The changes in the indicators over time reveals that the moment of greatest illiquidity in both sectors took place at the end of 2008: the value of the liquidity indicator for financial debt stood at 0.91 and for non-financial debt at 0.76. After that, there were several upsurges of illiquidity during the sovereign debt crisis, which were more intense in the case of financial debt. Following an improvement in both indicators between 2012 and 2014, we can observe a new period of greater illiquidity that is more acute in the case of the financial sector.

The synthetic liquidity indicator of corporate debt FIGURE 4



Source: CNMV.

According to the information in the panels of figure 4, the contributions of the different dimensions to the evolution of liquidity are much more balanced in the case of financial debt that in the case of non-financial debt, where transaction costs and market depth almost entirely explain the indicator. In the case of the financial sector, however, at times of greatest illiquidity, the increase in the indicator may be almost entirely due to the worsening of market depth and the increase in transaction costs, while the loss of resiliency also plays a role, but it is less important.

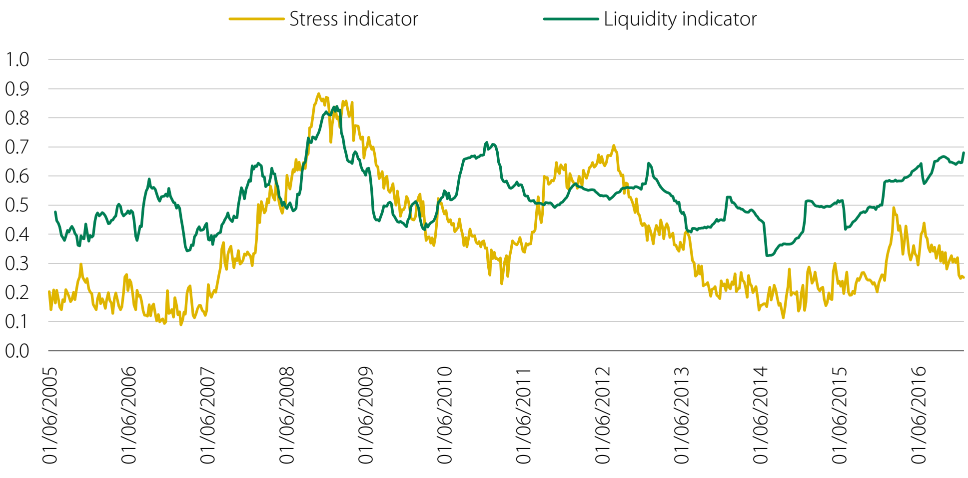
4 Evaluation of the liquidity indicator

The evaluation of this indicator to see its usefulness and added value in the context of other studies is based on four aspects: firstly, its evolution is compared with that of the stress indicator of Spanish financial markets; secondly, a test is conducted to establish whether the criteria for determining that a bond is liquid, in accordance with the originals standards of ESMA in the context of MiFIR, yield a result for the Spanish market that is in line with this liquidity indicator; thirdly, the CNMV analysis of the liquidity of the portfolio of investment funds is related with the synthetic liquidity indicator, and finally a pseudo-analysis of robustness is presented in which, by applying the methodology which ESMA is (probably) using to assess the liquidity of corporate debt in Europe, it is possible to confirm to what extent these conclusions are maintained.

The liquidity indicator versus the stress indicator of financial markets

Comparing the debt liquidity indicator and the stress indicator of Spanish financial markets[9] is useful because it makes it possible to test whether the times of upsurges in market stress are always accompanied by increases in illiquidity (or *vice versa*). It should be noted that the stress indicator is based on four types of series that represent market stress: risk premiums, volatility, liquidity and price falls. As shown in figure 5, which illustrates the movements in both indicators from 2005, the correlation between the two series is high (about 60% for the whole period and 70% from 2013).

The synthetic liquidity indicator and the market stress indicator FIGURE 5



Source: CNMV.

There is a very high level of matching at the end of 2008, with the collapse of Lehman Brothers, when both series marked their all-time highs. In 2012, both indicators also

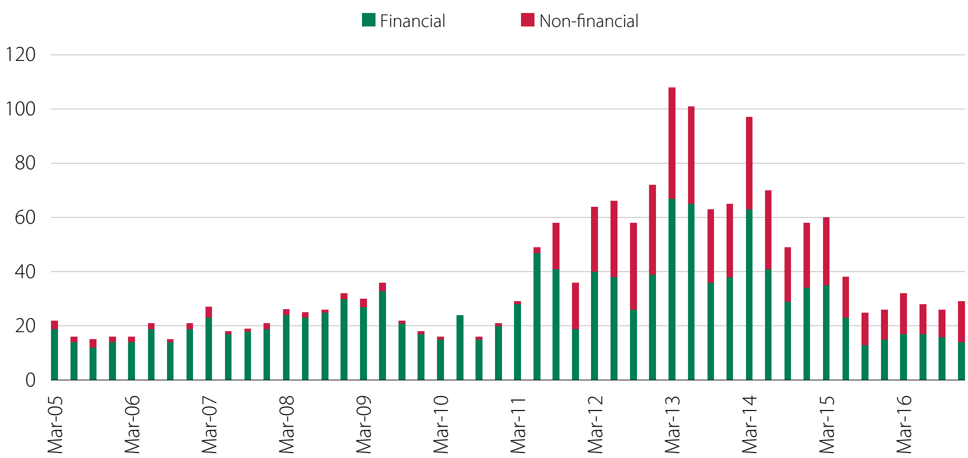
9 See Cambón and Estévez (2016). The indicator's series are available at http://www.cnmv.es/portal/Publicaciones/SeriesWeb/Inicio.aspx?codrama=1295

show upsurges during the European sovereign debt crisis, although they do not exactly coincide in time. The most significant difference occurs in 2010, when the liquidity indicator rises (coinciding with the first period of uncertainty relating to Greece), but the level of systemic risk is low. In general, we can conclude that the upsurges of uncertainty in the market are accompanied by losses in liquidity, but not *vice versa*: there are episodes of upsurges in illiquidity without general market stress increasing. This seems to have occurred not only in 2010, but also in recent months, in which the liquidity of the debt market is progressively worsening, but there are no similar increases in stress indicators.

The liquidity indicator and ESMA criteria for considering an asset as liquid

The EU's Markets in Financial Instruments Regulation (MiFIR) introduces pre-trade and post-trade transparency requirements for certain financial instruments subject to certain conditions. In the case of fixed-income securities, the European Commission has authorised ESMA to establish technical standards for classifying bonds as liquid and, therefore, subject them to these transparency requirements. The original ESMA proposal included three criteria: (i) average daily trading greater than 100,000 euros, (ii) two or more trades per day, and (iii) percentage of days traded over the period considered (in this case, the quarter) greater than 80%.

Number of liquid bonds according to requirements proposed by ESMA FIGURE 6



Source: CNMV.

Although a final agreement with regard to these requirements has not been reached, it seems likely that they will gradually be introduced over the coming years. By way of illustration, it is interesting to apply ESMA's original requirements to the data of this study, calculate how many bonds would be considered liquid each quarter and see whether this result is in line with the liquidity indicator. According to the calculations performed, the number of liquid bonds would increase from 20 in the first few years of the sample to over 100 in the first quarter of 2013 (60%, financial debt). From 2014, the number of liquid bonds fell to around 30 by the end of 2016. These movements are similar to those of the private debt liquidity indicator.

Analysis of the liquidity of the fixed-income portfolio of investment funds

Since 2007, the CNMV has been conducting quarterly assessments of the liquidity conditions of the private fixed-income portfolio of investment firms using the price information available from Bloomberg. According to this analysis, the proportion of illiquid assets in this portfolio reached a peak at the end of 2008, at 37% (9% of the total assets of investment funds), but since then it has steadily declined until close to 8% at the end of 2016 (1.2% of the total). The evolution of this proportion is relatively similar to that of the private debt indicator up to 2014. This has increased since then, while the proportion of illiquid assets in the funds' portfolio continues to fall. This might indicate that Spanish investment fund operators are investing in debt that is more liquid than the average for a Spanish bond. In addition, according to the geographic breakdown of the funds' portfolio, a significant part of these investments are in assets issued abroad.

An analysis of robustness: The ESMA methodology

There is currently an ESMA working group that is attempting to assess the liquidity of corporate debt in Europe by calculating various individual liquidity indicators. These must be calculated by the securities regulators of most EU countries in order to subsequently estimate an aggregate EU indicator. Although the methodology that this group will use has not been fully decided, it is worth noting what similarities and differences there may be with regard to this CNMV analysis and their impact on the results. There are many similarities as the essence is basically the same: the aim is to calculate individual liquidity indicators that represent one of the dimensions of liquidity and aggregate them into one single figure.

However, there are some differences that may be significant with regard to the final result. This discussion will only cover the most important ones, which are mostly related to the set of bonds that have been taken under consideration, the source of information and the selection of indicators. With regard to the universe of reference bonds, the European work will not consider structured bonds, which have been included in this study. In principle, there is no compelling reason to exclude these assets, whose nature is much more illiquid and which have grown significantly following the crisis, from the analysis. With regard to the source of information, the study to be performed by ESMA will use the data from TREM available to each national supervisory authority between 2012 and 2016. It entails a major effort to use this common source, which, on the other hand, presents some problems in the quality of the information. Finally, with regard to the selection of liquidity indicators, both approaches overlap considerably (in four out of six indicators), but it should be pointed out that the European study will not include the indicator that evaluates the total trading in the market or the proportion of bonds without trading, which have a high impact on our liquidity indicator. All these elements lead to the conclusion that the results of the analysis performed for European debt, which is performed over a shorter period (2012-2016) due to a lack of information, may lead to a result that shows, as in this case, a worsening of liquidity over recent years, but one which is less intense.

5 Conclusions

Financial markets have been affected in recent years by several structural changes which may have had an impact on the liquidity of fixed-income markets. Firstly, financial regulation resulting from the crisis toughened capital requirements for market making by banks, which has discouraged this activity, which, in principle, benefits market liquidity. However, other elements such as those relating to financial innovation and the promotion of electronic trading operate in favour of liquidity. Furthermore, the context of low interest rates in Europe over a long period and the debt purchasing programme carried out by the ECB may be reducing liquidity in some market segments.

Against this backdrop, it is extremely important to have a tool to assess liquidity conditions in fixed-income markets given the special features of this market, where the range of assets is extremely high and trading tends to be concentrated in a small number of bonds, normally benchmarks. The contribution of this study consists of providing this tool, which becomes a synthetic liquidity indicator for Spanish bonds calculated between 2005 and 2016. To this end, the work of Broto and Lamas (2016), which synthesises the information of six individual liquidity indicators into one single value, has been taken as reference. These indicators represent one of the four dimensions of liquidity that are usually considered: transaction costs, depth, breadth and resiliency.

The results of the analysis reveal periods of significant illiquidity at the end of 2008, in 2010 and in 2012, which were all times of uncertainty in financial markets. Similarly, there is a more gradual worsening of liquidity over the last two years, which does not seem to be the result of a specific stress situation, but rather the result of the aforementioned structural changes. This loss of liquidity is mostly explained by the worsening of market depth, which is more intense in financial debt.

Evaluating this indicator has, for example, made it possible to determine that stress periods in markets are usually accompanied by losses of liquidity, but not vice versa. It has also been possible to compare the results of the analysis that the CNMV regularly performs on the liquidity of the fixed-income portfolio of investment firms with the evolution of the indicator. This seems to lead to the conclusion that fund operators are investing in assets that are more liquid than the average and issued, to a large extent, in foreign markets. Finally, it has been indicated that the conclusions on liquidity in debt markets largely depend on the methodology applied. It is therefore important to fully understand the differences between the different methods proposed in the analyses, particularly relating to the database, the universe of reference bonds and the individual liquidity indicators assessed.

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International trends in the investment fund market

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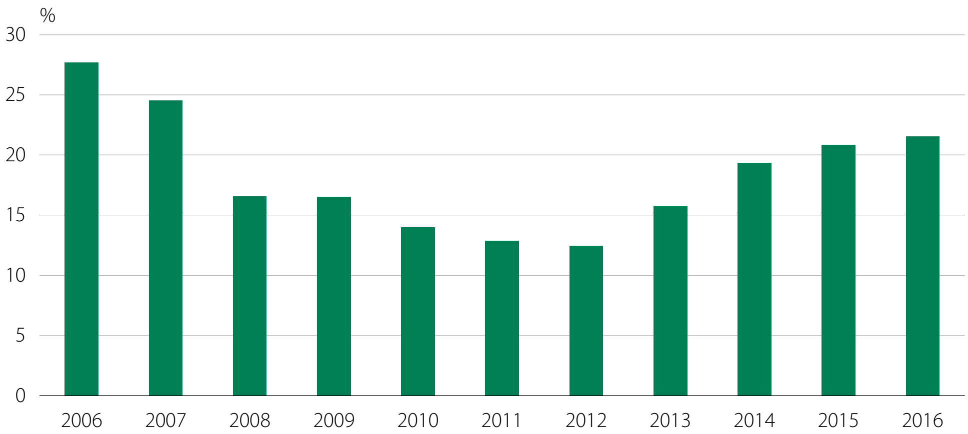
1 Introduction

The collective investment industry, and in particular the investment fund sector, is an area of special interest for the CNMV as a result of both the volume of assets that it manages and the number of retail investors who participate in it. According to data drawn from the Financial Accounts of the Spanish Economy, investment funds accounted for 12.7% of total household financial assets at the end of 2016, while the assets managed by these funds, using CNMV data, stood at 239.93 billion euros, 21% of domestic GDP (see figure 1).[1] The number of investors on the same date stood at 8.26 million.

Assets managed by Spanish investment funds (% GDP) FIGURE 1



Source: CNMV.

Collective investment encompasses different categories of funds and there is therefore a wide range of possibilities for different investor profiles. Investment funds are ranked on a scale of 1 to 7 according to their level of risk; in general terms, the lowest risk levels correspond to fixed-income funds, guaranteed funds and money market funds and the highest levels correspond to equity or absolute return funds.

It has traditionally been assumed that retail investors in Spain have a conservative profile that is reflected in their preference for low risk funds. Accordingly, the relative weight of the most conservative funds (guaranteed funds, fixed-income funds and mixed fixed-income funds) stood at 82.1% in 2009. This percentage remained mostly stable, with small falls, until 2013. Subsequently, as a consequence of an environment characterised by extremely low interest rates, the percentage fell

1 During the years prior to the crisis, this percentage stood at almost 30%.

significantly to 39.6% in 2015. This change reflected investors' greater willingness to take positions in funds with a higher risk level in order to obtain higher returns. This trend was interrupted in 2016 with a small increase in the assets managed by this type of lower-risk fund to 41.4%.

This article aims to put into perspective the movements in assets under the management of Spanish investment funds over the last decade (the period 2006-2016 encompasses the final years of a prolonged economic expansion that began at the end of the last century, the years of the financial crisis and the first few years of the current recovery). To this end, the article presents an overview of this period and compares these changes in assets under management with those seen in investment funds in the United States and in Europe.

The article is structured as follows: Section 2 presents the main differences between the profile of Spanish investors in investment funds and that of investors in other countries. Section 3 analyses the evolution of the different categories of funds between 2006 and 2016 in Spain compared with the United States and Europe. The last section presents the article's main conclusions.

2 Investment fund assets

Unit-holders in investment funds in Spain are mostly retail investors[2] that are generally characterised by a high level of risk aversion. This is reflected in the fact that at year-end 2016, equity investment funds in Spain accounted for only 20.8% of the total[3] (see table 1), compared with 27.3% in Europe as a whole and 52.5% in the United States. However, money market funds, which may be considered the least risky funds given their investment policy,[4] also have a relative importance in Spain that is far below that in the rest of Europe and the United States, standing at 4.1% at the end of 2016 compared with 9% and 16.7%, respectively.[5] This figure is largely explained by the figure of guaranteed funds,[6] which to a certain extent have

2 According to Cambón and Losada (2012), "Competition and structure of the investment fund industry in Spain: The role of credit institutions" (CNMV Working Paper), approximately 70% of assets corresponded to "retail funds". And in the second half of the 90s, which were the years of greatest expansion in investment funds, they accounted for around 90%.

3 They even dropped to a little under 10% in 2009, although they have recovered gradually since then.

4 CNMV Circular 1/2009, of 4 February, establishes that money market funds may not have any type of exposure to equity, foreign exchange risk or commodities. In addition, they cannot have an average portfolio duration of less than six months and they cannot have any instruments whatsoever with maturity greater than five years.

5 In the United States, the assets of money market funds accounted for almost 40% of the total in 2008. With the outbreak of the financial crisis, some of them suffered problems as a result of excessive investment in assets issued by investment vehicles that recorded sharp falls in their prices. As from that time, investment in money market funds have fallen significantly, including in those that had not suffered any type of problem over the most difficult months at the start of the financial crisis in the US.

6 Guaranteed funds are funds for which there is a guarantee from a third party that ensures, in most cases, the initial investment plus a certain amount or not, depending on the type of fund. These include fixed return funds, which guarantee 100% of the initial investment plus a pre-established fixed return; varia-

occupied the space of money market funds in Spain. Guaranteed funds, which belong to the heading of "Other", accounted for 10% of the total[7] at the end of 2016 and had even reached around 40% in 2012. In Europe, however, they do not even account for 0.5% of the total and in the United States, this category does not exist.

Even though money market funds and guaranteed funds are considered to be low risk, there is a key difference between them: The level of liquidity. Money market funds are financial products that invest in short-term assets, and in addition their units may be redeemed at any time, so they are highly liquid.[8] In contrast, guaranteed funds have a guarantee maturity date, which means that any investment fully or partially redeemed prior to said date is not guaranteed and the net asset value at that time plus a redemption commission is applied. This guarantee period, which is calculated between the date on which the benchmark net asset value (the value on which all the calculations relating to the guarantee percentage and the returns corresponded to the unit-holders are made) is established and the maturity date, usually ranges between five and seven years.

Investment fund asset breakdown in 2016 by fund type TABLE 1

%	Spain[1]	Europe	United States
Equity funds	20.8	27.3	52.5
Fixed-income funds	35.5	23.8	22.3
Hybrid/mixed funds	23.5	20.3	8.5
Money market funds	4.1	9.0	16.7
Other	16.0	19.7	

Source: CNMV.

1 Real estate funds are excluded.

Fixed-income funds and mixed hybrid formulas, which invest in fixed-income and equity financial products, have a greater weight than in Europe and the United States, as the assets invested in fixed-income funds in Spain are ten percentage points higher than in the other two economies studied. It is also noteworthy that hybrid formulas in Europe are more popular than in the United States as they account for over 20% of the total in Europe,[9] compared with less than 10% in the United States.

ble return funds, which guarantee 100% of the investment plus a possible sum fully or partially linked to the development of equity instruments, foreign-exchange instruments or other assets, and partial guarantee funds, which have a specific target return and guarantee a percentage lower than 100% of the initial investment. It is important to mention that the guarantee only becomes effective if the investment is held until maturity.

7 The remaining 6% corresponds to absolute return funds, hedge funds and Exchange Traded Funds (ETF).

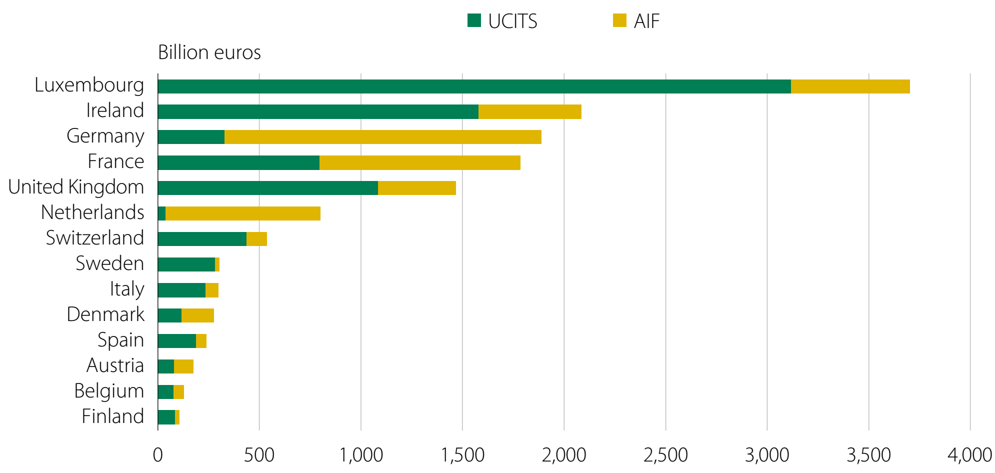
8 In the United States, investors in money market funds even often have access to certain services offered by distributors that are similar to those offered by banks with their deposits, such as issuing cheques against the accounts in money market funds.

9 In Spain, mixed fixed-income funds account for more than double the amount of assets invested than mixed equity funds.

These substantial differences between Spain and other countries may be influenced by both the investor profile and the distribution methods and channels. In Spain, over 80% of investment fund assets are in the hands of managers belonging to credit institutions,[10] whose retail client model has been characterised by offering the entire range of financial operations available (from credit products up to the most sophisticated products) through their branches. This retail distribution model contrasts with that of the United States, where financial advisers, who are not always linked to a bank, have a significant presence, as does direct purchasing by investors.

Within the European context, Spain is placed around number ten in the list of countries with the most assets under management, depending on the year. 30% of the investment funds were domiciled in Luxembourg at year-end 2016, accounting for around 25% of total assets under management, and the top four countries accounted for over 60% of the market (see figure 2). The assets managed by Spanish investment funds stand at levels similar to those of Italy or Denmark.

Assets managed by European investment funds in 2016 (main jurisdictions) FIGURE 2



Source: CNMV.

With regard to their features, collective investment schemes in the European Union are classified into harmonised schemes, better known as Undertakings for Collective Investment in Transferable Securities (UCITS) and non-harmonised schemes, known as Alternative Investment Funds (AIF). The former are governed by the European directive known as UCITS IV,[11] which chiefly aims to standardise investment funds at an EU level and increase investor protection through more simplified and standardised information. To this end, it establishes a series of requirements that must be met by the funds themselves, as well as their management companies

10 This proportion has reached around 95%.

11 Directive 2009/65/EC, of the European Parliament and of the Council, of 13 July 2009, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

and depositaries.[12] Only then may a fund be marketed in any Member State of the European Union without the need to register once again.

In Spain, 67% of all investment funds were UCITS at the end of last year and they accounted for 78% of all assets under management. In Europe as a whole, both percentages were significantly lower: 53% and 61%, respectively. However, if we look at the data on a national level, the figures are very uneven. On the one hand, the country with the highest proportion of UCITS is Sweden, with over 90%, followed by Luxembourg, with 84%.[13] At the opposite end are Holland and Germany, whose investment funds are generally not harmonised and account for only 5% and 17% of the total, respectively.

3 International development of investment funds

3.1 Assets under management

The volume of assets managed by investment funds over the last ten years suffered the effects of the financial crisis that began in the middle of 2007 and then underwent a subsequent recovery. In general terms, in the early years of the crisis the volume of resources invested in investment funds declined significantly, as in the case of most financial assets, following several years of strong expansion. The contraction in assets under management in Europe and the United States was very similar, estimated at 20%, while in Spain the fall was sharper, reaching 31% (see figure 3). In addition, over the following two years, while the collective investment industry recovered lost ground in the United States and in Europe as a whole, with growth of over 15% in 2009 and around 10% in 2010, in Spain it continued with negative growth (-3% in 2009 and -16% in 2010). Assets under management continued to fall over 2011 and 2012, although at a slower rate, which led to a cumulative contraction in the period from 2008 to 2012 of practically 30%, to 154 billion euros. In contrast, although there was a slight fall in 2011 in the other two areas analysed, this reduction was more than offset in 2012 with increases of over 10% in each area.

It was not until 2013 that Spain left negative growth behind and recorded an increase in assets of 26%, well above those recorded in European and US investment

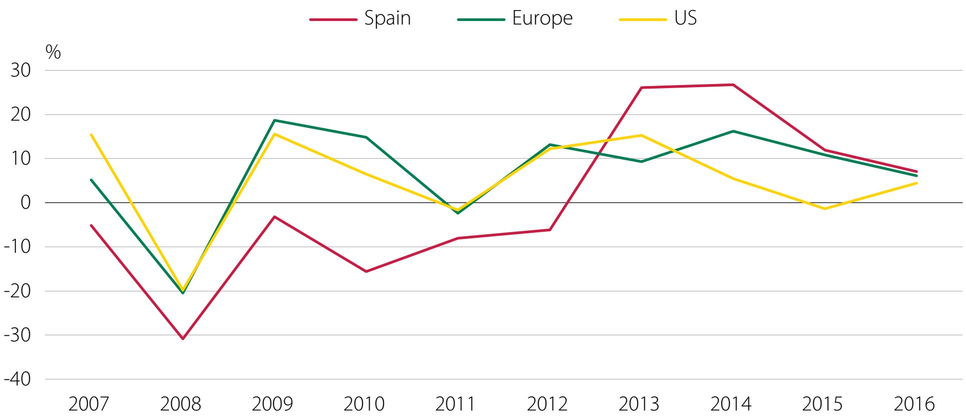
12 The most noteworthy new aspects of this directive are as follows: Firstly, management companies are required to comply with a series of obligations relating to organisational requirements, conflicts of interest, rules of conduct and risk management in order to obtain an EU passport through which they may manage a fund established in any Member State. Secondly, it eliminates the simplified prospectus and creates a new document (KID) that offers clearer and more standardised and concise information. With regard to the funds' investment policy, limits are established for investments from one single issuer. For more detailed information on the content of this directive, see Martínez-Blasco and Racanati (2010), "The UCITS IV Directive", CNMV bulletin, Quarter II.

13 The case of Luxembourg is somewhat different from the others. Thanks to the regulatory flexibility and stability offered by the country, together with somewhat laxer regulations than in most jurisdictions and simpler bureaucratic procedures, many funds domiciled there come from management companies of other Member States of the European Union. These funds are normally established so as to comply with UCITS regulations in order to be marketed in the home country of the management company or in another EU country. In Spain, over 70% of the investment volume of foreign CIS comes from Luxembourg.

funds, which saw increases of 9% and 15%, respectively. The trend was similar both in 2014 and in 2015: the volume of investment fund assets rose at higher rates in Spain than in the United States and Europe as a whole. The increase was similar in 2016, between 4% and 7% in the three economies analysed.

We can therefore conclude, and as shown in figure 3, that the consequences of the economic cycle in Spanish on fund investors were greater than those in the rest of Europe and the United States. Although the negative effects on Spanish investment funds during the financial crisis were much worse in terms of volume of assets, in recent years, characterised by progressive economic recovery, the volume of assets under management in Spain has increased at a greater rate than in the other two areas.

Growth rate of investment fund assets FIGURE 3

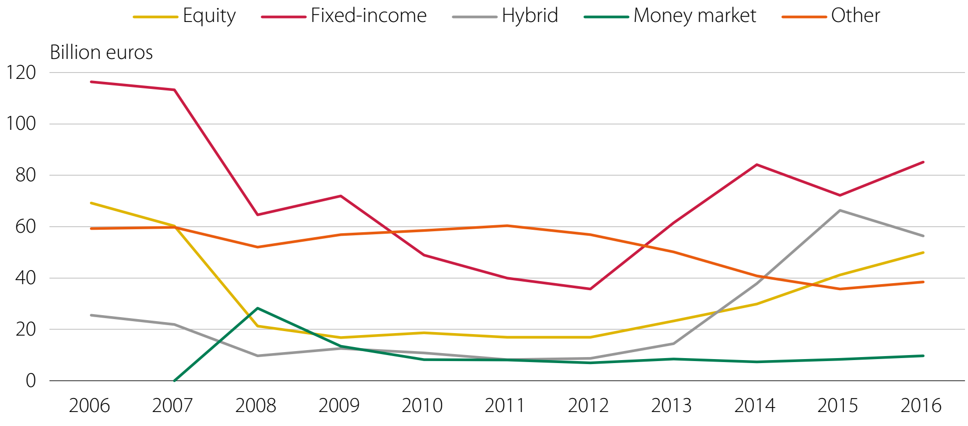


Sources: CNMV, EFAMA and Thomson Datastream.

If we analyse the movements in assets of the different types of investment fund, we can see substantial differences between the economies studied. Guaranteed funds, which are the most conservative funds, grew significantly in Spain over the years prior to the financial crisis, both in terms of assets and in terms of the supply of vehicles,[14] while from 2007 they began to contract slightly and then fell sharply between 2012 and 2015 (see figure 4, category "Other"). It should be mentioned that the performance of guaranteed fixed-income funds and guaranteed equity funds was very uneven. The assets of the former rose steadily until 2012, when they amounted to over 36 billion euros, and then fell to 8.6 billion euros in 2016. Assets managed by guaranteed equity funds fell from the highs of 2005 until 2015 (over this period they lost over 80% of the assets under management, falling to 9 billion euros). Asses then grew in 2016 by around 50%. This situation cannot be compared with those of the other economies as this category of fund, as mentioned above, does not exist in the United States and accounts for an extremely small proportion in the rest of Europe.

14 Between 2003 and 2007, the assets of guaranteed funds grew by 63%, while the number of vehicles grew by 39%.

Spanish investment fund assets FIGURE 4



Source: CNMV.

Money market funds, which had grown sharply up to 2008 in the United States, where they had a greater weight than in Europe, dropped significantly in 2009 and 2010, largely as a result of the problems that some of them suffered following the outbreak of the crisis (see figure 6), and then stabilised at between 15% and 20% of total assets under management by US investment funds. In Europe, with data exclusively on funds that comply with the UCITS Directive, these funds achieved their highest relative importance in 2009, accounting for 26% of total assets, and then fell until 2013, since when they have remained stable at around 13%. In Spain, assets managed by money market funds fell until 2012,[15] with significant annual falls which were sharper in 2008 and 2009 (-52% and -40%, respectively). The volume of their assets rose by 39% between 2012 and 2016.

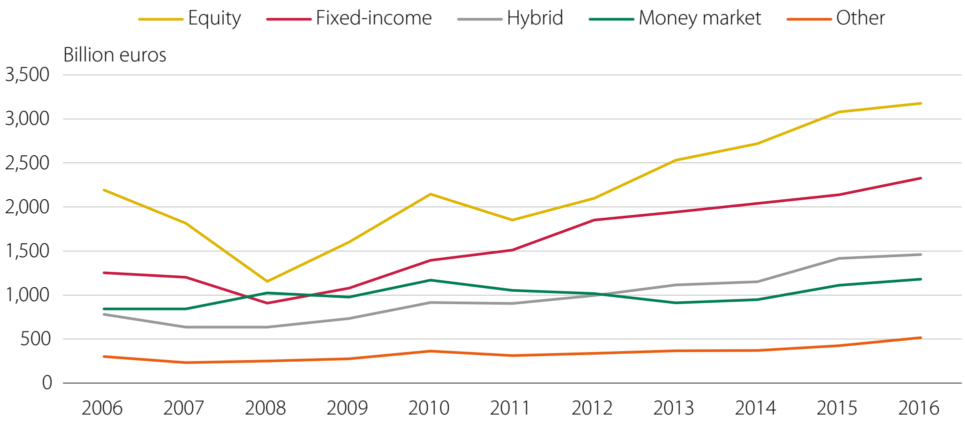
The movements in the assets of riskier funds (equity and hybrid funds), despite their differences according to jurisdiction, were not as uneven as in the case of conservative funds. Assets managed by these funds fell sharply until 2008, particularly in the last year, due to the significant devaluation suffered by their portfolio as a result of the poor performance of equity markets worldwide.[16] As from 2009, assets began to recover sharply in Europe and gradually in the United States, with the sole exception of 2011, when stock markets once again suffered significant falls (although not as sharp as in 2008). Consequently, between 2008 and 2016 the total assets of equity and hybrid funds practically doubled in Europe and rose by 78% in the United States (see figures 5 and 6).

15 There are no data on these funds in 2006 and 2007 as they belonged to the fixed-income category. During the months prior to entry into force of CNMV Circular 1/2009, of 4 February, they returned to their original name.

16 In 2008, the Ibex 35 fell by 39.4%, the Eurostoxx 50 by 44.4% and the Dow Jones by 33.8%.

Breakdown of the assets of European investment funds (UCITS)

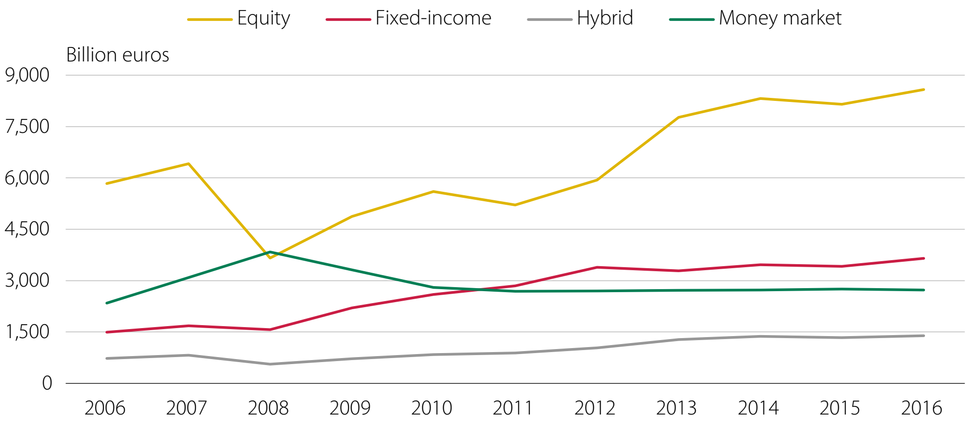
FIGURE 5



Source: EFAMA.

Breakdown of the assets of investment funds in the United States

FIGURE 6



Source: Thomson Datastream.

As from 2009, equity funds and hybrid funds in Spain performed somewhat differently to in the other economies. The assets of both remained practically constant between 2009 and 2012, with a slight fall in hybrid funds (see figure 4). It was only from 2013 that they started to grow notably, particular hybrid funds, which rose from a very low level to rank as second in importance, behind fixed-income funds.[17] In 2016, while the assets managed by equity funds continued to increase, mixed fund assets fell by 15%. Overall, the volume of assets managed by these investment funds tripled between 2013 and 2016.

Fixed-income funds, which as mentioned above are the funds which traditionally attract the highest volume of investor resources, accounted for 43% of total assets in 2006. Their assets began to fall progressively from 2006 to 2012, when they fell to second place, behind guaranteed funds. Within this period, assets under

17 These funds went from accounting for 6.9% of the total in 2012 to 29.6% in 2015. It was precisely in 2015 that they underwent their strongest growth, with assets under management rising from 38 billion euros at year-end 2014 to over 66 billion euros at year-end 2015.

management only increased in 2009 (estimated at 11%). The worst year of this negative cycle was 2008, when assets fell by more than 48 billion euros, to 43% of the figure for the previous year.

As from 2012, these funds grew sharply once again and in 2013 and 2014 they recovered part of the assets that they had lost, with cumulative growth over those two years of 135%, although at no time did they recover the volume of 2006.[18] They are therefore once again the funds that are most trusted by Spanish investors, with a relative weight of 36% in 2016.

3.2 Subscriptions and redemptions

The movements in assets under management described in the previous section can result from both subscriptions and redemptions by unit-holders in investment funds and as a result of the changes in the value of the investment portfolio.[19] Given that this article aims to analyse the behaviour of investors over the last decade, this section focuses on the inflows and outflows of investor resources in the funds and compares them in the three economies under analysis.

In Spain, investor subscriptions over the four or five years prior to the crisis were concentrated in the more conservative funds: Guaranteed funds, both fixed-income and equity, and fixed-income funds. Accordingly, the former, which were those which recorded the highest growth, rose from accounting for around 1% in 2002 to 22% in 2006. As mentioned above, the relative weight of the latter increased over the same period from 23% to 43%. Consequently, in 2006, at the start of the decade analysed in this article, these funds accounted for 65% of the total.

As from that year, investors began to make significant redemptions, which continued until 2009 in the case of guaranteed funds and until 2012 for fixed-income funds. One of the main reasons behind this behaviour over the first two or three years was the appeal of alternative products, especially bank deposits, in the context of competition between credit institutions to raise deposits. Although this rivalry affected all types of funds, it mainly affected the most conservative funds, as they compete more directly with deposits.

Until 2009, there were also outflows of resources in equity funds and mixed equity funds[20] as a consequence of the aforementioned bank competition, but above all as a result of the poor performance and instability in equity markets over the period, particularly in 2008.

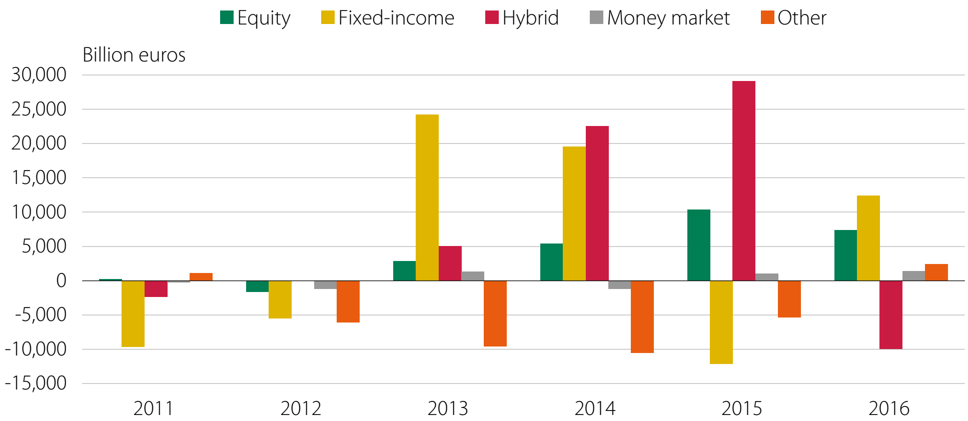
18 Assets under management in 2006 amounted to 116 billion euros, while at year-end 2016 they amounted to 85 billion euros.

19 The change in assets under management for a period is calculated using the following formula: Change in assets under management = Net subscriptions - Gross profits distributed + Net redemptions. In investment funds, gross profits distributed are zero in most periods, and when this is not the case, their value is fairly low and can therefore be ignored when explaining movements in assets.

20 In the case of mixed fixed-income funds, net redemptions only took place in 2006 and 2007, while in mixed equity funds this continued until 2009.

Investor behaviour in the other countries was different from that seen in Spain, although they also recorded the effects of instability in the markets and in the wider economy. Although the widespread withdrawal of money from funds by unit-holders did not take place in Europe until 2008, negative net subscriptions were already recorded in equity funds and fixed-income funds in the previous year. In 2009 and 2010, with the exception of money market funds, which underwent cumulative net redemptions over the two years of 178 billion euros, all categories once again recorded net inflows of resources.

Net subscriptions of investment funds in Spain FIGURE 7



Source: CNMV.

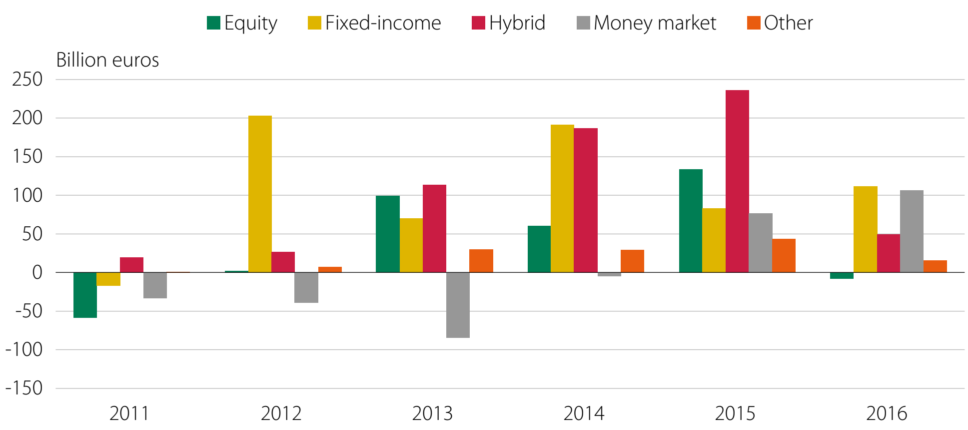
The United States recorded net inflows of resources every year between 2006 and 2010 in equity funds, fixed-income funds and hybrid funds, with the sole exception of equity funds in 2008. Particularly noteworthy was the investment in fixed-income funds, whose subscriptions were particularly high in 2009 and 2010, with almost 700 billion dollars over the two years. Part of these resources came from investors who were withdrawing their money en masse from money market funds following the problems suffered by these funds in the second half of 2008. In 2009 and 2010, unit-holders withdrew over 1 trillion dollars in net terms, following net investment of 1.6 trillion dollars between 2006 and 2008.

Following a period of relative calm, turmoil once again returned to the markets in 2011 with the so-called "sovereign debt crisis", with significant increases in risk premiums for European countries, particularly the peripheral countries, we saw investors once again withdraw resources from investment funds in Europe following two years of growth (see figure 8). In Spain, in contrast, although redemptions were significant, they were not even at half the level of those recorded in the previous year, when fixed-income funds alone suffered net redemptions of 23 billion euros. The outflows of resources in this category were partly influenced by the increase in the supply of term deposits with high returns offered by financial institutions.

In the United States, the aforementioned crisis generated in international markets only affected equity funds, to a small extent, and, above all, money market funds, which continued with the redemptions that began in 2008 (see figure 9).

Net subscriptions of investment funds in Europe (UCITS)

FIGURE 8



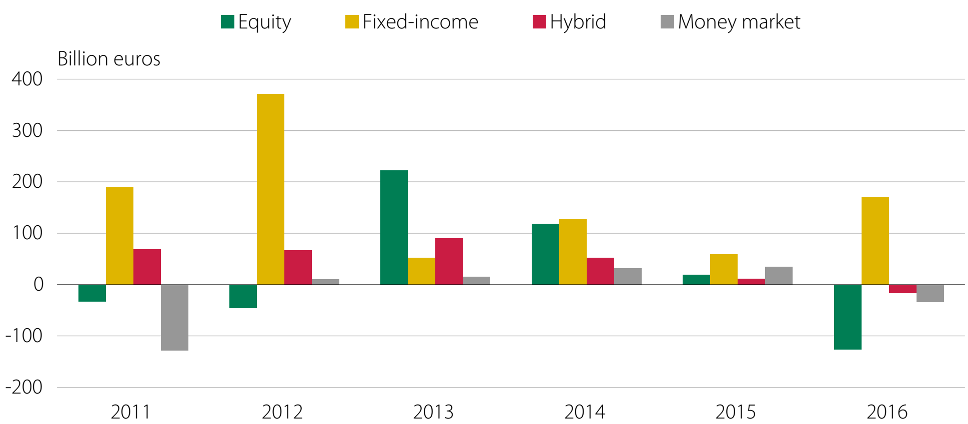
Source: EFAMA.

As from 2012, European investment funds once again recovered subscribers, although investors were somewhat cautious. As shown in figure 8, while net subscriptions in equity funds were practically non-existent, fixed-income funds recorded significant inflows of resources. Investor behaviour in the United States was very similar: The highest subscriptions by far were recorded in fixed-income funds, while equity funds underwent slight net redemptions.

In Spain, in contrast, it was not until 2013 that unit-holders made mass subscriptions in investment funds. Even in 2012, as shown in figure 7, all fund categories, without exception, suffered outflows of resources.

Net subscriptions of investment funds in the United States

FIGURE 9



Source: Thomson Datastream.

Between 2013 and 2015, with the start of the worldwide economic recovery, the different types of investment funds recorded significant generalised inflows of resources. In Spain and in the rest of Europe, the most significant subscriptions took place in fixed-income funds and hybrid funds and, to a lesser extent, in equity funds. In the United States, in contrast, investors preferred equity funds.

Even though these were extremely positive years for the industry, there were some exceptions to this general trend. In 2013 and 2014, there were still outflows of resources in Europe from money market funds, while in Spain investors continued making redemptions in guaranteed funds, once the guarantee matured, in order to invest in funds with a higher risk level: Fixed-income and hybrid funds. In 2015, there were outflows from fixed-income funds, whose returns were very low due to the context of extremely low interest rates, which continues today. At the opposite end, subscriptions in hybrid funds were very high, particularly in mixed fixed-income funds, which recorded net inflows of resources of almost 21 billion euros.

There were significant changes in 2016 with regard to the movements of the previous three years. In Spain, it seems that investors partially reversed the trend to increase the level of risk of their investments in funds. Accordingly, the assets managed by fixed-income funds rose as a consequence of new inflows of resources to the detriment of mixed funds, which recorded positive net redemptions. Something similar happened in Europe, with redemptions, although not very high, in the riskiest funds and subscriptions in the most conservative funds: Equity funds, following three very positive years, recorded net redemptions, while investors opted for fixed-income funds and money market funds as a result of the increase in market uncertainty and despite the low returns. In United States, only fixed-income funds recorded growth in assets under management as a result of net inflows of resources, partly due to the increase in interest rates in the US, particularly the shortest-term benchmark rates.

4 Conclusions

The profile of the Spanish investor in investment funds has traditionally been conservative compared with that of investors in other European countries and in the United States. This is demonstrated by the fact that at the end of 2016, only 21% of the assets in Spain were invested in equity funds, while in the United States this figure stood at 53%. Guaranteed funds, which are considered extremely conservative and which do not exist in many other European countries or in the United States, accounted for 40% of the total in 2012, a percentage which has gradually decreased. In other countries, the least risky investment is made in money market funds, a category which accounts for a very low proportion in Spain. In contrast, money market funds were extremely popular in the United States prior to the crisis, partly thanks to their high level of liquidity.

It is also important to highlight that Spain is one of the European countries that has most funds under the UCITS directive, which can therefore be marketed in the rest of the European Union. In terms of assets under management, these funds account for close to 80% of the total, while in the rest of Europe, assets in these funds account for around 60%, with significant differences between countries.

The investment funds of the three economies studied in this article suffered serious difficulties during the hardest times of the crisis, both as a result of the withdrawals of resources by investors and the devaluation of their portfolios. However, the investment fund industry rallied as from 2009 in Europe (not in every country) and in the United States, while in Spain redemptions by unit-holders continued for two or three years across all types of funds with the sole exception of guaranteed funds.

As from 2013, when the economy started to overcome the crisis, it was in Spain that the expansion in investment funds was strongest, with annual growth in assets under management that exceeded 25% in 2013 and 2014. In addition, partly as a result of the context of extremely low interest rates both in Spain and the rest of Europe, investors made subscriptions in funds considered to be of medium-high risk to the detriment of safer funds.

III Legislative annex

New legislation since publication of the CNMV bulletin corresponding to March-May 2017 is as follows:

Spanish legislation

– Royal Decree-Law 11/2017, of 23 June, on urgent financial measures.

  This Royal Decree-Law regulates a series of urgent measures relating to the financial sector in order to allow certain credit institutions to adopt policies and strategies to improve their resilience with regard to the risks that might arise in the performance of their activity and to facilitate compliance with the requirements established by new financial regulation and to adapt it to international and European standards.

  The Royal Decree-Law expressly incorporates into the legal regime for credit cooperatives the possibility of integration into institutional protection systems provided for under European law by adopting a series of measures aimed at facilitating the establishment of such systems and strengthening their effective operation. Following international standards, it also introduces a special feature in the insolvency regime for credit institutions and investment firms by distinguishing between preferential and non-preferential loans within the category of ordinary loans.

  To this end, this legislation amends Law 13/1989, of 26 May, on Credit Cooperatives, Royal Decree-Law 16/2011, of 14 October, which creates the Credit Institutions' Deposit Guarantee Fund, Law 11/2015, of 18 June, on recovery and resolution of credit institutions and investment firms and the Recast Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October.

  Article 217.3(c) of the Recast Text of the Securities Market Act is amended such that the debt financial instruments issued by credit institutions or investment firms which are in turn eligible for bail-ins in a resolution context shall not be considered non-complex products. This therefore provides greater investor protection in line with the new resolution legislation framework created at a European level.

  This Royal Decree-Law entered into force on the day following that of its publication in the BOE (Official State Gazette).

– Order HFP/633/2017, of 28 June, approving the forms for powers of attorney that may be registered in the Central Government's Electronic Register of Powers of Attorney and the electronic register of powers of attorney of local authorities and establishing the valid signature systems for performing *apud acta* powers of attorney by electronic means.

In accordance with Article 6.4 of Law 39/2015, of 1 October, on the Common Administrative Procedure of the Public Authorities, these power of attorney forms are separated into different legally established categories:

a) A general power of attorney so that the proxy can act on behalf of the principal in any administrative action and before any public authority. Form 1, which is included in Annex I to the Order.

b) A power of attorney so that the proxy may act on behalf of the principal in any administrative action before a specific public authority, entity or body. Form 2, which is included in Annex II to the Order.

c) A power of attorney so that the proxy may act on behalf of the principal solely for the performance of certain procedures specified in the power of attorney. Form 3, which is included in Annex III to the Order.

d) Form 4, which is included in Annex IV to the Order, to revoke the powers of attorney granted.

This Order shall enter into force on 2 January 2018. Annexes I, II III of Order HAP/1637/2012, of 5 July, regulating the Electronic Register of Powers of Attorney are expressly repealed.

– Royal Decree 683/2017, of 30 June, amending the Regulation on Corporate Income Tax, approved by Royal Decree 634/2015, of 10 July, in relation to credit risk hedging in financial institutions.

Noteworthy is the seventh transitional provision added to this Royal Decree, which establishes for the securitisation funds referred to in Title III of Law 5/2015, of 27 April, on promoting business financing, the transitional application of Article 9 of the Regulation as worded to that date, as the accounting standards for this type of entity have not been subject to any amendment similar to those implemented in the case of Bank of Spain Circular 4/2004 on public and confidential financial reporting standards and financial statement formats.

"Seventh transitional provision. Impairment of debt instruments of securitisation funds.

"As long as the original wording of CNMV Circular 2/2016, of 20 April, on accounting standards, annual reports, public financial statements and confidential statements of statistical information of securitisation funds remains in force with regard to the impairment of debt instruments measured at amortised cost of the securitisation funds referred to in Title III of Law 5/2015, of 27 April, on promoting business financing, the deductibility of the recorded impairment will be determined by applying the criteria established in Article 9 of this Regulation in the wording in force at 31 December 2015."

– Internal Regulation of the CNMV, of the Regulation approved by Resolution of the CNMV Board on 10 July 2003 (Official State Gazette 18/07/2003) as amended by the following Resolutions of the CNMV Board: 14 December 2004 (Official State Gazette 29/12/2004), 16 May 2007 (Official State Gazette 31/05/2007), 5 November 2008 (Official State Gazette 20/11/2008), 21 January 2009 (Official State Gazette 27/01/2009), 7 July 2010 (Official State Gazette 15/07/2010), 2 October 2013 (Official State Gazette 2/11/2013), 26 May 2015 (Official State Gazette 06/06/2015), 20 April 2016 (Official State Gazette 6/05/2016), 7 February 2017 (Official State Gazette 10/02/2017) and 25 July 2017 (Official State Gazette 31/07/2017).

The main aim of the amendment to the CNMV's Internal Regulation is to place the Information Systems Department directly under the control of the CNMV's vice-chairperson instead of the chairperson.

The reason behind this change is the special attention that the CNMV wishes to place on the Information Systems Department (Articles 27 and 32).

Some minor changes have been introduced in the list of functions of the Directorates (including the possibility that the Director-General of Entities may perform low-scale registrations in the administrative registry, such as those resulting from simple document verifications and those relating to supervised entities) and to correct some errata in the part of the Internal Regulation relating to the CNMV's organisation.

European legislation

– Commission Implementing Regulation (EU) 2017/953, of 6 June 2017, laying down implementing technical standards with regard to the format and the timing of position reports by investment firms and market operators of trading venues pursuant to Directive 2014/65/EU, of the European Parliament and of the Council, on markets in financial instruments.

– Commission Implementing Regulation (EU) 2017/954, of 6 June 2017, on the extension of the transitional periods related to own funds requirements for exposures to central counterparties set out in Regulation (EU) No. 575/2013 and Regulation (EU) No. 648/2012, of the European Parliament and of the Council.

  Implementing Regulation (EU) 2017/954 establishes that the 15-month periods referred to in Article 497(2) of Regulation (EU) No. 575/2013 related to own funds requirements for exposures to central counterparties, and in the second subparagraph of Article 89(5a) of Regulation (EU) No. 648/2012 related to transitional provisions, are extended by an additional six months.

  This Regulation was published on 7 June 2017 and entered into force on the third day following that of its publication in the Official Journal of the European Union.

– Commission Delegated Regulation (EU) 2017/979, of 2 March 2017, amending Regulation (EU) No. 648/2012, of the European Parliament and of the Council, on OTC derivatives, central counterparties and trade repositories with regard to the list of exempted entities.

This Commission Delegated Regulation establishes that central banks and other public bodies charged with or intervening in the management of public debt in Australia, Canada, Hong Kong, Mexico, Singapore and Switzerland should be exempted from the clearing and reporting requirements laid down in Regulation (EU) No. 648/2012.

– Commission Implementing Regulation (EU) 2017/980, of 7 June 2017, laying down implementing technical standards with regard to standard forms, templates and procedures for cooperation on supervisory activities, on-site verifications, and investigations, and the exchange of information between competent authorities in accordance with Directive 2014/65/EU, of the European Parliament and of the Council.

– Commission Implementing Regulation (EU) 2017/981, of 7 June 2017, laying down implementing technical standards with regard to standard forms, templates and procedures for the consultation of other competent authorities prior to granting an authorisation in accordance with Directive 2014/65/EU, of the European Parliament and of the Council.

– Commission Implementing Regulation (EU) 2017/988, of 6 June 2017, laying down implementing technical standards with regard to standard forms, templates and procedures for cooperation arrangements in respect of a trading venue whose operations are of substantial importance in a host Member State.

– Commission Implementing Regulation (EU) 2017/1005, of 15 June 2017, laying down implementing technical standards with regard to the format and timing of communications and the publication of the suspension and removal of financial instruments pursuant to Directive 2014/65/EU, of the European Parliament and of the Council, on markets in financial instruments.

– Commission Delegated Regulation (EU) 2017/1018, of 29 June 2016, supplementing Directive 2014/65/EU, of the European Parliament and of the Council, on markets in financial instruments with regard to regulatory technical standards specifying information to be notified by investment firms, market operators and credit institutions.

This Regulation shall apply to: (i) investment firms; (ii) market operators operating a multilateral trading facility (MTF) or an organised trading facility (OTF), and (iii) authorised credit institutions which provide one or more investment services or perform investment activities, and wish to use tied agents under: (a) the right of freedom to provide investment services and activities, and (b) the right of establishment. The Delegated Regulation establishes the information to be notified: (i) for the purposes of the investment services and activities passport notification; (ii) concerning the change of investment services and activities particulars; (iii) concerning arrangements to facilitate access to an MTF or OTF, and (iv) concerning the change of branch or tied agent particulars. It also establishes the information that must be included in the branch passport notification or tied agent passport notification.

This Delegated Regulation was published in the Official Journal of the European Union on 17 June 2017, establishing a *vacatio legis* of 20 days from its publication. It shall start to apply as from 3 January 2018.

– Commission Implementing Regulation (EU) 2017/1093, of 20 June 2017, laying down implementing technical standards with regard to the format of position reports by investment firms and market operators.

  This Implementing Regulation (EU) 2017/1093 establishes the formats (by means of annexes) that must be used in the weekly and daily reports on positions in commodity derivatives or emission allowances or derivatives thereof traded on trading venues by investment firms and market operators operating a trading venue.

– Commission Implementing Regulation (EU) 2017/1105, of 12 June 2017, establishing the forms referred to in Regulation (EU) 2015/848, of the European Parliament and of the Council, on insolvency proceedings.

– Commission Implementing Regulation (EU) 2017/1110, of 22 June 2017, laying down implementing technical standards with regard to the standard forms, templates and procedures for the authorisation of data reporting services providers and related notifications pursuant to Directive 2014/65/EU, of the European Parliament and of the Council, on markets in financial instruments.

– Commission Implementing Regulation (EU) 2017/1111, of 22 June 2017, laying down implementing technical standards with regard to procedures and forms for submitting information on sanctions and measures in accordance with Directive 2014/65/EU, of the European Parliament and of the Council.

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

  The European Parliament and the Council approved, on 5 April and 16 May 2017, respectively, the Regulation on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC. The main new aspects of the Prospectus Regulation include:

  (a) The exemptions from the obligation to publish a prospectus:

    i. The amount from which publication is mandatory is lowered from 5 million euros to 1 million euros (which may be extended to 8 million euros by the Member States depending on the size of their markets).

    ii. It extends the scope to admissions to trading of securities fungible with securities already admitted to trading on a regulated market, and it raises the limit of the proportion that these securities may represent of the number of securities already admitted to trading to 20% (previously, 10%).

iii. In certain cases, admissions to trading resulting from the conversion or exchange of other securities from the exercise of the rights conferred by other securities will be exempt from publication of a prospectus where the resulting shares are of the same class as the shares already admitted to trading on the same regulated market and provided they represent less than 20% of the number of shares already admitted (previously there was no limit).

iv. An exemption is provided in the case of an admission to trading in a regulated market of securities resulting from the conversion or exchange of other securities, own funds or eligible liabilities by a resolution authority due to the exercise of powers under Directive 2014/59/EU.

v. Publication of a prospectus will not be mandatory in the case of non-equity securities issued in a continuous or repeated manner by a credit institution where the total aggregated consideration in the European Union for the securities offered is less than 75 million euros (over a period of 12 months) provided that the securities meet two conditions.

(b) The provision that the issuer, offeror or person asking for admission to trading on a regulated market may voluntarily draw up a prospectus in accordance with the Regulation in the event of any of the exemptions provided.

(c) With regard to the summary:

i. Publication of a summary will not be required when the prospectus relates to the admission to trading on a regulated market of non-equity securities, or when the securities are only to be traded on a regulated market, or a specific segment thereof, to which only qualified investors can have access, or when the securities have a minimum unit value of 100,000 euros.

ii. The summary will be of a maximum length of seven sides of A4-sized paper when printed and the maximum number of risk factors to be included in the summary shall not exceed 15.

iii. Where a key information document is required to be prepared under Regulation (EU) 1286/2014, the issuer, the offeror or the person asking for admission to trading on a regulated market may substitute the content of the summary with the information set out in the aforementioned Regulation (EU) 1286/2014. For their part, the Member States may require that the content of the summary be replaced by the information set out in the aforementioned Regulation.

(d) The Regulation specifies for the first time the risk factors, which must be presented in categories depending on their nature and ordered according to their materiality. It provides that:

   i. The risk factors should be limited to those which the issuer considers to be of most relevance to the investor and the securities when making an investment decision. The prospectus shall not include risks that are generic or which only aim to limit the liability of the issuer.

   ii. The importance of the risk factors presented should be assessed according to the probability of their occurrence and expected magnitude of their negative impact (on a qualitative scale of low, medium or high).

   iii. In each risk factor category that is established, the most material risk factor shall be mentioned first according to the assessment provided for in the above paragraph.

   iv. Risk factors shall also include those resulting from the level of subordination of the security and the impact on expected size or timing of payments to holders of the securities in the event of bankruptcy, or any other similar procedure, including, where relevant, the insolvency of the credit institution or its resolution or restructuring in accordance with Directive 2014/59/EU.

(e) The introduction of a universal registration document, which, once approved by the competent national authority for two consecutive years, will allow the issuer to file successive documents without the need for prior approval.

(f) It adds a simplified disclosure regime for secondary issuances.

(g) It includes the EU Growth Prospectus in order to facilitate access to funding and to reduce the cost of preparing the prospectus for entities which do not have securities admitted to trading (i.e. SMEs, issuers other than SMEs whose securities are traded on an SME growth market, and issuers whose offer of securities to the public does not exceed 20 million euros).

This Regulation entered into force on the twentieth day following that of its publication in the Official Journal of the European Union.

With certain exceptions, Member States shall take the necessary measures for general compliance with the Regulation no later than 21 July 2019.

– Regulation (EU) 2017/1131, of the European Parliament and of the Council, of 14 June 2017, on money market funds (MMFs).

This Regulation incorporates measures to regulate, in a uniform manner throughout the EU, the operation of MMFs, the composition of their portfolios and the measures to be taken in response to possible runs by investors on MMFs.

This Regulation entered into force on the twentieth day following that of its publication in the Official Journal of the European Union, and shall apply, with certain exceptions, as from 21 July 2018.

- Commission Implementing Regulation (EU) 2017/1421, of 2 August 2017, laying down technical information for the calculation of technical provisions and basic own founds for reporting with reference dates from 30 June until 29 September 2017, in accordance with Directive 2009/138/EC, of the European Parliament and of the Council, on the taking-up and pursuit of the business of Insurance and Reinsurance.

- Commission Implementing Regulation (EU) 2017/1469, of 11 August 2017, laying down a standardised presentation format for the insurance product information document.

- Corrigendum to Commission Delegated Regulation (EU) 2017/653, of 8 March 2017, supplementing Regulation (EU) No 1286/2014, of the European Parliament and of the Council, on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents.

- Corrigendum to Commission Delegated Directive (UE) 2017/593, of 7 April 2016, supplementing Directive 2014/65/EU, of the European Parliament and of the Council, with regard to the safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or receipt of fees, commissions or any monetary or non-monetary benefits.

- Commission Implementing Regulation (EU) 2017/1443, of 29 June 2017, amending Implementing Regulation (EU) No 680/2014, laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013, of the European Parliament and of the Council.

- Commission Implementing Regulation (EU) 2017/1486, of 10 July 2017, amending Implementing Regulation (EU) 2016/2070 as regards benchmarking portfolios and reporting instructions.

Other legislation

- Resolution of 7 June 2017 of the Governing Committee of the Fund for Orderly Bank Restructuring, agreeing to adopt the measures required to implement the Decision of the Single Resolution Board in its Extended Executive Session of 7 June 2017 concerning the adoption of the resolution scheme in respect of Banco Popular Español, S.A., in accordance with Article 29 of Regulation (EU) No. 806/2014, of the European Parliament and of the Council, of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010.

The FROB therefore implements the measures agreed by the Single Resolution Board in its adopted resolution scheme. The SRB has established that Banco Popular meets the legislative conditions for resolution as the bank is failing or likely to fail with no reasonable prospect that any alternative private sector measure will prevent its failure within a reasonable timeframe and that said resolution action will be necessary in the public interest.

– Technical Guide 4/2017 for the assessment of the knowledge and competence of staff giving information and advice to investors.

Article 193 of the Recast Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, transposing Article 13.2 of Directive 2004/39 (MiFID I), relating to the internal organisational requirements, provides that investment firms and other institutions that provide investment services must establish and implement appropriate policies and procedures to ensure that the firm, its managers, its staff and its agents fulfil the obligations imposed on them by Securities Market legislation.

Furthermore, CNMV Circular 1/2014, of 26 February, on the internal organisational requirements and control functions of institutions that provide investment services, lays down and specifies the organisational structure and the internal control requirements of institutions that provide investment services in order to ensure that, in general, their organisation covers the range of services that they provide. The procedural guide on internal control functions drawn up by the CNMV as a consequence of the publication of that Circular states that institutions subject to its provisions should have staff training and ongoing assessment procedures to ensure that they act honestly, impartially and professionally in the best interests of clients. The guide also indicates that the procedures should provide for periodic assessments of employees so that they do not provide investment services without the appropriate required training and experience.

In addition, Directive 2014/65/EU (MiFID II), along lines similar to MiFID I but in more specific terms, provides in Articles 24.2 and 25 that investment firms must understand the features of the financial instruments that they offer or recommend to clients and that, for this purpose, Member States must require such firms to ensure and show the competent authorities that the persons who give information or advice to clients have the knowledge and competence necessary to fulfil their obligations. For this purpose, Member States shall publish the criteria used to assess such knowledge and competence. In conclusion, MiFID II expressly establishes the obligation for the staff that provide advice or information to have the necessary knowledge and competence and provides that Member States shall publish the criteria used for assessing them.

In view of the above, the European Securities and Markets Authority (ESMA) published, on 22 March 2016, "Guidelines for the assessment of knowledge and competence of staff that give information and advice", which will be applicable from 1 January 2018.

This Technical Guide, taking into account these ESMA Guidelines, specifies the criteria that the CNMV considers appropriate so that institutions may show that the staff that give information or that give advice on investment services have the necessary knowledge and competence.

The objective is for investors to understand the risks inherent to the products they invest in, for which purpose it is necessary for the person that offers such products to them to have the necessary knowledge to understand them and to know how to explain them and to assess whether they are appropriate or suitable for each client, which must be ensured by institutions that provide investment services. Although the possession of appropriate knowledge by the person giving information or advice is not a guarantee of adequate provision of the service, it constitutes an essential requirement for this purpose.

Following a report from its Advisory Committee, the CNMV Board approved this Technical Guide on 27 June 2017, pursuant to the provisions of Article 21.3 and 21.4 of the Recast Text of the Securities Market Act. The CNMV will apply the measures and criteria contained in the Guide from January 2018.

– Technical Guide 3/2017 on audit committees at public-interest entities.

One of the most significant and novel recommendations of the Olivencia Code – Spain's earliest good corporate governance code, published almost 20 years ago – was that listed companies should create within the board of directors an audit committee comprised exclusively of non-executive directors with the role of monitoring and scrutiny of accounting and financial reporting and oversight of relations with the external auditor. Since that time, as in other countries, audit committees have acquired increasing importance in the corporate governance of commercial companies and other entities forming the Spanish business world.

In 2002, the recommendation to have an audit committee in place became a statutory obligation for issuers of listed securities. In 2015, Law 22/2015, of 20 July, on Account Auditing, which gave the CNMV supervisory powers in this domain, extended the duty, with some exceptions, to "public interest entities" (PIEs), a category that mainly includes, in addition to listed companies, certain financial institutions subject to supervision and enterprises that exceed a given size threshold.

Both the Law on Account Auditing and the Capital Companies Act set out rules on the composition, functioning and duties of audit committees. As regards listed companies, those rules are supplemented by a range of recommendations in the 2015 Good Governance Code of Listed Companies. These rules and recommendations combined provide a relatively detailed framework. However, past experience of how audit committees work in practice and ongoing dialogue between the CNMV and companies, banks, audit firms, audit professionals and other Spanish and foreign supervisory bodies have brought to light certain doubts about the scope of the committees' functions and responsibilities, and a range of good practices have been identified which ought to be made widely known. Therefore, the Technical Guide provides additional considerations, which may be particularly useful for PIEs which until the entry into force of the Law on Account Auditing were not under a duty to set up an audit committee.

At any event, given the wide diversity of entities to which this Guide is addressed, it should first be noted that PIEs must adapt the principles and recommendations to their own specific circumstances and features, according to their size, complexity and the industries in which they operate. Moreover, some PIE and financial institutions in particular are subject to specific sector requirements that may affect the content or scope of some of the criteria or recommendations.

Following a report from its Advisory Committee, the CNMV Board approved said Technical Guide on 27 June 2017, pursuant to the provisions of Article 21.3 and 21.4 of the Recast Text of the Securities Market Act, approved by means of Royal Legislative Decree 4/2015, of 23 October.

Technical Guide 3/2017 sets out the core principles that audit committees should take into account in the performance of their duties. These principles are responsibility, scepticism, constructive dialogue between its members and ongoing dialogue with the internal audit, the account auditor and management and sufficient capacity for analysis with the ability to use experts.

It also establishes a set of criteria and good practices that audit committees must observe when they perform their functions of oversight and advice to the board of directors, which generally reproduce the recommendations contained in the Good Governance Code of Listed Companies. Application of these criteria and good practices may be adjusted in accordance with the principle of proportionality, according to the scale and complexity of the entity as well as its business and the sectors in which it operates.

– Questions and answers related to audit committees in public interest entities.

– Operational Guide for Transaction Reporting under MiFIR (Markets in Financial Instruments Regulation).

– Guidelines on calibration of circuit breakers and publication of trading halts under MiFID II.

– Joint announcement by CNMV and the Bank of Spain on the migration of IBERCLEAR to the platform TARGET2-SECURITIES (T2S).

– Guidelines on CSD participant default rules and procedures and access by a CSD to the transaction feeds of CCPs and trading venues.

– Update of ESMA guidelines on transaction reporting, order record keeping and clock synchronisation under MiFID II.

IV Statistics annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

				2016		2017		
	2014	2015	2016	III	IV	I	II	III[2]
NO. OF ISSUERS								
Total	49	50	45	13	18	16	16	15
Capital increases	47	45	45	13	18	15	13	15
Primary offerings	6	0	3	0	0	1	1	1
Bonus issues	19	17	18	6	8	4	2	6
Of which, scrip dividend	12	12	12	4	5	4	2	4
Capital increases by conversion	9	6	8	2	5	1	1	0
For non-monetary consideration	3	3	3	1	1	3	2	2
With pre-emptive subscription rights	5	12	11	2	1	2	1	2
Without trading warrants	18	16	11	2	4	5	6	4
Secondary offerings	4	6	2	0	0	2	3	0
NO. OF ISSUES								
Total	143	111	81	14	23	27	18	16
Capital increases	136	99	79	14	23	25	14	16
Primary offering	8	0	4	0	0	1	1	1
Bonus issues	37	28	25	6	8	4	2	6
Of which, scrip dividend	28	22	19	4	5	4	2	4
Capital increases by conversion	29	23	17	2	7	1	1	0
For non-monetary consideration	5	3	4	2	1	3	3	2
With pre-emptive subscription rights	5	15	11	2	1	2	1	2
Without trading warrants	52	30	18	2	6	14	6	5
Secondary offerings	7	12	2	0	0	2	4	0
CASH VALUE (million euro)								
Total	32,759.2	37,065.5	20,251.7	1,953.7	4,154.3	8,723.5	11,067.7	8,587.6
Capital increases	27,872.3	28,733.9	19,745.1	1,953.7	4,154.3	7,364.2	10,049.8	8,587.6
Primary offerings	2,951.5	0.0	807.6	0.0	0.0	100.0	687.5	68.8
Bonus issues	12,650.8	9,627.8	5,898.3	1,146.3	2,552.1	1,084.4	850.3	1,149.6
Of which, scrip dividend	12,573.8	9,627.8	5,898.3	1,146.3	2,552.1	1,084.4	850.3	1,149.6
Capital increases by conversion	3,645.6	1,868.7	2,343.9	386.7	76.3	0.1	23.6	0.0
For non-monetary consideration[3]	2,811.3	365.2	1,791.7	238.2	1,502.6	58.0	8,122.6	238.8
With pre-emptive subscription rights	2,790.8	7,932.6	6,513.3	174.8	4.6	185.3	11.7	7,102.9
Without trading warrants	3,022.2	8,939.7	2,390.2	7.7	18.6	5,936.4	354.1	27.6
Secondary offerings	4,886.9	8,331.6	506.6	0.0	0.0	1,359.3	1,018.0	0.0
NOMINAL VALUE (million euro)								
Total	4,768.5	4,253.4	4,206.1	338.5	522.6	731.5	970.2	1,039.4
Capital increases	4,472.6	3,153.3	4,189.8	338.5	522.6	353.8	851.0	1,039.4
Primary offerings	626.7	0.0	28.2	0.0	0.0	60.8	625.0	62.5
Bonus issues	1,258.2	946.6	877.8	122.7	351.8	106.1	51.0	109.3
Of which, scrip dividend	1,110.0	785.8	708.0	119.7	326.5	106.1	51.0	91.8
Capital increases by conversion	784.3	89.6	648.0	46.0	21.5	0.0	0.0	17.5
For non-monetary consideration	311.0	146.6	248.9	94.8	146.7	17.6	70.8	80.7
With pre-emptive subscription rights	1,185.7	1,190.7	1,403.0	72.6	0.9	54.5	11.7	759.6
Without trading warrants	306.7	779.8	983.9	2.4	1.7	114.8	92.5	9.9
Secondary offerings	295.9	1,100.2	16.3	0.0	0.0	377.7	119.2	0.0
Pro memoria: Transactions MAB[4]								
No. of issuers	9	16	15	8	7	2	6	1
No. of issues	15	18	21	8	7	2	6	1
Cash value (million euro)	130.1	177.8	219.7	178.2	30.1	2.2	84.2	10.9
Capital increases	130.1	177.8	219.7	178.2	30.1	2.2	84.2	10.9
Of which, primary offerings	5.0	21.6	9.7	7.3	2.4	0.0	14.1	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: August 2017.
3 Capital increases for non-monetary consideration are valued at market prices.
4 Unregistered transactions at the CNMV. Sources: BME and CNMV.

Companies listed[1]

TABLE 1.2

				2016		2017		
	2014	2015	2016	III	IV	I	II	III[2]
Total electronic market[3]	129	129	130	132	130	131	131	133
Of which, without Nuevo mercado	129	129	130	132	130	131	131	133
Of which, Nuevo mercado	0	0	0	0	0	0	0	0
Of which, foreign companies	8	7	7	7	7	7	7	7
Second Market	6	5	5	5	5	5	5	4
Madrid	2	2	2	2	2	2	2	1
Barcelona	4	3	3	3	3	3	3	3
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry ex SICAVs	20	18	14	15	14	14	13	13
Madrid	9	8	5	6	5	5	5	5
Barcelona	12	10	8	9	8	8	7	7
Bilbao	7	6	5	5	5	5	5	5
Valencia	4	3	3	3	3	3	3	3
Open outcry SICAVs	0	0	0	0	0	0	0	0
MAB[4]	3,269	3,429	3,336	3,397	3,336	3,235	3,109	3,060
Latibex	26	21	20	20	20	20	20	20

1 Data at the end of period.
2 Available data: August 2017.
3 Without ETFs (Exchange Traded Funds).
4 Alternative Stock Market.

Capitalisation[1]

TABLE 1.3

				2016		2017		
Million euro	2014	2015	2016	III	IV	I	II	III[2]
Total electronic market[3]	735,317.8	766,335.7	779,123.8	727,943.2	779,123.8	869,728.4	885,440.4	877,795.6
Of which, without Nuevo mercado	735,317.8	766,335.7	779,123.8	727,943.2	779,123.8	869,728.4	885,440.4	877,795.6
Of which, Nuevo mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies[4]	132,861.1	141,695.3	151,043.2	134,605.9	151,043.2	168,755.6	169,579.3	168,073.5
Ibex 35	479,378.5	477,521.1	484,059.2	451,319.1	484,059.2	542,678.3	545,738.5	546,005.6
Second Market	30.2	20.6	114.1	114.8	114.1	106.7	99.9	46.2
Madrid	15.8	20.6	72.0	72.5	72.0	74.1	62.3	8.7
Barcelona	14.4	0.0	42.1	42.3	42.1	32.6	37.6	37.6
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry ex SICAVs	2,466.6	1,040.3	1,291.6	1,418.3	1,291.6	1,371.4	1,269.4	1,357.7
Madrid	376.5	296.9	289.9	340.6	289.9	270.2	248.2	290.2
Barcelona	2,356.5	887.7	1,136.6	1,263.6	1,136.6	1,215.1	1,113.3	1,201.5
Bilbao	162.5	943.3	54.0	58.0	54.0	319.0	289.7	324.4
Valencia	326.4	150.0	349.2	325.3	349.2	55.4	53.6	53.6
Open outcry SICAVs[5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB[5,6]	34,306.0	37,258.5	38,580.8	38,154.1	38,580.8	39,711.8	39,625.5	41,061.1
Latibex	286,229.2	116,573.4	198,529.6	172,399.6	198,529.6	212,625.4	194,968.9	212,561.6

1 Data at the end of period.
2 Available data: August 2017.
3 Without ETFs (Exchange Traded Funds).
4 Foreign companies capitalisation includes their entire shares, whether they are deposited in Spain or not.
5 Calculated only with outstanding shares, not including treasury shares, because capital stock is not reported until the end of the year.
6 Alternative Stock Market.

Trading

TABLE 1.4

Million euro	2014	2015	2016	2016 III	2016 IV	2017 I	2017 II	2017 III[1]
Total electronic market[2]	864,443.5	938,396.7	635,797.8	117,753.5	136,322.8	155,700.1	202,525.7	84,869.1
Of which, without Nuevo mercado	864,443.5	938,396.7	635,797.8	117,753.5	136,322.8	155,700.1	202,525.7	84,869.1
Of which, Nuevo mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies	14,508.9	12,417.7	6,018.0	1,539.1	1,632.3	2,535.0	1,911.0	977.8
Second Market	0.7	13.8	3.1	2.4	0.3	0.1	0.4	0.0
Madrid	0.5	13.7	2.7	2.4	0.3	0.1	0.3	0.0
Barcelona	0.2	0.1	0.4	0.0	0.0	0.1	0.1	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry ex SICAVs	92.5	246.1	7.4	0.5	1.4	4.7	0.8	0.4
Madrid	32.6	19.4	3.2	0.1	0.5	1.6	0.7	0.1
Barcelona	45.2	219.1	4.2	0.4	0.8	3.1	0.6	0.3
Bilbao	14.3	7.5	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry SICAVs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB[3]	7,723.3	6,441.7	5,055.1	1,021.7	1,845.9	1,396.0	1,261.8	538.1
Latibex	373.1	258.7	156.4	26.5	58.9	71.2	31.3	7.7

1 Available data: August 2017.
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	2014	2015	2016	2016 III	2016 IV	2017 I	2017 II	2017 III[2]
Regular trading	831,962.6	903,397.2	619,351.6	109,836.1	129,322.9	150,670.1	196,224.5	82,603.5
Orders	453,294.9	475,210.0	346,980.8	66,942.5	82,994.9	86,616.7	95,087.3	49,932.2
Put-throughs	73,056.9	96,187.7	68,990.5	11,354.0	13,517.3	12,962.0	14,615.0	7,516.9
Block trades	305,610.8	331,999.5	203,380.2	31,539.5	32,810.8	51,091.4	86,522.2	25,154.4
Off-hours	7,568.8	3,137.9	1,996.2	260.6	995.9	500.8	500.7	229.9
Authorised trades	7,808.9	14,885.5	12,667.0	6,382.6	3,237.3	2,795.2	2,803.5	1,243.3
Art. 36.1 SML trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	175.3	4,360.1	788.4	788.4	0.0	56.1	184.9	146.6
Public offerings for sale	6,143.4	4,266.8	777.5	0.0	0.0	0.0	1,000.7	0.0
Declared trades	410.9	203.6	37.3	37.3	0.0	0.0	0.0	0.0
Options	6,954.1	5,964.2	5,408.3	82.4	2,104.6	943.5	1,088.4	231.3
Hedge transactions	3,419.5	2,181.4	1,833.8	366.0	662.1	734.4	723.0	310.4

1 Without ETFs (Exchange Traded Funds).
2 Available data: August 2017.

1.2 Fixed-income

Gross issues registered at the CNMV

TABLE 1.6

				2016		2017		
	2014	2015	2016	III	IV	I	II	III[1]
NO. OF ISSUERS								
Total	46	49	51	16	24	19	17	13
Mortgage covered bonds	13	13	13	0	8	3	5	4
Territorial covered bonds	3	3	3	1	1	0	1	0
Non-convertible bonds and debentures	16	16	16	5	10	9	8	6
Convertible bonds and debentures	1	1	0	0	0	0	0	0
Backed securities	13	16	20	5	8	6	4	2
Commercial paper	18	16	14	4	3	4	1	5
Of which, asset-backed	1	1	1	0	0	1	0	0
Of which, non-asset-backed	17	15	13	4	3	3	1	5
Other fixed-income issues	0	0	1	1	0	0	0	0
Preference shares	0	0	0	0	0	0	1	0
NO. OF ISSUES								
Total	662	415	399	68	124	115	91	54
Mortgage covered bonds	27	34	41	0	11	3	8	4
Territorial covered bonds	3	6	4	1	1	0	1	0
Non-convertible bonds and debentures	578	318	277	51	81	93	73	41
Convertible bonds and debentures	1	1	0	0	0	0	0	0
Backed securities	35	40	61	11	28	15	7	4
Commercial paper[2]	18	16	15	4	3	4	1	5
Of which, asset-backed	1	1	1	0	0	1	0	0
Of which, non-asset-backed	17	15	14	4	3	3	1	5
Other fixed-income issues	0	0	1	1	0	0	0	0
Preference shares	0	0	0	0	0	0	1	0
NOMINAL AMOUNT (million euro)								
Total	130,258.4	136,607.3	139,028.2	13,528.8	55,523.5	25,428.9	23,049.9	8,345.6
Mortgage covered bonds	23,838.0	31,375.0	31,642.5	0.0	11,500.0	2,250.0	9,050.0	2,925.0
Territorial covered bonds	1,853.3	10,400.0	7,250.0	2,500.0	2,000.0	0.0	350.0	0.0
Non-convertible bonds and debentures	41,154.7	39,099.9	40,170.4	1,411.5	26,358.3	13,485.7	2,763.1	1,095.9
Convertible bonds and debentures	750.0	53.2	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	29,008.0	28,369.6	35,504.9	4,186.2	9,625.0	6,525.0	3,594.0	2,968.8
Spanish tranche	26,972.1	25,147.2	32,228.7	3,865.2	8,541.0	5,463.4	1,899.1	2,968.8
International tranche	2,035.9	3,222.4	3,276.2	321.0	1,084.0	1,061.6	1,694.9	0.0
Commercial paper[3]	33,654.4	27,309.6	22,960.4	3,931.2	6,040.2	3,168.2	6,292.9	1,355.9
Of which, asset-backed	620.0	2,420.0	1,880.0	0.0	740.0	0.0	1,000.0	0.0
Of which, non-asset-backed	33,034.4	24,889.6	21,080.4	3,931.2	5,300.2	3,168.2	5,292.9	1,355.9
Other fixed-income issues	0.0	0.0	1,500.0	1,500.0	0.0	0.0	0.0	0.0
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	0.0
Pro memoria								
Subordinated issues	7,999.3	5,452.2	4,278.7	733.4	1,435.3	1,519.5	1,956.0	389.2
Underwritten issues	195.8	0.0	421.0	0.0	0.0	0.0	0.0	0.0

1 Available data: August 2017.
2 Shelf registrations.
3 The figures for commercial paper refer to the amount placed.

Issues admitted to trading on AIAF[1]

TABLE 1.7

				2016		2017		
Nominal amount in million euro	2014	2015	2016	III	IV	I	II	III[2]
Total	114,956.3	145,890.9	130,141.0	14,006.8	31,703.7	46,071.9	24,669.4	9,746.4
Commercial paper	33,493.1	27,455.3	22,770.6	3,904.6	5,949.2	3,053.3	6,429.4	1,853.4
Bonds and debentures	25,712.5	47,616.4	31,723.0	1,307.8	2,153.3	36,668.6	2,485.1	1,085.2
Mortgage covered bonds	24,438.0	31,375.0	31,392.5	0.0	11,250.0	2,500.0	9,050.0	2,925.0
Territorial covered bonds	1,853.3	10,400.0	7,250.0	2,500.0	2,000.0	0.0	350.0	0.0
Backed securities	29,459.5	29,044.2	35,504.9	4,794.4	10,351.2	3,850.0	5,355.0	3,882.8
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed-income issues	0.0	0.0	1,500.0	1,500.0	0.0	0.0	0.0	0.0

1 Includes only corporate bonds.
2 Available data: August 2017.

AIAF. Issuers, issues and outstanding balance

TABLE 1.8

				2016		2017		
	2014	2015	2016	III	IV	I	II	III[1]
NO. OF ISSUERS								
Total	465	388	375	375	375	366	364	360
Corporate bonds	464	387	374	374	374	365	365	361
Commercial paper	19	16	14	14	14	14	14	15
Bonds and debentures	79	64	52	53	52	50	49	50
Mortgage covered bonds	49	44	43	43	43	43	43	42
Territorial covered bonds	9	9	9	9	9	6	7	7
Backed securities	329	278	276	275	276	277	277	274
Preference shares	23	13	9	9	9	7	5	5
Matador bonds	9	7	6	7	6	6	6	6
Government bonds	1	1	1	1	1	1	1	1
Letras del Tesoro	1	1	1	1	1	1	1	1
Long Government bonds	1	1	1	1	1	1	1	1
NO. OF ISSUES								
Total	3,345	2,723	2,637	2,649	2,637	2,523	2,488	2,431
Corporate bonds	3,192	2,531	2,433	2,441	2,433	2,319	2,283	2,227
Commercial paper	1,130	392	351	342	351	278	273	238
Bonds and debentures	495	882	856	879	856	836	801	791
Mortgage covered bonds	283	238	231	232	231	221	223	222
Territorial covered bonds	39	32	29	29	29	25	26	24
Backed securities	1,188	966	948	940	948	948	949	941
Preference shares	47	16	12	12	12	5	5	5
Matador bonds	10	7	6	7	6	6	6	6
Government bonds	153	193	204	208	204	204	205	204
Letras del Tesoro	12	12	12	12	12	12	12	12
Long Government bonds	141	181	192	196	192	192	193	192
OUTSTANDING BALANCE[2] (million euro)								
Total	1,374,947.5	1,386,289.8	1,408,556.6	1,420,731.1	1,408,556.6	1,422,127.2	1,432,584.5	1,428,668.2
Corporate bonds	581,825.3	534,088.9	531,056.9	533,307.9	531,056.9	511,128.8	511,257.9	508,416.8
Commercial paper	20,361.6	15,172.9	16,637.4	16,585.7	16,637.4	13,874.9	14,512.2	14,350.0
Bonds and debentures	74,076.5	74,082.2	85,477.8	86,706.2	85,477.8	83,394.1	82,059.7	80,587.5
Mortgage covered bonds	208,314.2	194,072.7	180,677.5	183,627.5	180,677.5	173,111.7	178,061.7	178,836.7
Territorial covered bonds	24,671.3	27,586.3	29,387.3	27,887.3	29,387.3	25,612.3	25,962.3	23,862.3
Backed securities	253,045.1	222,100.4	217,992.1	217,556.3	217,992.1	214,309.9	208,866.1	208,984.4
Preference shares	782.1	627.4	497.8	497.8	497.8	439.0	1,409.0	1,409.0
Matador bonds	574.4	447.1	386.9	447.1	386.9	386.9	386.9	386.9
Government bonds	793,122.3	852,200.9	877,499.6	887,423.2	877,499.6	910,998.4	921,326.6	920,251.5
Letras del Tesoro	77,926.1	82,435.4	81,037.1	79,032.7	81,037.1	80,187.7	77,061.8	74,942.7
Long Government bonds	715,196.2	769,765.5	796,462.5	808,390.6	796,462.5	830,810.8	844,264.8	845,308.7

1 Available data: August 2017.
2 Nominal amount.

AIAF. Trading

TABLE 1.9

Nominal amount in million euro	2014	2015	2016	2016 III	2016 IV	2017 I	2017 II	2017 III[1]
BY TYPE OF ASSET								
Total	1,118,963.7	521,853.7	169,658.2	33,320.6	39,147.1	31,697.1	27,276.5	9,172.3
Corporate bonds	1,118,719.6	521,590.4	169,534.0	33,301.2	39,107.5	31,668.4	27,243.2	9,149.9
Commercial paper	48,817.3	31,346.2	20,684.3	5,578.0	4,859.7	3,805.9	1,721.1	1,617.3
Bonds and debentures	269,659.8	78,120.5	27,795.6	7,236.7	6,096.3	8,546.0	5,015.9	2,041.9
Mortgage covered bonds	376,273.3	187,201.7	79,115.6	12,431.2	17,450.1	10,836.0	10,513.5	3,586.8
Territorial covered bonds	82,023.2	46,711.4	5,329.3	775.0	2,000.0	367.0	14.7	0.0
Backed securities	341,827.8	177,844.1	36,554.9	7,276.0	8,668.8	8,095.4	8,632.8	1,774.2
Preference shares	97.7	295.5	43.1	4.3	24.4	7.5	1,345.2	129.7
Matador bonds	20.5	71.1	11.1	0.0	8.1	10.7	0.0	0.0
Government bonds	244.1	263.3	124.2	19.4	39.7	28.6	33.2	22.4
Letras del Tesoro	30.7	30.2	8.5	0.1	7.4	0.2	3.7	0.1
Long Government bonds	213.4	233.1	115.8	19.3	32.3	28.4	29.5	22.3
BY TYPE OF TRANSACTION								
Total	1,118,963.7	521,853.7	169,658.3	33,320.6	39,147.2	31,697.1	27,276.5	9,172.3
Outright	396,341.0	239,086.8	127,643.7	20,950.8	31,866.5	25,722.2	24,784.8	6,940.7
Repos	29,800.4	7,144.5	4,143.7	512.1	300.3	485.2	140.3	46.1
Sell-buybacks/Buy-sellbacks	692,822.2	267,875.7	37,870.9	11,857.7	6,980.4	5,489.7	2,351.4	2,185.5

1 Available data: August 2017.

AIAF. Third-party trading. By purchaser sector

TABLE 1.10

Nominal amount in million euro	2014	2015	2016	2016 III	2016 IV	2017 I	2017 II	2017 III[1]
Total	262,527.8	193,694.8	117,373.0	19,621.9	29,512.0	21,523.7	21,360.4	6,073.6
Non-financial companies	30,843.4	22,747.1	7,119.3	1,276.7	684.5	732.3	408.9	351.4
Financial institutions	132,114.5	95,467.1	63,048.2	11,936.0	17,548.6	10,506.3	9,375.4	3,248.3
Credit institutions	87,475.6	74,196.0	46,583.9	8,279.3	14,222.1	7,618.2	5,592.3	1,920.9
IICs[2], insurance and pension funds	34,205.9	8,835.4	8,525.2	1,642.9	1,674.9	2,079.5	1,605.2	653.1
Other financial institutions	10,433.1	12,435.7	7,939.1	2,013.9	1,651.6	808.6	2,178.0	674.2
General government	5,067.3	10,414.4	4,969.7	1,062.7	911.8	1,488.3	1,405.8	302.1
Households and NPISHs[3]	2,861.8	1,575.2	1,076.0	206.4	237.6	182.4	55.6	18.5
Rest of the world	91,640.7	63,491.1	41,159.9	5,140.1	10,129.6	8,614.3	10,114.7	2,153.3

1 Available data: August 2017.
2 IIC: Institución de Inversión Colectiva / CIS: Collective Investment Scheme.
3 Non-profit institutions serving households.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.11

				2016		2017		
	2014	2015	2016	III	IV	I	II	III[1]
NO. OF ISSUERS								
Total	28	20	17	19	17	17	17	17
Private issuers	17	10	7	9	7	7	7	7
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	17	10	7	9	7	7	7	7
General government[2]	11	10	10	10	10	10	10	10
Regional governments	3	2	2	2	2	2	2	2
NO. OF ISSUES								
Total	165	103	75	86	75	72	69	68
Private issuers	65	43	26	35	26	25	24	24
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	65	43	26	35	26	25	24	24
General government[2]	100	60	49	51	49	47	45	44
Regional governments	56	25	23	24	23	23	24	23
OUTSTANDING BALANCES[3] (million euro)								
Total	16,800.4	11,702.2	10,203.4	11,268.5	10,203.4	11,572.7	10,361.7	9,182.6
Private issuers	3,401.2	1,383.3	899.4	1,099.2	899.4	885.1	831.2	807.9
Non-financial companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	3,401.2	1,383.3	899.4	1,099.2	899.4	885.1	831.2	807.9
General government[2]	13,399.2	10,319.0	9,304.0	10,169.3	9,304.0	9,315.3	9,530.5	9,182.6
Regional governments	12,227.2	9,320.2	8,347.6	9,211.7	8,347.6	8,347.6	8,572.6	8,333.1

1 Available data: August 2017.
2 Without public book-entry debt.
3 Nominal amount.

Trading on equity markets

TABLE 1.12

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

1 Available data: August 2017.

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

TABLE 1.13

				2016		2017		
Nominal amounts in million euro	2014	2015	2016	III	IV	I	II	III[1]
Total	103,044.0	101,555.0	165,472.0	49,113.0	43,230.0	46,843.0	30,714.0	15,111.0
Outright	103,044.0	101,555.0	165,472.0	49,113.0	43,230.0	46,843.0	30,714.0	15,111.0
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: August 2017.

1.3 Derivatives and other products

1.3.1 Financial derivatives markets: MEFF

Trading on MEFF

TABLE 1.14

Number of contracts	2014	2015	2016	2016 III	2016 IV	2017 I	2017 II	2017 III[1]
Debt products	5,347	8,012	360	43	0	0	0	0
Debt futures[2]	5,347	8,012	360	43	0	0	0	0
Ibex 35 products[3,4]	7,984,894	8,279,939	7,468,299	1,664,402	1,763,750	1,649,245	613,384	991,962
Ibex 35 plus futures	6,924,068	7,384,896	6,836,500	1,548,315	1,601,511	1,522,880	504,996	925,701
Ibex 35 mini futures	304,891	318,129	249,897	51,562	46,679	37,201	15,370	24,096
Ibex 35 dividend impact futures	23,939	32,499	58,044	5,448	25,661	8,780	6,377	6,575
Ibex 35 sectorals futures	–	–	1,619	120	1,499	855	450	850
Call mini options	483,471	325,479	169,871	31,200	48,763	35,945	42,028	17,539
Put mini options	248,526	218,937	152,368	27,757	39,637	43,585	44,164	17,201
Stock products[5]	38,611,291	31,768,355	32,736,458	6,048,948	10,385,728	8,162,264	7,490,441	3,465,866
Futures	12,740,105	10,054,830	9,467,294	1,446,623	2,038,002	2,841,669	2,444,395	819,286
Stock dividend futures	236,151	291,688	367,785	8,596	109,396	62,500	0	2,300
Stock plus dividend futures	–	1,152	760	180	560	0	320	0
Call options	11,719,370	8,572,088	11,239,662	2,578,138	4,075,065	2,545,493	2,467,250	1,093,757
Put options	13,915,665	12,848,597	11,660,957	2,015,411	4,162,705	2,717,852	2,578,476	1,550,523

1 Available data: August 2017.
2 Contract size: 100 thousand euros.
3 The number of Ibex 35 mini futures (multiples of 1 euro) was standardised to the size of the Ibex 35 plus futures (multiples of 10 euro).
4 Contract size: Ibex 35, 10 euros.
5 Contract size: 100 stocks.

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

Issues registered at the CNMV

TABLE 1.15

	2014	2015	2016	2016 III	2016 IV	2017 I	2017 II	2017 III[1]
WARRANTS								
Premium amount (million euro)	3,644.2	3,479.1	2,688.6	615.9	722.2	461.0	332.3	317.1
On stocks	1,770.9	1,807.3	1,438.2	272.0	361.2	280.7	193.2	85.2
On indexes	1,697.3	1,486.1	1,153.1	329.2	336.2	166.2	123.3	231.6
Other underlyings[2]	176.0	185.6	97.2	14.6	24.7	14.1	15.8	0.2
Number of issues	8,574	9,059	7,809	1,667	2,053	1,435	1,192	560
Number of issuers	6	8	5	5	5	6	4	2
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	0.0	5.0	650.0	100.0	500.0	305.0	608.5	300.0
On stocks	0.0	5.0	650.0	100.0	500.0	300.0	600.0	300.0
On indexes	0.0	0.0	0.0	0.0	0.0	5.0	8.5	0.0
Other underlyings[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	0	1	4	1	1	3	5	2
Number of issuers	0	1	1	1	2	2	2	1

1 Available data: August 2017.
2 Includes the following underlying: Baskets of stocks, exchange rates, interest rates and commodities.

Equity markets. Warrants and ETF trading

TABLE 1.16

	2014	2015	2016	2016		2017		
				III	IV	I	II	III[1]
WARRANTS								
Trading (million euro)	817.7	1,095.9	715.5	161.4	139.6	139.6	103.9	60.8
On Spanish stocks	379.8	303.6	248.4	52.4	57.0	57.0	41.2	18.8
On foreign stocks	51.2	66.7	32.6	8.1	8.6	8.6	6.6	3.7
On indexes	364.3	692.0	420.4	97.8	71.6	71.6	54.3	37.1
Other underlyings[2]	22.4	33.6	14.2	3.2	2.4	2.4	1.7	1.2
Number of issues[3]	7,612	7,530	6,296	1,418	1,561	1,580	1,580	951
Number of issuers[3]	8	9	8	8	8	6	7	7
CERTIFICATES								
Trading (million euro)	1.7	1.1	0.4	0.1	0.0	0.0	0.0	0.0
Number of issues[3]	2	2	2	2	2	1	2	1
Number of issuers[3]	1	1	1	1	1	1	1	1
ETFs								
Trading (million euro)	9,849.5	12,633.8	6,045.2	1,014.3	1,288.9	1,095.7	1,196.3	438.0
Number of funds	70	58	33	32	33	21	9	9
Assets[4] (million euro)	436.1	436.1	349.3	336.0	349.3	393.4	367.6	-

1 Available data: August 2017.
2 Includes the following underlying: Baskets of stocks, exchange rates, interest rates and commodities.
3 Issues or issuers which were traded in each period.
4 Assets from national collective investment schemes is only included because assets from foreign ones are not available.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2014	2015	2016	2016 III	2016 IV	2017 I	2017 II	2017 III[1]
BROKER-DEALERS								
Spanish firms	38	39	40	42	40	40	40	40
Branches	21	25	27	27	27	27	27	23
Agents	6,116	5,819	5,761	5,740	5,761	5,751	5,773	5,784
BROKERS								
Spanish firms	37	39	41	40	41	46	47	47
Branches	19	21	22	22	22	22	22	23
Agents	466	468	492	482	492	454	472	0
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	5	3	2	2	2	2	1	1
Branches	5	9	8	8	8	0	0	0
Agents	1	0	0	0	0	0	0	0
FINANCIAL ADVISORY FIRMS								
Spanish firms	143	154	160	163	160	161	166	168
Branches	11	12	15	14	15	15	16	18
CREDIT INSTITUTIONS[2]								
Spanish firms	137	134	126	131	126	125	125	125

1 Available data: August 2017.
2 Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2014	2015	2016	2016 III	2016 IV	2017 I	2017 II	2017 III[1]
Total	3,100	3,176	3,310	3,289	3,310	3,345	3,368	3,372
Investment services firms	2,639	2,716	2,843	2,825	2,843	2,880	2,905	2,905
From EU member states	2,637	2,713	2,840	2,822	2,840	2,877	2,902	2,902
Branches	39	42	46	46	46	49	50	51
Free provision of services	2,598	2,671	2,794	2,776	2,794	2,828	2,852	2,851
From non-EU states	2	3	3	3	3	3	3	3
Branches	0	0	0	0	0	0	0	0
Free provision of services	2	3	3	3	3	3	3	3
Credit institutions[2]	461	460	467	464	467	465	463	467
From EU member states	452	451	460	457	460	459	457	461
Branches	54	53	55	53	55	55	56	55
Free provision of services	398	398	405	404	405	404	401	406
Subsidiaries of free provision of services institutions	0	0	0	0	0	0	0	0
From non-EU states	9	9	7	7	7	6	6	6
Branches	6	6	5	5	5	4	4	4
Free provision of services	3	3	2	2	2	2	2	2

1 Available data: August 2017.
2 Sources: Banco de España and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

Million euro	2014	2015	2016	2016 II	2016 III	2016 IV	2017 I	2017 II
FIXED-INCOME								
Total	9,264,859.8	5,365,817.5	4,625,411.6	1,273,116.1	1,124,102.8	993,743.7	1,135,283.7	921,329.6
Broker-dealers	4,989,059.9	3,774,816.4	3,171,599.2	892,819.1	762,082.2	711,054.6	728,709.2	559,969.9
Spanish organised markets	2,372,515.0	1,909,130.4	1,350,483.4	374,752.4	336,786.1	269,298.8	305,662.1	208,103.1
Other Spanish markets	2,388,868.8	1,689,702.4	1,570,540.0	451,729.7	375,674.4	378,973.4	340,438.6	292,400.3
Foreign markets	227,676.1	175,983.6	250,575.8	66,337.0	49,621.7	62,782.4	82,608.5	59,466.5
Brokers	4,275,799.9	1,591,001.1	1,453,812.4	380,297.0	362,020.6	282,689.1	406,574.5	361,359.7
Spanish organised markets	89,472.6	14,160.0	25,247.8	6,844.3	3,039.3	1,026.1	1,611.4	2,114.7
Other Spanish markets	3,955,091.6	1,402,106.3	1,222,925.7	308,895.1	320,816.5	239,503.4	343,082.9	306,549.5
Foreign markets	231,235.7	174,734.8	205,638.9	64,557.6	38,164.8	42,159.6	61,880.2	52,695.5
EQUITY								
Total	940,623.2	1,020,289.5	798,564.7	205,836.0	167,119.5	215,189.9	179,859.0	220,663.8
Broker-dealers	875,037.7	914,649.2	636,727.0	174,181.3	117,048.1	150,644.4	166,798.5	191,970.0
Spanish organised markets	814,349.4	855,883.2	583,283.9	159,663.1	105,234.4	137,582.1	153,257.5	178,408.9
Other Spanish markets	2,828.5	3,327.8	2,313.1	585.6	373.5	716.8	755.3	1,317.1
Foreign markets	57,859.8	55,438.2	51,130.0	13,932.6	11,440.2	12,345.5	12,785.7	12,244.0
Brokers	65,585.5	105,640.3	161,837.7	31,654.7	50,071.4	64,545.5	13,060.5	28,693.8
Spanish organised markets	16,726.7	14,207.3	11,090.1	2,227.3	3,778.5	2,083.0	1,615.2	1,782.9
Other Spanish markets	14,009.1	13,769.0	8,902.9	1,632.6	2,431.0	3,992.4	1,085.8	2,710.7
Foreign markets	34,849.7	77,664.0	141,844.7	27,794.8	43,861.9	58,470.1	10,359.5	24,200.2

1 Period accumulated data. Quarterly.

Intermediation of derivative transactions[1,2]

TABLE 2.4

Million euro	2014	2015	2016	2016 II	2016 III	2016 IV	2017 I	2017 II
Total	10,095,572.3	12,104,474.3	10,985,305.6	2,849,764.2	2,347,754.9	2,700,454.0	2,662,706.3	2,598,171.3
Broker-dealers	9,918,555.0	11,958,716.2	10,698,379.2	2,756,706.2	2,271,808.1	2,644,744.7	2,617,322.1	2,553,651.3
Spanish organised markets	4,625,999.8	6,215,223.3	4,842,990.7	1,244,231.7	1,026,111.9	1,097,787.4	1,114,489.2	1,262,127.4
Foreign organised markets	4,913,770.3	5,386,722.4	5,204,785.7	1,342,718.7	1,109,120.9	1,392,656.8	1,358,134.8	1,192,378.6
Non-organised markets	378,784.9	356,770.5	650,602.8	169,755.8	136,575.3	154,300.5	144,698.1	99,145.3
Brokers	177,017.3	145,758.1	286,926.4	93,058.0	75,946.8	55,709.3	45,384.2	44,520.0
Spanish organised markets	6,881.8	7,510.9	20,935.4	6,112.1	5,370.4	4,301.9	3,859.8	3,595.4
Foreign organised markets	37,016.8	27,846.8	59,427.1	14,621.2	15,957.8	15,990.8	9,697.5	8,813.9
Non-organised markets	133,118.7	110,400.4	206,563.9	72,324.7	54,618.6	35,416.6	31,826.9	32,110.7

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

				2016			2017	
	2014	2015	2016	II	III	IV	I	II
NUMBER OF PORTFOLIOS								
Total[2]	13,483	13,713	15,818	11,779	12,202	15,818	12,774	13,340
Broker-dealers. Total	4,741	5,711	5,743	5,752	5,939	5,743	5,518	5,356
IICs[3]	63	60	26	37	33	26	20	17
Other[4]	4,678	5,651	5,717	5,715	5,906	5,717	5,498	5,339
Brokers. Total	4,484	5,681	6,512	6,027	6,263	6,512	7,256	7,984
IICs[3]	63	95	98	95	96	98	95	94
Other[4]	4,421	5,586	6,414	5,932	6,167	6,414	7,161	7,890
Portfolio management companies[2]. Total	4,258	2,321	3,563	–	–	3,563	–	–
IICs[3]	5	1	1	–	–	1	–	–
Other[4]	4,253	2,320	3,562	–	–	3,562	–	–
ASSETS UNDER MANAGEMENT (thousand euro)								
Total[2]	11,661,203	9,201,678	13,298,318	7,593,204	7,866,400	13,298,318	37,109,106	38,275,173
Broker-dealers. Total	4,905,630	5,406,804	5,534,052	5,301,602	5,513,589	5,534,052	34,351,526	35,491,677
IICs[3]	1,371,924	1,546,293	818,442	1,078,702	1,070,345	818,442	803,264	800,218
Other[4]	3,533,706	3,860,511	4,715,610	4,222,900	4,443,244	4,715,610	33,548,262	34,691,459
Brokers. Total	1,935,646	2,565,132	2,557,207	2,291,602	2,352,811	2,557,207	2,757,580	2,783,496
IICs[3]	846,244	1,448,260	1,424,582	1,221,232	1,283,213	1,424,582	1,524,139	1,560,193
Other[4]	1,089,403	1,116,872	1,132,625	1,070,370	1,069,598	1,132,625	1,233,441	1,223,303
Portfolio management companies[2]. Total	4,819,927	1,229,742	5,207,059	–	–	5,207,059	–	–
IICs[3]	118,847	15,729	15,916	–	–	15,916	–	–
Other[4]	4,701,080	1,214,013	5,191,143	–	–	5,191,143	–	–

1 Data at the end of period. Quarterly.
2 Only public information about portfolio management companies is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
3 IIC: Institución de Inversión Colectiva / CIS: Collective Investment Scheme. 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

				2016			2017	
	2014	2015	2016	II	III	IV	I	II
NUMBER OF CONTRACTS								
Total[3]	12,761	14,569	17,856	13,587	14,319	17,856	16,929	18,253
Broker-dealers. Total[4]	3,437	1,183	1,193	1,160	1,198	1,193	1,289	1,357
Retail clients	3,409	1,159	1,182	1,130	1,161	1,182	1,281	1,344
Professional clients	11	11	3	15	22	3	1	6
Brokers. Total[4]	7,511	11,456	14,358	12,427	13,121	14,358	15,640	16,896
Retail clients	7,322	11,247	14,170	12,269	12,946	14,170	15,461	16,714
Professional clients	169	176	154	124	147	154	144	145
Portfolio management companies[3]. Total[4]	1,813	1,930	2,305	–	–	2,305	–	–
Retail clients	1,805	1,928	2,303	–	–	2,303	–	–
Professional clients	8	2	2	–	–	2	–	–
Pro memoria: Commission received for financial advice[5] (thousand euro)								
Total[3]	18,747	10,937	11,515	4,637	7,772	11,515	2,935	6,153
Broker-dealers	10,638	2,930	2,547	1,266	1,909	2,547	645	1,670
Brokers	7,260	7,636	8,614	3,371	5,863	8,614	2,290	4,483
Portfolio management companies[3]	849	371	354	–	–	354	–	–

1 Data at the end of period. Quarterly.
2 Quarterly data on assets advised are not available since the enter into force of Circular 3/2014, of 22nd October, of the Comisión Nacional del Mercado de Valores.
3 Only public information about portfolio management companies is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
4 Includes retail, professional and other clients.
5 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.

Aggregated income statement. Broker-dealers

TABLE 2.7

				2016		2017		
Thousand euro[1]	2014	2015	2016	III	IV	I	II	III[2]
I. Interest income	74,177	55,570	53,930	49,275	53,930	37,612	49,527	50,499
II. Net commission	445,317	422,542	373,552	280,710	373,552	98,284	199,702	231,664
Commission revenues	633,263	614,705	538,586	407,854	538,586	136,196	276,224	320,710
Brokering	342,462	322,857	245,700	184,438	245,700	60,936	120,062	138,390
Placement and underwriting	21,414	11,556	5,955	5,198	5,955	2,787	10,789	12,558
Securities deposit and recording	22,347	24,358	47,843	34,873	47,843	9,847	19,632	21,233
Portfolio management	21,046	22,541	23,738	16,933	23,738	12,726	25,648	29,935
Design and advising	19,502	13,575	14,648	10,554	14,648	2,727	6,447	7,967
Stocks search and placement	4,367	1,497	2,155	1,641	2,155	322	947	1,000
Market credit transactions	0	0	0	0	0	0	0	0
IICs[3] marketing	62,948	73,889	75,505	55,758	75,505	19,625	40,148	47,155
Other	139,177	144,432	123,042	98,459	123,042	27,226	52,551	62,472
Commission expenses	187,946	192,163	165,034	127,144	165,034	37,912	76,522	89,046
III. Financial investment income	222,077	215,861	104,292	84,290	104,292	11,961	20,155	22,182
IV. Net exchange differences and other operating products and expenses	-96,425	-128,200	-1,177	-19,553	-1,177	10,654	15,769	18,358
V. Gross income	645,146	565,773	530,597	394,722	530,597	158,511	285,153	322,703
VI. Operating income	265,509	186,771	169,499	120,083	169,499	67,505	98,631	107,254
VII. Earnings from continuous activities	192,467	141,291	140,521	117,959	140,521	62,058	89,921	96,554
VIII. Net earnings of the period	192,467	141,291	140,521	117,959	140,521	62,058	89,921	96,554

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: July 2017.
3 IIC: Institución de Inversión Colectiva / CIS: Collective Investment Scheme.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro[1]	2014	2015	2016	2016 II	III	IV	2017 I	II
TOTAL								
Total	200,010	137,327	152,893	93,809	108,543	152,893	60,430	81,930
Money market assets and public debt	12,342	9,327	8,332	4,802	6,422	8,332	1,072	1,973
Other fixed-income securities	31,631	24,795	35,415	18,170	25,572	35,415	9,484	17,792
Domestic portfolio	23,038	8,990	19,863	8,977	13,764	19,863	6,004	11,298
Foreign portfolio	8,593	15,805	15,552	9,193	11,808	15,552	3,480	6,494
Equities	800,035	112,943	135,587	4,852	133,877	135,587	21,940	27,445
Domestic portfolio	112,635	18,141	14,010	8,781	10,238	14,010	5,131	7,094
Foreign portfolio	687,400	94,802	121,577	-3,929	123,639	121,577	16,809	20,351
Derivatives	-565,800	109,668	-52,325	72,260	-56,862	-52,325	-19,817	-23,118
Repurchase agreements	345	-248	-471	-244	-361	-471	-140	-256
Market credit transactions	0	0	0	0	0	0	0	7
Deposits and other transactions with financial Intermediaries	1,205	1,605	-1,030	-1,660	-1,824	-1,030	171	417
Net exchange differences	-110,807	-142,545	-29,730	-40,352	-29,944	-29,730	3,562	4,109
Other operating products and expenses	14,384	14,344	28,555	7,964	10,390	28,555	7,091	11,660
Other transactions	16,675	7,438	28,560	28,017	21,273	28,560	37,067	41,901
INTEREST INCOME								
Total	74,177	55,570	53,930	38,446	49,273	53,930	37,613	49,529
Money market assets and public debt	2,123	2,156	1,708	817	1,276	1,708	289	756
Other fixed-income securities	3,371	2,731	1,742	974	1,271	1,742	337	664
Domestic portfolio	2,147	1,534	809	509	550	809	137	265
Foreign portfolio	1,224	1,197	933	465	721	933	200	399
Equities	63,460	43,826	24,619	13,998	23,146	24,619	454	3,299
Domestic portfolio	28,679	3,622	3,298	1,756	2,397	3,298	39	1,409
Foreign portfolio	34,781	40,204	21,321	12,242	20,749	21,321	415	1,890
Repurchase agreements	345	-248	-471	-244	-361	-471	-140	-256
Market credit transactions	0	0	0	0	0	0	0	7
Deposits and other transactions with financial Intermediaries	1,205	1,605	-1,030	-1,660	-1,824	-1,030	171	417
Other transactions	3,673	5,500	27,362	24,561	25,765	27,362	36,502	44,642
FINANCIAL INVEST INCOME								
Total	222,077	215,861	104,291	90,668	84,287	104,291	11,961	20,152
Money market assets and public debt	10,219	7,171	6,624	3,985	5,146	6,624	783	1,217
Other fixed-income securities	28,260	22,064	33,673	17,196	24,301	33,673	9,147	17,128
Domestic portfolio	20,891	7,456	19,054	8,468	13,214	19,054	5,867	11,033
Foreign portfolio	7,369	14,608	14,619	8,728	11,087	14,619	3,280	6,095
Equities	736,575	69,117	110,968	-9,146	110,731	110,968	21,486	24,146
Domestic portfolio	83,956	14,519	10,712	7,025	7,841	10,712	5,092	5,685
Foreign portfolio	652,619	54,598	100,256	-16,171	102,890	100,256	16,394	18,461
Derivatives	-565,800	109,668	-52,325	72,260	-56,862	-52,325	-19,817	-23,118
Other transactions	12,823	7,841	5,351	6,373	971	5,351	362	779
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	-96,244	-134,104	-5,328	-35,305	-25,017	-5,328	10,856	12,249
Net exchange differences	-110,807	-142,545	-29,730	-40,352	-29,944	-29,730	3,562	4,109
Other operating products and expenses	14,384	14,344	28,555	7,964	10,390	28,555	7,091	11,660
Other transactions	179	-5,903	-4,153	-2,917	-5,463	-4,153	203	-3,520

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

				2016		2017		
Thousand euro[1]	2014	2015	2016	III	IV	I	II	III[2]
I. Interest income	1,119	884	903	614	903	157	818	852
II. Net commission	120,634	113,904	108,111	78,389	108,111	27,149	55,773	64,578
Commission revenues	147,137	135,320	129,682	94,142	129,682	32,971	66,788	77,434
Brokering	41,745	31,845	24,181	18,617	24,181	5,666	10,759	12,178
Placement and underwriting	8,129	3,829	3,193	1,692	3,193	1,510	1,804	1,846
Securities deposit and recording	567	521	603	449	603	111	355	453
Portfolio management	15,062	10,711	11,054	8,188	11,054	2,991	5,797	6,666
Design and advising	7,576	7,856	8,980	6,140	8,980	2,347	4,664	5,555
Stocks search and placement	0	216	40	40	40	0	0	0
Market credit transactions	0	0	0	0	0	0	0	0
IICs[3] marketing	46,565	53,169	50,504	37,047	50,504	12,424	26,491	31,215
Other	27,493	27,173	31,128	21,970	31,128	7,921	16,918	19,522
Commission expenses	26,503	21,416	21,571	15,753	21,571	5,822	11,015	12,856
III. Financial investment income	775	592	245	176	245	258	157	270
IV. Net exchange differences and other operating products and expenses	1,102	1,197	-1,030	-1,067	-1,030	-267	-1,107	-1,271
V. Gross income	123,626	116,577	108,229	78,112	108,229	27,297	55,641	64,429
VI. Operating income	24,366	22,148	10,140	9,582	10,140	4,475	6,652	7,041
VII. Earnings from continuous activities	19,922	17,266	6,982	8,178	6,982	3,820	5,640	5,805
VIII. Net earnings of the period	19,922	17,266	6,982	8,178	6,982	3,820	5,640	5,805

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
2 Available data: July 2017.
3 IIC: Institución de Inversión Colectiva / CIS: Collective Investment Scheme.

Aggregated income statement. Portfolio management companies[1]

TABLE 2.10

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

1 Only public information about portfolio management companies is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
2 Accumulated data from the beginning of the year. It includes companies removed throughout the year.

Capital adequacy and capital ratio[1,2]

TABLE 2.11

	2014	2015	2016	2016 II	2016 III	2016 IV	2017 I	2017 II
TOTAL[3]								
Total capital ratio[4]	40.27	44.36	43.87	40.12	47.15	43.87	32.68	37.27
Own funds surplus (thousand euro)	1,056,285	1,109,837	956,055	1,124,389	1,156,546	956,055	958,553	1,016,645
Surplus (%)[5]	403.43	454.50	448.43	401.44	489.33	448.43	308.53	365.93
Number of companies according to its surplus percentage								
≤ 100 %	16	14	15	12	13	15	16	15
> 100 - ≤ 300 %	24	22	26	25	24	26	26	26
> 300 - ≤ 500 %	12	13	11	15	14	11	11	14
> 500 %	21	21	19	16	20	19	18	17
BROKER-DEALERS								
Total capital ratio[4]	40.84	46.13	45.71	41.28	49.25	45.71	33.20	38.32
Own funds surplus (thousand euro)	981,613	1,055,636	902,562	1,077,548	1,110,524	902,562	908,889	966,889
Surplus (%)[5]	410.56	476.59	471.38	415.94	515.62	471.38	314.95	378.94
Number of companies according to its surplus percentage								
≤ 100 %	5	4	8	5	6	8	8	6
> 100 - ≤ 300 %	14	12	12	12	11	12	14	12
> 300 - ≤ 500 %	6	8	6	11	10	6	6	9
> 500 %	14	14	14	12	15	14	12	13
BROKERS								
Total capital ratio[4]	24.30	25.58	26.24	25.82	25.55	26.24	25.98	25.56
Own funds surplus (thousand euro)	42,106	48,197	47,527	46,841	46,021	47,527	49,664	49,756
Surplus (%)[5]	203.80	219.78	228.04	222.79	219.39	228.04	224.71	219.49
Number of companies according to its surplus percentage								
≤ 100 %	11	10	7	7	7	7	8	9
> 100 - ≤ 300 %	8	9	13	13	13	13	12	14
> 300 - ≤ 500 %	6	5	5	4	4	5	5	5
> 500 %	4	6	4	4	5	4	6	4
PORTFOLIO MANAGEMENT COMPANIES[3]								
Total capital ratio[4]	133.69	71.26	61.64	–	–	61.64	–	–
Own funds surplus (thousand euro)	32,566	6,004	5,965	–	–	5,965	–	–
Surplus (%)[5]	1,571.12	791.04	670.22	–	–	670.22	–	–
Number of companies according to its surplus percentage								
≤ 100 %	0	0	0	–	–	0	–	–
> 100 - ≤ 300 %	2	1	1	–	–	1	–	–
> 300 - ≤ 500 %	0	0	1	–	–	1	–	–
> 500 %	3	1	0	–	–	0	–	–

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

Return on equity (ROE) before taxes[1]

TABLE 2.12

	2014	2015	2016	2016 II	2016 III	2016 IV	2017 I	2017 II
TOTAL[2]								
Average (%)[3]	22.83	15.34	15.97	15.84	12.96	15.97	21.78	16.40
Number of companies according to its annualized return								
Losses	11	21	20	22	29	20	23	25
0 - ≤ 15 %	30	23	31	31	24	31	20	22
> 15 - ≤ 45 %	23	22	17	10	14	17	25	25
> 45 - ≤ 75 %	11	5	6	4	5	6	6	7
> 75 %	8	9	9	10	10	9	12	8
BROKER-DEALERS								
Average (%)[3]	23.04	14.85	16.16	16.27	12.90	16.16	22.10	16.62
Number of companies according to its annualized return								
Losses	4	9	8	11	15	8	11	10
0 - ≤ 15 %	18	14	20	16	14	20	8	12
> 15 - ≤ 45 %	11	10	6	6	7	6	13	11
> 45 - ≤ 75 %	5	4	2	3	3	2	4	5
> 75 %	2	2	4	4	3	4	4	2
BROKERS								
Average (%)[3]	22.18	21.52	11.53	9.60	13.86	11.53	17.84	13.57
Number of companies according to its annualized return								
Losses	7	12	12	11	14	12	12	15
0 - ≤ 15 %	11	8	10	15	10	10	12	10
> 15 - ≤ 45 %	8	11	11	4	7	11	12	14
> 45 - ≤ 75 %	6	1	3	1	2	3	2	2
> 75 %	6	7	5	6	7	5	8	6
PORTFOLIO MANAGEMENT COMPANIES[2]								
Average (%)[3]	16.95	24.49	46.29	–	–	46.29	–	–
Number of companies according to its annualized return								
Losses	0	0	0	–	–	0	–	–
0 - ≤ 15 %	1	1	1	–	–	1	–	–
> 15 - ≤ 45 %	4	1	0	–	–	0	–	–
> 45 - ≤ 75 %	0	0	1	–	–	1	–	–
> 75 %	0	0	0	–	–	0	–	–

1 ROE has been calculated as:

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

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

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

3 Average weighted by equity, %.

Financial advisory firms. Main figures[1]

TABLE 2.13

Thousand euro	2012	2013	2014	2015	2016
ASSETS ADVISED[2]					
Total	14,776,498	17,630,081	21,379,858	25,366,198	28,555,839
Retail clients	3,267,079	4,991,653	5,707,640	6,777,181	7,592,441
Professional	3,594,287	3,947,782	4,828,459	5,109,979	5,657,508
Other	7,915,132	8,690,646	10,843,759	13,479,037	15,305,890
COMMISSION INCOME[3]					
Total	26,177	33,272	47,616	56,726	52,244
Commission revenues	26,065	33,066	47,037	55,781	51,508
Other income	112	206	579	945	736
EQUITY					
Total	13,402	21,498	26,454	25,107	24,402
Share capital	4,365	5,156	5,576	5,881	6,834
Reserves and retained earnings	4,798	9,453	8,993	7,585	11,697
Income for the year[3]	4,239	6,890	11,885	11,531	7,965

1 Annual frequency since 2015 (Circular 3/2014, of 22nd October, of the Comisión Nacional del Mercado de Valores).

2 Data at the end of each period.

3 Accumulated data from the beginning of the year.

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

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

TABLE 3.1

				2016		2017		
	2014	2015	2016	III	IV	I	II	III[1]
Total financial IICs	5,232	5,180	5,035	5,108	5,035	4,844	4,765	4,704
Mutual funds	1,949	1,760	1,748	1,750	1,748	1,741	1,721	1,713
Investment companies	3,228	3,372	3,239	3,308	3,239	3,054	2,990	2,937
Funds of hedge funds	18	11	7	10	7	8	9	9
Hedge funds	37	37	41	40	41	41	45	45
Total real estate IICs	11	9	9	9	9	10	10	10
Real estate mutual funds	4	3	3	3	3	3	3	3
Real estate investment companies	7	6	6	6	6	7	7	7
Total foreign IICs marketed in Spain	805	880	941	927	941	959	957	984
Foreign funds marketed in Spain	405	425	441	437	441	440	430	449
Foreign companies marketed in Spain	400	455	500	490	500	519	527	535
Management companies	96	96	101	101	101	105	106	107
IICs depositories	70	65	56	59	56	56	55	55

1 Available data: August 2017.

Number of IICs investors and shareholders[1]

TABLE 3.2

				2016		2017		
	2014	2015	2016	III	IV	I	II	III[2]
Total financial IICs	6,859,555	8,164,054	8,704,329	8,498,932	8,704,329	9,774,214	9,999,138	10,224,350
Mutual funds	6,409,344	7,680,124	8,248,249	8,017,629	8,248,249	9,326,259	9,562,652	9,789,889
Investment companies	450,211	483,930	456,080	481,303	456,080	447,955	436,486	434,461
Total real estate IICs	4,866	4,501	4,601	4,617	4,601	4,463	4,450	4,450
Real estate mutual funds	4,021	3,918	3,927	3,935	3,927	3,946	3,960	3,960
Real estate investment companies	845	583	674	682	674	517	490	490
Total foreign IICs marketed in Spain[3]	1,317,674	1,643,776	1,748,604	1,725,099	1,748,604	1,984,474	2,134,143	–
Foreign funds marketed in Spain	230,104	298,733	372,872	354,032	372,872	431,295	448,554	–
Foreign companies marketed in Spain	1,087,570	1,345,043	1,375,732	1,371,067	1,375,732	1,553,179	1,685,589	–

1 Investors and shareholders who invest in many sub-funds from the same IIC have been taking into account once. For this reason, investors and shareholders can be different from those in tables 3.6 and 3.7.
2 Available data: July 2017.
3 Exchange traded funds (ETFs) data is not included.

IICs total net assets

TABLE 3.3

				2016		2017		
Million euro	2014	2015	2016	III	IV	I	II	III[1]
Total financial IICs	230,205.70	255,677.0	269,953.8	261,437.0	269,953.8	279,923.4	285,434.0	287,500.7
Mutual funds[2]	198,718.80	222,144.6	237,862.2	229,117.4	237,862.2	247,279.3	253,581.1	255,809.9
Investment companies	31,486.9	33,532.4	32,091.6	32,319.6	32,091.6	32,644.1	31,852.9	31,690.8
Total real estate IICs	1,226.3	1,093.1	1,077.4	1,091.2	1,077.4	1,084.0	1,082.8	1,084.7
Real estate mutual funds	419.8	391.0	370.1	376.9	370.1	369.7	360.5	360.4
Real estate investment companies	806.5	702.1	707.3	714.3	707.3	714.3	722.3	724.3
Total foreign IICs marketed in Spain[3]	78,904.3	108,091.6	114,990.2	112,523.8	114,990.2	127,534.6	137,341.6	–
Foreign funds marketed in Spain	11,166.0	15,305.1	21,337.5	19,495.4	21,337.5	25,306.4	26,864.2	–
Foreign companies marketed in Spain	67,738.3	92,786.5	93,652.8	93,028.4	93,652.8	102,228.1	110,477.4	–

1 Available data: July 2017.
2 Mutual funds investment in financial mutual funds of the same management company reached 6,149 million euro in June 2017.
3 Exchange traded funds (ETFs) data is not included.

a IIC: Institución de Inversión Colectiva / CIS: Collective Investment Scheme.

b All information about mutual funds and investment companies comprised in this section do not include hedge funds and funds of hedge funds. The information about hedge funds and funds of hedge funds is included in table 3.12.

Mutual funds asset allocation

TABLE 3.4

Million euro	2014	2015	2016	2016 II	2016 III	2016 IV	2017 I	2017 II
Asset	198,718.8	222,144.6	237,862.2	220,296.0	229,117.4	237,862.2	247,279.3	253,581.1
Portfolio investment	187,693.9	204,797.4	219,141.1	201,128.1	210,750.0	219,141.1	227,574.3	234,855.5
Domestic securities	114,644.5	93,833.6	95,799.1	89,770.7	93,163.0	95,799.1	93,627.1	88,257.1
Debt securities	79,694.4	58,451.3	63,471.1	57,062.9	60,689.9	63,471.1	63,454.6	60,082.3
Shares	8,448.0	8,757.5	8,529.9	7,436.6	7,834.3	8,529.9	9,687.4	10,248.0
Investment collective schemes	6,065.3	5,698.5	6,249.5	5,508.7	5,641.4	6,249.5	6,567.0	6,811.8
Deposits in credit institutions	19,927.4	20,482.9	17,134.3	19,505.5	18,712.9	17,134.3	13,356.1	10,562.0
Derivatives	495.4	433.7	405.7	245.9	275.8	405.7	554.4	545.4
Other	14.0	9.7	8.5	11.2	8.7	8.5	7.7	7.7
Foreign securities	73,048.3	110,957.0	123,336.0	111,351.6	117,579.5	123,336.0	133,927.6	146,588.9
Debt securities	38,582.2	48,542.8	56,307.9	51,101.6	54,092.7	56,307.9	59,346.7	64,848.2
Shares	13,042.9	18,654.1	20,035.3	17,874.2	18,500.2	20,035.3	23,257.2	24,241.5
Investment collective schemes	20,863.9	43,365.7	46,435.1	41,991.6	44,540.0	46,435.1	50,626.4	56,832.3
Deposits in credit institutions	243.3	104.1	81.2	171.6	95.7	81.2	127.5	101.8
Derivatives	310.6	285.6	474.3	208.8	347.6	474.3	567.7	563.3
Other	5.4	4.8	2.3	3.8	3.3	2.3	2.1	1.8
Doubtful assets and matured investment	1.2	6.8	6.1	5.9	7.5	6.1	19.5	9.5
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash	10,895.0	16,594.5	18,392.6	18,117.7	17,559.1	18,392.6	19,493.7	19,077.4
Net balance (debtors - creditors)	129.9	752.7	328.5	1,050.1	808.3	328.5	211.3	-351.8

Investment companies asset allocation

TABLE 3.5

Million euro	2014	2015	2016	2016 II	2016 III	2016 IV	2017 I	2017 II
Asset	31,486.9	33,532.4	32,091.6	31,869.5	32,319.6	32,091.6	32,644.1	31,852.9
Portfolio investment	29,080.6	30,035.2	28,127.7	27,852.8	28,450.5	28,127.7	29,463.9	28,708.5
Domestic securities	11,063.7	9,424.4	7,707.1	8,046.9	7,954.8	7,707.1	7,898.8	7,305.1
Debt securities	5,115.9	3,663.3	2,395.4	2,765.4	2,508.5	2,395.4	2,266.2	2,231.0
Shares	3,324.4	3,090.3	2,871.9	2,670.7	2,788.1	2,871.9	3,151.4	2,923.2
Investment collective schemes	1,433.0	1,418.4	1,485.3	1,411.1	1,522.6	1,485.3	1,660.4	1,636.6
Deposits in credit institutions	1,169.3	1,226.3	925.3	1,171.4	1,105.2	925.3	789.6	477.5
Derivatives	-10.8	-7.4	-5.2	-4.6	-2.7	-5.2	-4.7	-3.2
Other	31.9	33.7	34.4	32.9	33.0	34.4	36.0	39.9
Foreign securities	18,015.2	20,608.1	20,412.7	19,800.4	20,490.2	20,412.7	21,556.7	21,396.7
Debt securities	3,897.1	4,472.0	4,263.3	4,600.7	4,456.5	4,263.3	4,347.3	4,395.1
Shares	6,227.7	7,025.9	6,465.5	6,317.8	6,440.9	6,465.5	6,766.6	6,512.0
Investment collective schemes	7,784.2	9,090.2	9,653.0	8,861.7	9,572.2	9,653.0	10,423.0	10,456.9
Deposits in credit institutions	2.3	6.2	6.7	6.5	6.9	6.7	6.8	4.5
Derivatives	94.4	8.3	15.7	7.3	6.4	15.7	5.5	20.3
Other	9.5	5.5	8.4	6.5	7.3	8.4	7.6	7.9
Doubtful assets and matured investment	1.7	2.7	7.9	5.5	5.6	7.9	8.4	6.7
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	0.6
Cash	2,197.7	3,211.3	3,791.7	3,684.3	3,596.5	3,791.7	2,961.6	2,942.8
Net balance (debtors - creditors)	208.5	285.8	172.2	332.3	272.6	172.2	218.5	201.0

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

TABLE 3.6

	2014	2015	2016	2016 III	2016 IV	2017 I	2017 II	2017 III[3]
NO. OF FUNDS								
Total financial mutual funds	1,951	1,804	1,805	1,810	1,805	1,815	1,804	1,813
Fixed-income[4]	359	319	306	308	306	296	299	299
Mixed fixed-income[5]	123	132	148	146	148	154	154	156
Mixed equity[6]	131	142	168	166	168	172	173	179
Euro equity	103	109	112	112	112	114	112	112
Foreign equity	191	200	201	201	201	209	212	209
Guaranteed fixed-income	280	186	122	135	122	111	100	99
Guaranteed equity[7]	273	205	198	196	198	201	197	198
Global funds	162	178	203	200	203	208	217	218
Passive management	227	213	220	221	220	218	212	216
Absolute return	102	97	106	104	106	111	107	106
INVESTORS								
Total financial mutual funds	6,409,806	7,682,947	8,253,611	8,022,685	8,253,611	9,332,934	9,569,922	9,797,246
Fixed-income[4]	1,941,567	2,203,847	2,347,984	2,315,533	2,347,984	2,554,194	2,656,675	2,683,418
Mixed fixed-income[5]	603,099	1,130,190	1,043,798	1,033,454	1,043,798	1,169,480	1,114,668	1,123,766
Mixed equity[6]	377,265	612,276	448,491	451,040	448,491	485,795	533,200	543,123
Euro equity	381,822	422,469	395,697	387,786	395,697	429,147	515,999	533,208
Foreign equity	705,055	1,041,517	1,172,287	1,138,697	1,172,287	1,505,724	1,547,970	1,686,300
Guaranteed fixed-income	669,448	423,409	307,771	325,955	307,771	273,188	239,787	236,292
Guaranteed equity[7]	557,030	417,843	552,445	515,563	552,445	576,664	560,146	557,964
Global funds	223,670	381,590	658,722	625,931	658,722	857,135	903,273	929,006
Passive management	686,526	554,698	746,233	681,545	746,233	723,472	697,071	689,112
Absolute return	264,324	479,182	565,325	532,151	565,325	743,411	786,472	800,421
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	198,718.8	222,144.6	237,862.2	229,117.4	237,862.2	247,279.3	253,581.1	255,810.1
Fixed-income[4]	70,330.9	65,583.8	74,226.4	73,001.3	74,226.4	72,038.9	71,124.9	71,283.8
Mixed fixed-income[5]	24,314.3	44,791.8	40,065.6	39,644.2	40,065.6	41,468.7	41,777.8	41,780.0
Mixed equity[6]	13,570.4	21,502.9	16,310.6	15,601.3	16,310.6	18,159.5	19,831.4	20,253.6
Euro equity	8,401.5	9,092.9	8,665.9	7,795.7	8,665.9	9,874.5	10,996.5	11,216.3
Foreign equity	12,266.4	17,143.2	17,678.8	16,274.4	17,678.8	20,687.1	20,994.3	21,452.4
Guaranteed fixed-income	20,417.0	12,375.6	8,679.8	9,066.1	8,679.8	7,694.5	6,858.1	6,770.6
Guaranteed equity[7]	12,196.4	9,966.6	15,475.7	14,064.6	15,475.7	16,418.9	16,183.3	16,130.3
Global funds	6,886.3	12,683.3	20,916.8	20,067.8	20,916.8	24,735.0	29,044.8	29,813.5
Passive management	23,837.5	17,731.1	23,601.6	21,872.0	23,601.6	22,701.7	21,601.5	21,297.2
Absolute return	6,498.1	11,228.1	12,215.2	11,704.0	12,215.2	13,474.6	15,142.6	15,786.5

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: July 2017.
4 Fixed income euro, Foreign fixed-income, Monetary market funds and Short-term monetary market funds.
5 Mixed euro fixed-income and Foreign mixed fixed-income.
6 Mixed euro equity and Foreign mixed equity.
7 Guaranteed equity and partial guarantee.

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

TABLE 3.7

				2016		2017		
	2014	2015	2016	III	IV	I	II	III[1]
INVESTORS								
Total financial mutual funds	6,409,806	7,682,947	8,253,611	8,022,685	8,253,611	9,332,934	9,569,922	9,797,246
Individuals	6,235,148	7,494,162	8,059,916	7,832,380	8,059,916	9,129,242	9,364,720	9,590,296
Residents	6,170,201	7,422,330	7,985,404	7,758,911	7,985,404	9,049,798	9,283,417	9,507,699
Non-residents	64,947	71,832	74,512	73,469	74,512	79,444	81,303	82,597
Legal entities	174,658	188,785	193,695	190,305	193,695	203,692	205,202	206,950
Credit institutions	493	532	497	508	497	522	632	786
Other resident institutions	173,351	187,395	192,381	188,995	192,381	202,317	203,662	205,255
Non-resident institutions	814	858	817	802	817	853	908	909
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	198,718.8	222,144.6	237,862.2	229,117.4	237,862.2	247,279.3	253,581.1	255,810.1
Individuals	159,423.5	181,868.0	195,567.5	188,220.8	195,567.5	203,626.4	209,000.6	210,522.7
Residents	157,135.2	179,232.4	192,743.0	185,467.5	192,743.0	200,701.5	206,029.8	207,538.8
Non-residents	2,288.3	2,635.6	2,824.5	2,753.2	2,824.5	2,924.9	2,970.9	2,983.9
Legal entities	39,295.4	40,276.6	42,294.8	40,896.6	42,294.8	43,652.9	44,580.5	45,287.4
Credit institutions	459.8	483.0	374.3	440.9	374.3	433.5	455.1	549.1
Other resident institutions	38,245.2	39,071.0	41,212.4	39,806.0	41,212.4	42,381.9	43,178.4	43,789.2
Non-resident institutions	590.4	722.6	708.1	649.7	708.1	837.4	947.0	949.1

1 Available data: July 2017.

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

TABLE 3.8

				2016			2017	
Million euro	2014	2015	2016	II	III	IV	I	II
SUBSCRIPTIONS								
Total financial mutual funds	136,161.2	159,036.2	113,274.7	27,272.4	27,729.7	31,500.5	39,646.1	39,562.9
Fixed-income	65,698.5	66,789.7	53,163.3	13,923.7	10,893.9	13,930.4	15,239.2	14,448.6
Mixed fixed-income	21,675.7	36,441.2	11,065.3	2,695.9	2,417.0	3,522.6	6,295.0	5,690.0
Mixed equity	8,991.2	13,771.0	4,250.6	816.9	807.5	1,588.1	2,812.7	3,037.3
Euro equity	6,702.0	6,719.9	3,716.3	931.1	583.2	1,202.5	1,572.3	2,275.5
Foreign equity	5,843.2	11,236.2	7,167.6	1,584.4	1,636.1	2,386.7	3,746.8	3,213.5
Guaranteed fixed-income	847.8	562.4	2,005.3	688.7	460.8	724.7	482.0	230.3
Guaranteed equity	3,684.6	1,993.2	7,942.5	2,187.2	1,389.6	1,994.9	1,488.7	375.8
Global funds	3,752.9	9,636.1	8,914.5	1,159.9	4,778.0	1,673.4	5,074.2	6,824.7
Passive management	15,081.3	3,350.5	10,195.7	2,417.1	3,647.4	3,162.0	889.5	504.0
Absolute return	3,884.4	8,363.0	4,853.2	867.4	1,116.2	1,315.2	2,045.6	2,963.2
REDEMPTIONS								
Total financial mutual funds	100,188.5	135,569.6	99,492.3	25,258.2	21,831.0	25,138.6	33,379.7	33,594.6
Fixed-income	52,205.8	72,141.1	45,549.5	12,087.6	8,493.1	12,632.0	17,191.8	15,630.1
Mixed fixed-income	5,963.7	15,273.7	14,242.9	3,258.2	3,617.0	3,333.5	5,143.7	5,294.9
Mixed equity	2,423.5	5,617.2	7,280.8	1,199.9	3,119.7	1,210.3	1,283.3	1,357.6
Euro equity	4,517.1	6,251.0	4,259.2	1,341.2	755.8	911.1	1,174.4	1,317.8
Foreign equity	5,311.4	7,175.7	6,821.0	1,684.0	1,398.9	1,853.3	1,785.1	2,810.3
Guaranteed fixed-income	11,301.4	7,369.8	5,208.0	1,653.6	1,273.9	881.2	1,314.0	1,008.8
Guaranteed equity	4,594.1	4,593.0	2,464.1	666.7	619.5	560.0	644.1	815.3
Global funds	1,570.6	3,830.8	5,334.6	1,443.1	1,240.5	1,269.8	1,723.8	2,471.4
Passive management	10,110.4	9,614.7	4,405.7	1,089.0	664.2	1,530.9	2,070.9	1,719.0
Absolute return	2,190.5	3,551.6	3,906.8	824.9	648.4	956.5	1,048.6	1,169.4

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

				2016			2017	
Million euro	2014	2015	2016	II	III	IV	I	II
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	35,794.5	22,763.6	13,823.2	2,007.5	5,995.8	6,328.7	6,271.8	5,967.1
Fixed-income	13,821.0	-4,816.1	8,243.5	2,387.0	2,456.3	1,307.1	-2,130.1	-892.2
Mixed fixed-income	15,689.2	20,903.0	-4,750.8	-2,165.9	-1,165.1	198.8	1,167.0	305.8
Mixed equity	6,842.3	8,227.3	-5,194.5	-2,573.6	-2,261.0	338.7	1,515.0	1,706.0
Euro equity	-338.3	467.2	-538.0	-394.1	-176.7	306.9	447.5	916.0
Foreign equity	2,715.6	4,110.2	-32.5	-664.4	246.2	518.5	1,965.5	428.4
Guaranteed fixed-income	-11,761.5	-8,093.5	-3,699.6	-987.0	-813.1	-333.0	-956.6	-869.7
Guaranteed equity	-651.7	-2,396.4	5,465.9	1,360.5	655.6	1,465.3	886.2	-348.3
Global funds	2,110.3	5,787.9	7,801.3	3,884.7	3,574.9	417.4	3,361.5	4,306.1
Passive management	5,632.0	-6,274.9	5,603.4	1,122.6	2,981.4	1,612.9	-1,181.4	-1,215.1
Absolute return	1,735.6	4,802.6	943.5	47.6	497.3	496.0	1,197.3	1,630.1
RETURN ON ASSETS								
Total financial mutual funds	6,260.3	680.1	1,909.9	-50.4	2,834.7	2,416.2	3,150.8	336.0
Fixed-income	1,451.7	69.3	399.3	156.2	236.5	-81.8	-57.3	-21.8
Mixed fixed-income	487.2	-425.2	25.1	121.6	268.2	222.4	236.4	4.1
Mixed equity	415.5	-294.8	2.2	-1.5	267.2	370.6	333.9	-34.0
Euro equity	107.0	224.2	110.8	-355.7	562.1	563.2	761.1	206.0
Foreign equity	701.7	766.6	568.4	-73.9	603.9	886.0	1,042.9	-121.0
Guaranteed fixed-income	697.3	52.1	3.9	22.7	24.7	-53.2	-28.8	33.3
Guaranteed equity	344.5	166.6	43.1	54.5	131.7	-54.3	57.0	112.7
Global funds	248.0	9.3	432.1	4.9	302.5	431.6	456.7	3.7
Passive management	1,704.8	185.5	281.5	8.0	365.2	116.6	286.6	114.9
Absolute return	102.7	-72.7	43.7	12.8	72.6	15.2	62.2	37.9

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[1,2]

TABLE 3.10

% of daily average total net assets	2014	2015	2016	2016 II	2016 III	2016 IV	2017 I	2017 II
MANAGEMENT YIELDS								
Total financial mutual funds	4.60	1.41	1.91	0.24	1.54	1.29	1.57	0.39
Fixed-income	3.12	0.85	1.24	0.39	0.50	0.05	0.08	0.13
Mixed fixed-income	4.43	0.14	1.26	0.60	0.98	0.85	0.87	0.30
Mixed equity	5.84	-0.12	1.45	0.35	2.07	2.71	2.32	0.17
Euro equity	3.36	4.41	3.38	-3.89	7.81	7.48	8.92	2.43
Foreign equity	8.02	6.80	5.55	0.02	4.27	5.87	6.00	-0.10
Guaranteed fixed-income	3.78	1.25	0.79	0.42	0.45	-0.46	-0.22	0.62
Guaranteed equity	4.09	2.75	1.09	0.63	1.17	-0.22	0.52	0.86
Global funds	5.73	1.25	3.95	0.32	2.08	2.43	2.36	0.31
Passive management	8.22	1.65	2.11	0.23	1.92	0.66	1.41	0.68
Absolute return	2.99	0.29	1.41	0.37	0.89	0.38	0.74	0.50
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.98	1.00	0.95	0.23	0.25	0.23	0.23	0.23
Fixed-income	0.70	0.66	0.58	0.14	0.15	0.14	0.13	0.14
Mixed fixed-income	1.19	1.15	1.12	0.28	0.28	0.27	0.27	0.26
Mixed equity	1.41	1.41	1.40	0.35	0.35	0.36	0.35	0.33
Euro equity	1.78	1.76	1.75	0.43	0.44	0.44	0.45	0.43
Foreign equity	1.77	1.71	1.71	0.41	0.43	0.45	0.44	0.41
Guaranteed fixed-income	0.88	0.84	0.68	0.17	0.16	0.15	0.13	0.13
Guaranteed equity	1.20	1.05	0.70	0.18	0.17	0.16	0.15	0.15
Global funds	1.19	1.06	1.26	0.26	0.44	0.28	0.28	0.26
Passive management	0.64	0.64	0.56	0.15	0.13	0.13	0.13	0.13
Absolute return	1.07	0.99	0.96	0.24	0.25	0.24	0.24	0.22
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.08	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Fixed-income	0.08	0.08	0.07	0.02	0.02	0.02	0.02	0.02
Mixed fixed-income	0.09	0.09	0.09	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.11	0.11	0.11	0.03	0.03	0.03	0.03	0.03
Euro equity	0.12	0.12	0.12	0.03	0.03	0.03	0.03	0.04
Foreign equity	0.11	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Guaranteed fixed-income	0.08	0.06	0.06	0.02	0.02	0.02	0.01	0.01
Guaranteed equity	0.08	0.08	0.06	0.01	0.01	0.01	0.01	0.01
Global funds	0.09	0.08	0.10	0.02	0.03	0.02	0.02	0.03
Passive management	0.07	0.07	0.06	0.02	0.01	0.01	0.01	0.01
Absolute return	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02

1 From July 2015 on, side-pocket sub-funds data is only included in aggregate figures, but it is not included in any category.
2 Annual data revised from 2014.

Mutual funds quarterly returns. Detail by category[1]

TABLE 3.11

In %	2014	2015	2016	2016 II	2016 III	2016 IV	2017 I	2017 II
Total financial mutual funds	3.67	0.89	0.98	-0.03	1.34	1.05	1.35	0.16
Fixed-income	2.41	0.10	0.52	0.23	0.34	-0.21	-0.07	-0.03
Mixed fixed-income	3.67	0.16	0.27	0.30	0.69	0.56	0.58	0.02
Mixed equity	4.70	0.15	1.19	0.00	1.75	2.35	1.95	-0.12
Euro equity	2.09	3.44	2.61	-4.49	7.89	7.06	8.57	2.06
Foreign equity	6.61	7.84	4.15	-0.44	4.00	5.46	5.67	-0.46
Guaranteed fixed-income	2.54	0.27	-0.03	0.19	0.26	-0.58	-0.35	0.48
Guaranteed equity	2.64	1.07	0.19	0.37	0.97	-0.27	0.41	0.68
Global funds	4.63	2.45	1.99	0.02	2.09	2.13	2.08	0.07
Passive management	7.74	0.53	1.16	-0.03	1.63	0.71	1.30	0.52
Absolute return	1.98	0.12	0.38	0.12	0.65	0.12	0.50	0.27

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

Hedge funds and funds of hedge funds

TABLE 3.12

				2016			2017	
	2014	2015	2016	II	III	IV	I	II[1]
HEDGE FUNDS								
Investors/shareholders	2,819	3,089	2,930	2,928	2,916	2,930	3,080	3,254
Total net assets (million euro)	1,369.5	1,764.8	1,889.2	1,690.2	1,793.0	1,889.2	1,972.0	2,091.3
Subscriptions (million euro)	574.6	596.6	425.5	123.5	87.4	170.4	163.0	113.0
Redemptions (million euro)	293.8	260.5	376.6	76.1	43.3	126.8	161.2	41.2
Net subscriptions/redemptions (million euro)	280.8	336.1	48.9	47.5	44.0	43.6	1.8	71.8
Return on assets (million euro)	52.0	56.3	75.5	-9.4	58.8	52.5	81.0	47.5
Returns (%)	5.30	4.83	4.32	-0.50	3.62	2.51	4.08	3.00
Management yields (%)[2]	7.39	6.17	4.68	-0.34	4.25	3.68	4.95	2.86
Management fee (%)[2]	2.21	2.34	2.25	0.37	0.61	0.60	0.99	0.51
Financial expenses (%)[2]	0.32	0.51	0.10	0.00	0.00	0.00	0.00	0.00
FUNDS OF HEDGE FUNDS								
Investors/shareholders	2,734	1,265	1,237	1,255	1,244	1,237	1,231	2,426
Total net assets (million euro)	345.4	319.8	293.7	290.7	286.7	293.7	293.2	328.1
Subscriptions (million euro)	7.1	8.3	0.0	0.0	0.0	0.0	0.3	–
Redemptions (million euro)	40.8	54.9	28.1	17.2	5.4	1.1	1.3	–
Net subscriptions/redemptions (million euro)	-33.7	-46.6	-28.1	-17.2	-5.4	-1.1	-0.9	–
Return on assets (million euro)	28.9	21.0	2.1	1.7	1.4	8.1	0.5	–
Returns (%)	8.48	6.16	0.90	0.56	0.48	2.83	0.16	-1.16
Management yields (%)[3]	9.72	6.61	-0.95	0.80	0.71	3.03	0.39	–
Management fee (%)[3]	1.07	0.48	0.82	0.19	-0.21	-0.21	0.21	–
Depository fee (%)[3]	0.08	0.04	0.06	0.01	-0.01	-0.01	0.01	–

1 Available data: May 2017.
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

				2016		2017		
	2014	2015	2016	III	IV	I	II	III[2]
NUMBER OF PORTFOLIOS[3]								
Mutual funds	1,949	1,760	1,748	1,750	1,748	1,741	1,721	1,713
Investment companies	3,164	3,333	3,231	3,297	3,231	3,045	2,981	2,934
Funds of hedge funds	18	11	7	10	7	8	9	9
Hedge funds	35	37	41	40	41	41	45	45
Real estate mutual funds	4	3	3	3	3	3	3	3
Real estate investment companies	7	6	6	6	6	7	7	7
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	198,718.8	222,144.6	237,862.2	229,117.4	237,862.2	247,279.3	253,581.1	255,809.9
Investment companies	30,613.8	32,879.4	31,783.2	31,914.4	31,783.2	32,259.7	31,469.0	31,330.1
Funds of hedge funds[4]	345.4	319.8	293.7	286.7	293.7	295.4	328.1	–
Hedge funds[4]	1,328.0	1,764.8	1,889.2	1,793.0	1,889.2	1,912.9	2,091.3	–
Real estate mutual funds	419.8	391.0	370.1	376.9	370.1	369.7	360.5	360.4
Real estate investment companies	806.5	702.1	707.3	714.3	707.3	714.3	722.3	724.3

1 Until March 2016, it is considered as “assets under management” all the assets of the investment companies which are co-managed by management companies and other different companies.
2 Available data: July 2017.
3 Data source: Collective Investment Schemes Registers.
4 Available data for II Quarter 2017: May 2017.

Foreign Collective Investment Schemes marketed in Spain[1]

TABLE 3.14

				2016			2017	
	2014	2015	2016	II	III	IV	I	II
INVESTMENT VOLUME[2] (million euro)								
Total	78,904.3	108,091.6	114,990.2	107,989.0	112,523.8	114,990.2	127,534.6	137,341.6
Mutual funds	11,166.0	15,305.1	21,337.5	17,489.5	19,495.4	21,337.5	25,306.4	26,864.2
Investment companies	67,738.3	92,786.5	93,652.8	90,499.5	93,028.4	93,652.8	102,228.1	110,477.4
INVESTORS/SHAREHOLDERS								
Total	1,317,674	1,643,776	1,748,604	1,670,136	1,725,099	1,748,604	1,984,474	2,134,143
Mutual funds	230,104	298,733	372,872	339,328	354,032	372,872	431,295	448,554
Investment companies	1,087,570	1,345,043	1,375,732	1,330,808	1,371,067	1,375,732	1,553,179	1,685,589
NUMBER OF SCHEMES								
Total	805	880	941	909	927	941	959	957
Mutual funds	405	425	441	433	437	441	440	430
Investment companies	400	455	500	476	490	500	519	527
COUNTRY								
Luxembourg	333	362	391	372	385	391	405	411
France	264	282	286	282	283	286	284	270
Ireland	117	143	160	152	156	160	165	167
Germany	33	32	32	32	32	32	32	33
UK	26	31	32	32	32	32	32	32
The Netherlands	2	2	2	2	2	2	2	2
Austria	25	23	23	22	22	23	23	23
Belgium	4	4	4	4	4	4	5	5
Denmark	1	1	1	1	1	1	1	1
Finland	0	0	4	4	4	4	4	7
Liechtenstein	0	0	6	6	6	6	6	6

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

Real estate investment schemes[1]

TABLE 3.15

				2016		2017		
	2014	2015	2016	III	IV	I	II	III[2]
REAL ESTATE MUTUAL FUNDS								
Number	3	3	3	3	3	3	3	3
Investors	4,021	3,918	3,927	3,935	3,927	3,946	3,960	3,960
Asset (million euro)	419.8	391	370.1	376.9	370.1	369.7	360.5	360.4
Return on assets (%)	-5.87	-6.66	-5.35	-1.82	-1.81	-0.10	-2.37	-0.04
REAL ESTATE INVESTMENT COMPANIES								
Number	7	6	6	6	6	7	7	7
Shareholders	845	583	674	682	674	517	490	490
Asset (million euro)	806.5	702.1	707.3	714.3	707.3	714.3	722.3	724.3

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: July 2017.