CNMV BULLETIN
Quarter I
2020

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Contents

Abbreviations

AA. PP.	Public Administration Services
ABS	Asset-Backed Security
ACGR	Annual Corporate Governance Report
AFC	Atypical Financial Contract
AIAF	Association of Financial Asset Brokers
AIF	Alternative Investment Funds
ANCV	Agencia Nacional de Codificación de Valores (Spain's national numbering agency)
ARDR	Annual Report on Director Remuneration
ASCRI	Asociación Española de Entidades de Capital, Crecimiento e Inversión (Spanish Association of Capital, Growth and Investment Entities)
ASR	Accelerated Share Repurchases
AV	Broker
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BME	Bolsas y Mercados Españoles
BMN	Banco Mare Nostrum
BO	Binary Options
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)
CC. AA.	Autonomous communities
CCC	Central Counterparty Clearing House
CCP	Central Counterparty
CCVO	Contrato de compraventa de opciones (Options trading contract)
CDS	Credit Default Swap
CDTI	Centro para el Desarrollo Tecnológico Industrial (Centre for the Development of Industrial Technology)
CFD	Contract For Differences
CIS	Collective Investment Scheme
CJEU	Court of Justice of the European Union
CNMV	Comisión Nacional del Mercado de Valores (Spain's National Securities Market Commission)
CSD	Central Securities Depository
CSDR	Central Securities Depository Regulation
DC	Defensor del cliente (Customer ombudsman)
DGSFP	Dirección General de Seguros y Fondos de Pensiones (Directorate-General of Insurance and Pension Funds)
EAF	Empresa de asesoramiento financiero (Financial advisory firm)
EBA	European Banking Authority
EC	European Commission
ECA	Entidad de crédito y ahorro (Credit and savings institutions)
ECB	European Central Bank
ECR	Entidad de capital riesgo (Venture capital firm)

EEA	European Economic Area
EFAMA	European Fund and Asset Management Association
EFSM	European Financial Stabilisation Mechanism
EICC	Entidad de inversión colectiva de tipo cerrado (Closed-ended collective investment entity)
EIOPA	European Insurance and Occupational Pensions Authority
EIP	Entidad de interés público (Public interest entity)
EMIR	Regulation (EU) No. 643/2012 / European Market Infrastructure Regulation
EMU	Economic and Monetary Union (euro area)
EP	European Parliament
ESAS	Other European supervisory authorities
ESFS	European System of Financial Supervisors
ESI	Empresa de servicios de inversión (IF Investment firm)
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange-Traded Fund
EU	European Union
EuSEF	European Social Entrepreneurship Fund
EuVECA	European Venture Capital Fund
FATF	Financial Action Task Force
FCR	Fondo de capital riesgo (Venture capital fund)
FCR-pyme	Fondo de capital-riesgo pyme (SME venture capital fund)
FI	Fondo de inversión de carácter financiero (Mutual fund)
FICC	Fondo de inversión colectiva de tipo cerrado (Closed-ended investment firm)
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)
FIN-NET	Financial Dispute Resolution Network
FINTECH	Financial Technology
FOGAIN	Fondo General de Garantía de Inversiones (Investment Guarantee Fund)
FOMC	Federal Open Market Committee
FRA	Forward Rate Agreement
FROB	Fondo de Reestructuración Ordenada Bancaria (Fund for Orderly Bank Restructuring)
FSB	Financial Stability Board
FTA	Fondo de titulización de activos (Asset securitisation fund)
FTH	Fondo de titulización hipotecaria (Mortgage securitisation fund)
GDI	Gross Disposable Income
GLEIF	Global Legal Entity Identifier Foundation
GRV	Garantizados de renta variable (Guaranteed equity fund)
HFT	High Frequency Trading
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Board
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
ICO	Initial Coin Offerings
IESBA	International Ethics Standards Board for Accountants
IF	Investment Firm
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators

IFRS	International Financial Reporting Standards
IICIL	Institución de inversión colectiva de inversión libre (Hedge fund)
IIMV	Instituto Iberoamericano del Mercado de Valores (Ibero-American Securities Market Institute)
IMF	International Monetary Fund
INFO Network	International Network of Financial Services Ombudsman Schemes
IOSCO	International Organization of Securities Commissions
IRR	Internal Rate of Return
ISIN	International Securities Identification Number
KID	Key Investor Document
Latibex	Latin American Stock Market
LEI	Legal Entity Identifier
LMV	Ley del Mercado de Valores (Securities Market Act)
MAB	Mercado Alternativo Bursátil (Alternative Stock Market)
MAD	Market Abuse Directive
MAR	Market Abuse Regulation
MARF	Mercado Alternativo de Renta Fija (Alternative Fixed-Income Market)
MEFF	Mercado Español de Opciones y Futuros Financieros (Spanish Financial Futures and Options Market)
MFP	Maximum Fee Prospectus
MG	Monitoring Group
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MMU	CNMV Market Monitoring Unit
MOU	Memorandum of Understanding
MRO	Main Refinancing Operations
MTS	Market for Treasury Securities
NCA	National Competent Authority
NPGC	Nuevo Plan General de Contabilidad (New General Chart of Accounts)
OECD	Organization for Economic Cooperation and Development
OIS	Overnight Indexed Swaps
OPS	Public offering (for subscription of securities)
OPV	Public offering (for sale of securities)
OTC	Over the Counter
PER	Price-to-Earnings Ratio
PFP	Participatory Financing Platform
PIOB	Public Interest Oversight Board
PPI	Periodic Public Information
PSR	Pre-emptive Subscription Right
PUI	Préstamo de Última Instancia (Loan of Last Resort)
REIT	Real Estate Investment Trust
RENADE	Registro Nacional de los Derechos de Emisión de Gases de Efecto Invernadero (Spain's National Register of Greenhouse Gas Emission Allowances)
RFQ	Request for Quote
ROC	Regulatory Oversight Committee
ROE	Return on Equity
SAC	Servicio de atención al cliente (Customer service)
SAMMS	Sistema Avanzado de Monitorización de Mercados Secundarios (Advanced Secondary Market Tracking System)
SAREB	Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (Asset Management Company for Assets Arising from Bank Restructuring)

SAV	Broker and broker-dealer companies
SCLV	Servicio de Compensación y Liquidación de Valores (Spain's Securities Clearing and Settlement System)
SCR	Sociedad de capital riesgo (Venture capital company)
SCR-pyme	Sociedad de capital riesgo pyme (SME venture capital company)
SEC	Securities Exchange Commission
SENAF	Sistema Electrónico de Negociación de Activos Financieros (Electronic Trading Platform in Spanish Government Bonds)
SEND	Sistema Electrónico de Negociación de Deuda (Electronic Debt Trading System)
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)
SGEIC	Sociedad gestora de entidades de inversión colectiva de tipo cerrado (Closed-ended investment scheme management company)
SGFT	Sociedad gestora de fondo de titulización (Asset securitisation trust management company)
SGIIC	Sociedad gestora de instituciones de inversión colectiva (CISMC Collective investment scheme management company)
SIBE	Sistema de Interconexión Bursátil Español (Spanish Stock Market Interconnection System)
SICAV	Sociedad de inversión de carácter financiero (Open-ended collective investment scheme)
SICC	Sociedad de inversión colectiva de tipo cerrado (Closed-ended investment undertaking)
SII	Sociedad de inversión inmobiliaria (Real estate investment company)
SIL	Sociedad de inversión libre (Hedge fund in the form of a company)
SLV	Sistema de liquidación de valores (Securities settlement system)
SMN	Sistema multilateral de negociación (MTF Multilateral trading facility)
SNCE	Sistema Nacional de Compensación Electrónica (National Electronic Clearing System)
SON	Sistema organizado de negociación (organised trading facility)
SRB	Single Resolution Board
SSB	Standard-Setting Boards
STOR	Suspicious Transaction and Order Report
SV	Sociedad de valores (Broker-dealer)
T2S	Target2-Securities
TER	Total Expense Ratio
TLTRO-III	Targeted Longer-Term Refinancing Operations
TRLMV	Consolidated text of the Securities Market Act (Royal Legislative Decree 4/2015, of 23 October)
TVR	Theoretical Value of Rights
UCITS	Undertakings for Collective Investment in Transferable Securities
WB	World Bank
WTO	World Trade Organization

I Securities markets and their agents: Situation and outlook

Contents

List of exhibits

1 Executive summary

– The global and national macroeconomic and financial environment in the first quarter of this year was marked by what is, without a doubt, the most significant global shock in recent decades: the spread of the coronavirus from Wuhan, in China, to the rest of the world. The virus initially spread more intensely in Korea, Italy and Spain, but went on to impact the rest of the European countries and the world. The lack of a vaccine to treat this virus meant that the most immediate measures adopted by the governments of the affected countries were aimed at isolating the population, which resulted in the virtual paralysis of all non-essential economic activity. This crisis, which has three dimensions (health, social and economic), is of a different order to previous ones. In previous systemic crises, the trigger was usually an imbalance or dysfunction in some part of the financial system, which spread, with more or less intensity, to other parts of the system and with a certain lag, to the real economy. In the current crisis, the trigger was a shock that was totally external to the financial system and which has led to an unprecedented health crisis and to the temporary shutdown of most economies. In this context, the financial markets have merely reflected the increasing uncertainty (with a flight to safer assets) and expectations about the impact of the "economic hibernation" on companies.

– The spread of the coronavirus to Europe, the United States and much of the globe has forced the world's leading central banks, led by the European Central Bank (ECB) and the US Federal Reserve, as well as the governments of European Union (EU) member states, the United States and other economies, in addition to international organisations such as the International Monetary Fund (IMF), to approve packages of monetary and fiscal stimulus measures to address the economic and social effects caused by the pandemic. From a monetary standpoint, these measures include cutting interest rates to all-time lows, massive asset purchase programmes and rounds of financing for banks to promote lending. The ECB and Federal Reserve asset purchase programmes stand out for their size: their combined value is close to US$2 trillion and the final volume could be more if necessary. Apart from this, fiscal measures involve increases in public spending, the cancellation or deferral of taxes, loans and capital injections from the public sector, as well as guarantee programmes, which for the group of developed and emerging economies making up the G20 are estimated at a total of US$7 trillion.

– In mid-April, the IMF released an initial estimate of the economic impact of the crisis based on the assumption that the pandemic will dissipate in the second half of 2020 and that containment measures will be gradually lifted so that economic activity can return to normal with the support provided by the economic policies implemented by the authorities. These forecasts, subject to a high degree of uncertainty, point to a decline in world GDP of 3% this year, which would recover in 2021 at a rate of 4.7%. The developed economies, especially in Europe, would experience the deepest recession (-6.1%), while emerging countries would suffer a decrease in activity of 1%, which would not be generalised among all countries since China and India are expected to post slight growth. This scenario means that other uncertainties, such as the trade war and Brexit, have become less significant, but at the same time it involves new risks, prominent among which, for example, is the need for many countries to implement the appropriate measures to address the crisis while at the same time trying to ensure the sustainability of their public finances.

– In this context, the financial markets went through several weeks of severe turbulence caused by the increased uncertainty and the emergence of new expectations.[1] International equity markets, which had shown some ups and downs in the first two months of the year, posted heavy losses in March, as the worldwide spread and effects of the virus became known. The price falls were especially sharp towards the middle of March, when several indices posted all-time record daily falls in an environment of high volatility. For the majority of stock exchanges, volatility indicators rebounded to very high levels (above 85%), similar to, or in some cases higher than, those recorded in the 2008 global financial crisis. In the last few days of March, quoted prices stopped falling and steadied, but this did not prevent the balance for the quarter from being highly unfavourable: price falls were somewhat less in Japan and the United States, where they ranged from 14.2% to 23.2%, whereas all major European indices lost more than 25%.

– In the international debt markets, short term interest rates decreased in most economies due to decisions made by the different monetary authorities, although in the euro area they ended the quarter with a slight rise. Returns on long-term sovereign debt assets of the economies perceived as strongest posted declines, as they were subject to large-scale buying at the times of greatest turbulence (flight to quality), while the more fragile economies saw higher yields and, consequently, higher risk premiums. In Europe, the upward trend in risk premiums was reversed when the ECB announced its Pandemic Emergency Purchase Programme. In the private debt segment, the turbulence translated into a substantial increase in risk premiums, especially those applied to issuers with relatively poor credit quality (high yield), which at one stage were close to 10 percentage points (pp).

– In the Spanish economy, which had been growing at rates of 2% with a slightly slowing trend, the scenario changed radically in the space of a few days as Spain was one of the countries worst hit by the spread of the virus. The information on economic activity presented in this report (with a closing date of 31 March) does not yet reflect the severity of the crisis for the Spanish economy. The most recent information corresponds to unemployment figures for March (almost 300,000) and the decline in the number of people registered with the social security system.

1 The closing date of this report is 31 March, except for certain information such as that deriving from the World Economic Outlook published by the IMF on 14 April.

– However, the IMF has already issued some initial forecasts for the economy, which draw a very unfavourable picture for this year. In particular, it forecasts a fall in GDP of 8%, together with an increase in public debt to 113% of GDP and an increase in the unemployment rate to over 20% of the active population. The figures for 2021 show a scenario of gradual recovery. The Bank of Spain has also released various GDP growth scenarios for the Spanish economy for 2020-2021, according to which GDP could fall this year by between 6.6% and 13.6% depending on the number of weeks of confinement, the nature of the transition to normal and the effectiveness of the economic policy measures applied to limit the enduring effects on activity and employment. The public deficit could be between 7% and 11% of GDP and public debt between 110% and 122% of GDP.

– The risks faced by the Spanish economy once the COVID-19 health crisis has been overcome are similar to those facing its neighbours. These include a fresh surge in unemployment to very high rates (at a time when levels prior to the last crisis have not yet been recovered) and the challenge of reconciling the implementation of the measures required to handle the crisis with the sustainability of public accounts. All this in a context of uncertainty surrounding possible changes in the consumption habits of the population and the necessary reactivation of the export activity, in an environment of price instability affecting some raw materials.

– In the first quarter, the Spanish financial markets showed trends that were similar to those of other surrounding markets as a consequence of the crisis. The Spanish financial market stress indicator marked its largest increase in the four consecutive weeks starting on 28 February, moving from 0.19 at the end of February to 0.56 at the end of March. Since the end of March, the indicator has remained relatively stable at 0.55-0.56, values that correspond to a high stress level (above 0.49), after registering its third highest historical value, surpassed only by those of late 2008 (0.88) and mid-2012 (0.70). The abrupt falls in asset prices, together with the deterioration of their liquidity and higher volatility, have triggered very significant increases in stress levels in most components of the general indicator.

– The Spanish equity markets, which had ended 2019 with a gain of 11.8%, started the year with slight setbacks due to fears of the negative effects of the coronavirus on the economy and global growth. These falls intensified as the quarter progressed, when it became known that the virus was spreading strongly throughout Europe and much of the rest of the world, following the trends of the main global stock markets. The Ibex 35 lost more than 22 pp in March, to end its worst quarter ever with losses of 28.9%, in a context of rising trading volumes and very high volatility, which led the CNMV, like other European securities supervisors, to announce a temporary ban in mid-March on creating or expanding net short positions.

– In the Spanish fixed income markets, yields on long-term public debt, which had increased slightly in the last part of 2019, posted short-lived upticks as a result of the turbulence, which subsided following the announcement of the ECB's substantial purchase programme. Even so, both public and private debt rates showed small increases in the quarter, which were more pronounced for assets with lower credit ratings. In this context, the interest rate curve began to show positive values after the 3-year reference, with the yield on 10-year public debt standing at 0.68% at the end of March (0.45% at the close of 2019). The sovereign risk premium increased by 48 basis points (bp) to end the quarter at 114 bp, after peaking at close to 150 bp.

– The investment fund industry saw a significant increase in assets in 2019 (7.8%), to €279 billion (or €307.8 billion including assets of open-ended collective investment companies), due above all to the positive performance in a year of lower net subscriptions by unitholders. Assets of foreign collective investment schemes (CIS) marketed in Spain also continued to expand, reaching approximately €179 billion at the end of the year, which represents 36.4% of the total assets of all CIS distributed in Spain. The expansion of this industry, which continued in the early part of this year, was interrupted in March by the crisis, which led to a notable loss of value in portfolios and an increase in redemptions. It is estimated that assets fell by about 10% in March. In this context, the sector functioned normally, and no schemes had to suspend redemptions, in contrast with some European countries.

– Credit institutions remained the main providers of investment services, accounting for almost 90% of total income from fees in the various segments. Non-bank financial intermediaries (basically broker-dealers and brokers), which have a significant share of some financial services, saw their pre-tax profits decline further in 2019, to €75.5 million. Despite this fall in profits, the number of loss-making entities decreased, suggesting that the sector's poor performance in 2019 came mainly from a relatively small number of entities. In recent years, these entities have gradually shifted their business models towards greater diversification among the various services that they can provide, but the outlook is complex, given that on top of the competition from credit institutions in the provision of these financial services they now also have to contend with the crisis scenario, which complicates business development even further.

– This report contains three monographic exhibits:

  • The first describes the main features of the monetary and fiscal policies adopted by the major economies in response to the COVID-19 crisis.

  • The second lists the most notable initiatives taken by the CNMV in response to the crisis, ranging from organisational and procedural measures to specific measures relating to the supervision of financial markets and their infrastructures, and to CIS, in addition to work relating to collaboration and the sharing of experiences among national supervisors and in global forums.

  • Finally, the third exhibit refers to the decisions taken by the CNMV to restrict the creation or increasing of short positions on shares listed on the Spanish markets, in line with the decisions of other European authorities.

2 Macro-financial background

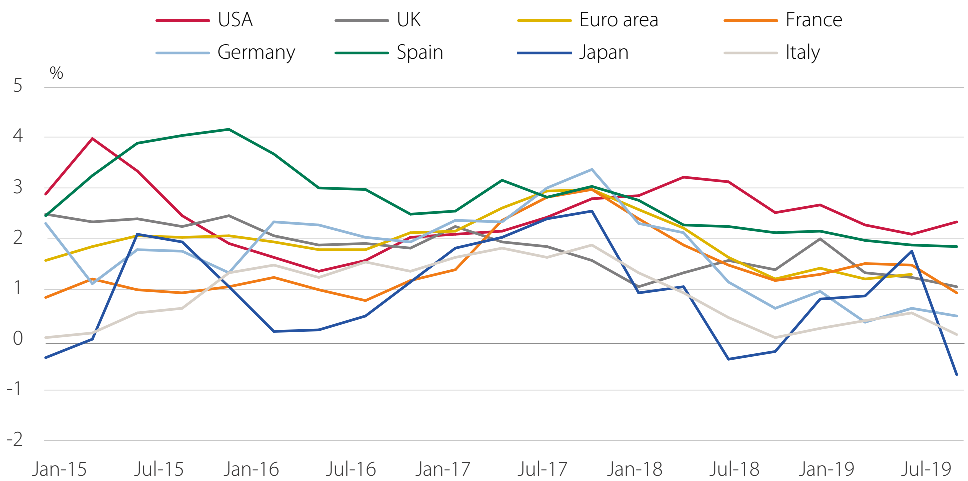
The analysis of global economic and financial trends has been carried out at the closing date of 31 March. The published activity indicators contain economic information from before the spread of the COVID-19 crisis, and consequently describe the previous status of the global economy and not the current situation, which will be described in subsequent issues of the CNMV Bulletin, In contrast, the information relating to financial markets includes the impact of the crisis on the main indicators in March. The Outlook section aims to put forward some of the most foreseeable trends in future activity.

2.1 International economic and financial developments

2019 was marked by a notable slowdown in growth in most economies. The variation in world GDP stood at 2.9% (compared with 3.6% in 2018).

2019 was marked by a notable slowdown in growth in most of the world's economies, in a context of political and economic uncertainty. World GDP went from 3.6%[2] in 2018 to 2.9% in 2019. All regions saw lower growth than in the previous year, except for the United Kingdom, where GDP growth went from 1.3% in 2018 to 1.4% in 2019. In the United States, there was also some slowdown (from 2.9% to 2.3%), although the country has posted positive growth rates for more than 40 consecutive quarters. Similarly, in the euro area, the slowdown in growth was considerable in the largest economies, which led to GDP growth in the area as a whole of 1.2% in 2019, 0.7 percentage points less than in 2018. Uncertainties surrounding Brexit and trade tensions were the main causes of this slowdown. Standouts also included the slowdown seen in Germany (from 1.6% to 0.6%), also caused by weak external demand, and in the Netherlands (from 2.6% to 1.8%). In Italy, France and Spain the falls were less severe (0.4 pp, to 0.3%, 1.3% and 2.0% respectively).

Annual change in GDP FIGURE 1



Source: Thomson Datastream.

2 Data from the *World Economic Outlook*, published by the IMF on 9 January.

In March, the Federal Reserve cut interest rates twice, finally placing them in the range of 0.00-0.25%…

The serious crisis triggered in March by the spread of the coronavirus among countries and the difficulties in coping with it led the major central banks to adopt urgent measures. The Federal Reserve, which in January resolved to keep its official rates in the range of 1.50-1.75%, met twice in March and made emergency cuts in these rates to deal with the economic risks of this health crisis. The first reduction was half a pp and the second, less than two weeks later, was 1 pp, which finally placed the official rates in the range of 0.00-0.25%, the same levels as during the financial crisis (rates had been unchanged from the end of 2008 to 2015). At the second meeting in March, in addition to the new rate cut, the US central bank increased holdings of treasury bills and covered bonds issued by any of the three official mortgage securitisation agencies by US$500 billion and US$200 billion respectively to support the smooth operation of the credit market. The Fed also stressed that it was prepared to use all tools at its disposal to ease the flow of credit to households and businesses, with the aim of achieving its goals of maximum employment and price stability.

… while the ECB resolved to keep its official interest rate unchanged but increased its asset purchase programmes to record amounts and made them more flexible in terms of the assets that can be acquired.

The ECB, at its first meeting of 2020, made no changes in its official interest rates or in the marginal lending or deposit facility (currently at 0%, 0.25% and -0.50% respectively) and initiated a review of its monetary policy strategy.[3] At its next meeting, various expansive measures were adopted to counteract the effects of the outbreak and the spread of the coronavirus, although it did not change its official rates. To inject liquidity into the system, the central bank launched an additional programme of net asset purchases worth €120 billion until the end of the year, and also resolved to increase liquidity injections to banks on more favourable terms, to promote the flow of credit. Lastly, on 18 March, in a context of extremely high market volatility, abrupt falls in quoted prices and increases in risk premiums, an emergency meeting was held, at which the ECB decided to expand the aforementioned package of measures. A new asset purchase programme (Pandemic Emergency Purchase Programme, PEPP) was announced, to provide additional liquidity of €750 billion that will last at least until the end of the year and is characterised by its flexibility with regard to the asset classes to be purchased and the percentages assignable to each country, including Greece.[4] For the time being, official interest rates remain unchanged, but future measures to limit the economic risks entailed by the pandemic have not been ruled out. Specifically, the Governing Council of the ECB has indicated that it is prepared to increase the size of its asset purchase programmes and to adjust their composition as necessary to ensure the correct transmission of its monetary policy in the euro area.

The Bank of England resolved to cut its official rates and increase the amount of its asset purchasing programmes, as well as providing a funding facility for SMEs.

In March, the Bank of England cut interest rates twice as an emergency measure to revive the British economy, which was affected by the fall in the pound and the sharp slowdown in activity caused by the coronavirus crisis. The first reduction in the official interest rate was half a point, down to 0.25% (since July 2018 it had

3 The existing strategy, which was adopted in 1998 and partly clarified in 2003, is being revised in order to incorporate the structural changes that have taken place in the euro area economy over these years. This review will cover the quantitative formulation of price stability, the set of monetary policy instruments, economic and monetary analysis and communication practices, as well as other aspects such as financial stability, employment and sustainability.

4 For this new asset purchase programme, the ECB has removed the usual restriction whereby no more than one third of the debt of any single issuer may be acquired. This will give the authority a discretionary stance in its asset purchases and allow it to focus on the countries most affected.

stood at 0.75%) and the second, just a week later, placed it at 0.1%. Another of the measures adopted by the Bank of England was the introduction of a new Term Funding Scheme with additional incentives for SMEs (TFSME) similar to the one launched in 2016, consisting of lending incentives and lines of credit. In addition, although the level of the asset purchase programme was initially unchanged[5] (£435 billion), in the second meeting in March the BoE announced that it would be increased by £200 billion to a total of £645 billion. It also clarified that it was ready to take more measures to provide liquidity to the system and contain the economic effects caused by the crisis.

The Bank of Japan did not change its official interest rate although it did introduce temporary measures to counteract market turmoil.

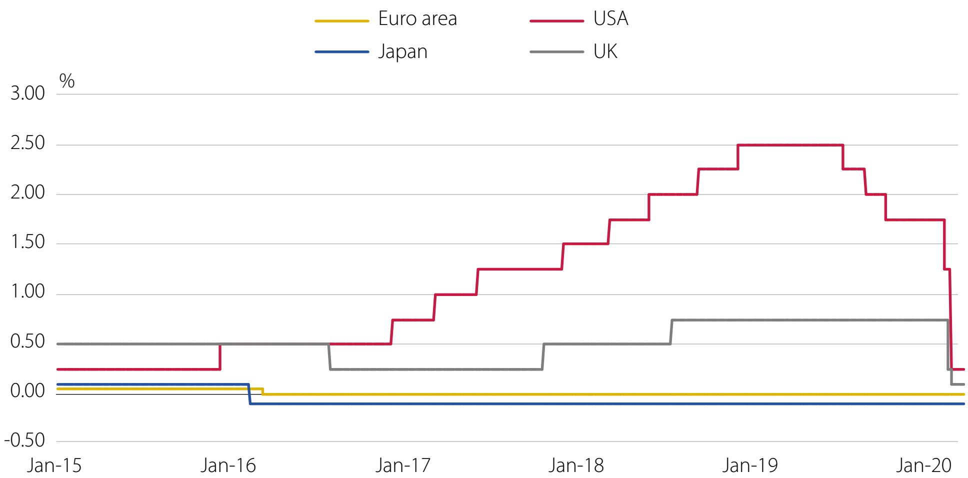
The Bank of Japan kept the its official interest rate unchanged -0.10% where it has been since early 2016, although it introduced temporary measures regarding the scope of its asset purchasing programmes in response to the market turmoil. It increased the scope of these programmes and set up a line of financing for companies affected by the coronavirus. This line will provide loans at an interest rate of 0% with a maturity of up to 1 year and will be in place until the end of September 2020. In addition, the BoJ stepped up government bond purchases and to facilitate corporate financing, resolved to double its purchases of ETF to ¥12 trillion a year (more than €100 billion) and increase the pace of J-REIT purchases to ¥180 billion a year. Lastly, the central bank said it would take additional measures depending on the progress and impact of COVID-19.

Trends in short term interest rates followed a downward path in most regions, in line with the rate cuts made by several monetary authorities.

The trend in short term interest rates during the first quarter of 2020 followed a downward path in most regions, with differences among rates of the main developed economies narrowing as a result of the monetary policy measures applied. Thus, three-month rates in the US, which had fallen by 90 bp in the past year, continued to follow the same trend and registered a 46 bp drop in the first quarter of 2020, to stand at 1.45% at the end of March. Despite ending the quarter at this level, interest rates had fallen as low as 0.74% (the lowest levels since mid-2016), which would imply a 117 bp drop. Similarly, the United Kingdom saw falls in short term rates, which stood at 0.60% at the end of the first quarter (20 bp less than at the beginning of the year). In the euro area, short term interest rates increased slightly compared with the beginning of the year (2 bp), to stand at -0.36% at the end of March. However, it should be pointed out that in the weeks prior to the end of the quarter, falls of up to 11 bp had been recorded.

5 The new asset purchase programme will cover both public and private debt, although after the increases on this programme, the majority of the purchases up to £645 billion will comprise public debt.

Official interest rates FIGURE 2



Source: Thomson Datastream. Data to 31 March.

Sovereign bond yields declined compared with the previous quarter in most developed countries, except for peripheral euro area nations.

Interest rates on long-term public debt showed a relatively uniform performance in the first quarter of 2020, with slight decreases in most developed countries, in line with the deterioration in economic activity, except for the peripheral euro area countries, where slight increases were observed. Therefore, the yield on 10-year sovereign bonds increased by 39 bp to 0.84% in Portugal; by 22 bp to 0.68% in Spain; by 16 bp to 1.65% in Greece and by 11 bp to 1.53% in Italy.

The steepest declines were seen in the United States.

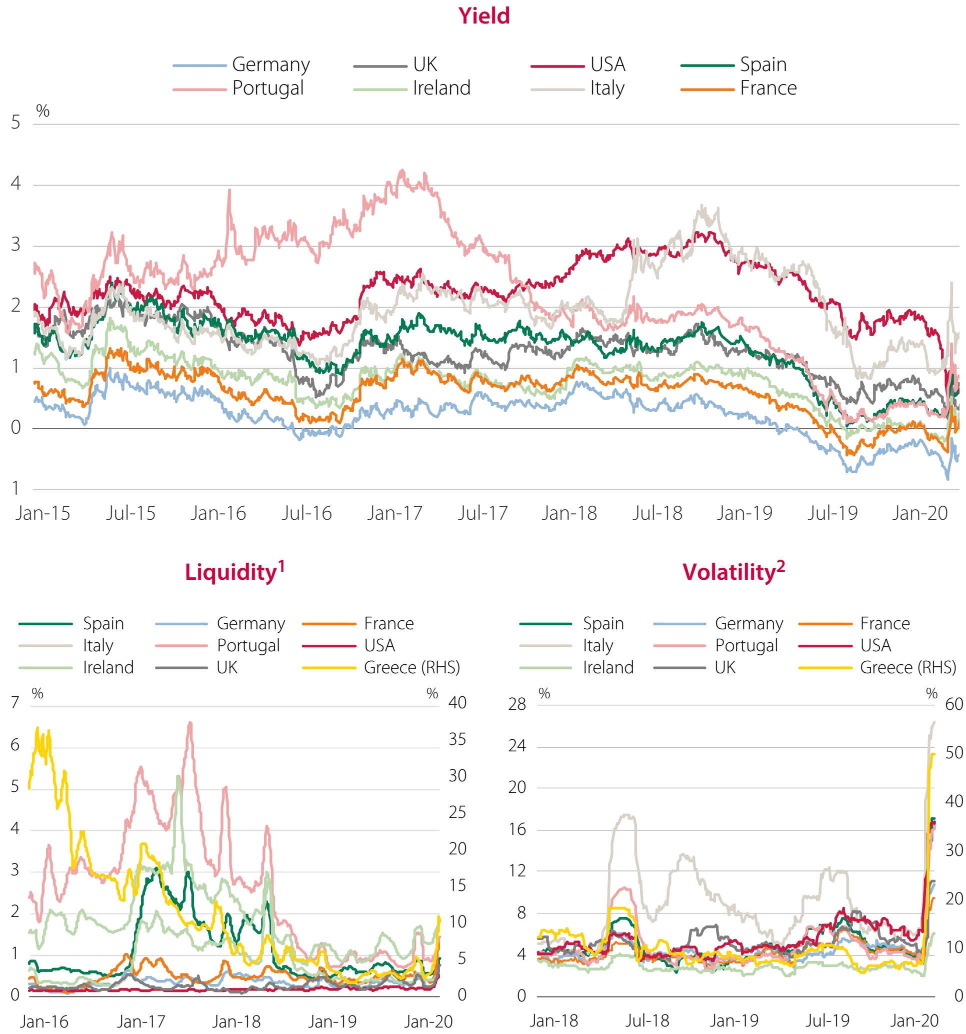
The most notable development in the remaining euro area countries was the 27 bp decrease in the rate on German public debt, which remains in negative territory (-0.46%), given its safe haven status. Yields on long-term public debt were also negative in France (-0.01%), Finland (-0.02%) and the Netherlands (-0.21%); and very close to zero in Belgium, Austria and Ireland (0.08%, 0.02% and 0.09% respectively). In the United States, the decrease in the yield on sovereign bonds was more significant, down 121 bp compared with December 2019, to stand at 0.70%.

Sovereign credit risk premiums increased throughout the first quarter of 2020, especially in the peripheral euro area countries.

Sovereign credit risk premiums (assessed via 5-year CDS contracts) in developed economies increased during the first quarter of 2020, after a year in which, in general terms, they had decreased due to the easing of uncertainties such as those concerning the trade war between the US and China, and Brexit. The largest increases occurred mainly from March and in the peripheral euro area countries, some of which were initially most affected by the spread of the coronavirus. The rise in the risk premium in mid-March compared with December 2019 was as much as 291 bp for Greece, 144 bp for Italy, 126 bp for Spain and 133 bp for Portugal. Risk premiums fell markedly from 18 March after the ECB's announcement of the expansionary measures discussed above, although this did not prevent rises in the quarter as a whole. Notable quarterly increases included Greece (up 86 bp to 197 bp), Portugal (up 66 bp to 104 bp), Spain (up 64 bp to 105 bp) and Italy (up 55 bp to 176 bp).

10-year sovereign bond market indicators

FIGURE 3



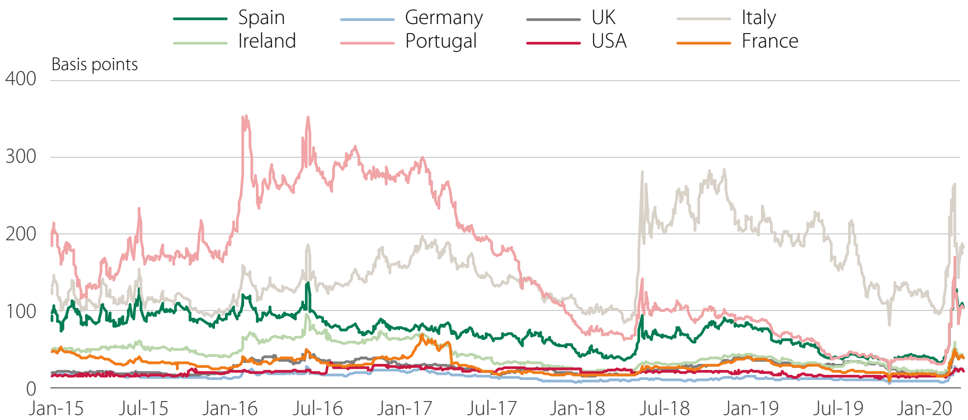
Source: Bloomberg, Thomson Datastream and CNMV. Data to 31 March.

1 1-month average of the daily bid/ask spread of 10-year sovereign bond yields.

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

Credit risk premiums for sovereign debt (5-year CDS)

FIGURE 4



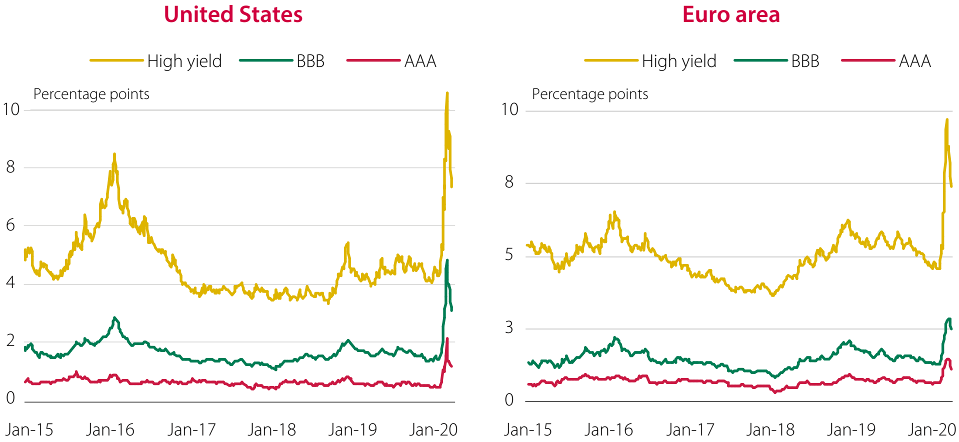
Source: Thomson Datastream. Data to 31 March.

Similarly, credit risk premiums increased in all bond tranches, somewhat more markedly in the United States than in the euro area, with the uptick concentrated in poorer quality (high yield) bonds.

Credit risk premiums in the private fixed income markets of developed economies increased in all bond segments with respect to the values observed at the end of 2019, in which year they had decreased. These increases were somewhat more marked in the United States than in the euro area, and particularly so in the least creditworthy assets during March, although there was a slight decrease in the last few days of the month (see Figure 5). In the United States, the risk premium in the first quarter of the year increased by 447 bp to 860 bp in the high yield tranche; by 257 bp to 390 bp in the BBB tranche and by 89 bp to 133 bp in the AAA tranche. In the euro area, increases in the credit risk premiums applied for corporate debt were 389 bp in the high yield tranche, to 863 bp; 148 bp in the BBB tranche, to 280 bp; and 81 bp in the AAA tranche, to 143 bp.

Private debt risk premiums FIGURE 5

Spread compared with 10-year sovereign debt[1]



Source: Thomson Datastream and CNMV. Data to 31 March.
1 In the euro area relative to German sovereign debt.

Gross debt issuances in global markets during the first quarter of the year showed a slight increase of 4.2% year-on-year, due to the increase in gross issuances made by private sector companies.

Gross long-term debt issues in global markets during the first quarter of the year (half-yearly data) registered a slight increase compared with the first half of 2019, amounting to US$6.5 trillion (4.2% up on the same period of the previous year). This increase was due to the rebound in private sector issuances, especially in the non-financial sector, where they increased by 19.3%, while in the financial sector they rose by 8%. In contrast, gross issuances in the public sector decreased slightly (by approximately 1%). By region, debt issuances in the United States stand out, increasing by 21.8% relative to the same period last year, to US$3.2 trillion (about half of total gross issuances).

Gross sovereign issuances advanced slightly (1%) due to the increase in the United States. Stripping out maturities, the net amount of these issuances would have declined.

Gross sovereign debt issuances decreased slightly to US$3.9 trillion (1% compared with the first half of 2019), with an uneven performance among the different regions. Thus, while in the United States gross sovereign issuances increased by 11.4% to US$1.9 trillion, in other economic regions they decreased compared with the first half of 2019 (in Europe by 12% and in Japan by 1.8%). However, if all net sovereign issuances were included, the total amount would have decreased by 18.6% due to the notable rise in debt maturities, especially in Europe.

Gross global fixed income issuances

FIGURE 6

Source: Dealogic. Half-yearly data. Data for the first half of 2020 are to 31 March but are shown as half-yearly equivalents for purposes of comparison.

For debt issuances made by private sectors, the general trend was uniform among subsectors, although those of the non-financial sector showed a larger increase. Gross non-financial sector issuances went from US$1.1 trillion in the first half of 2019 to US$1.3 trillion in 2020 (+19.3%); with most of the increase coming from the United States (49.5%), although there was also an increase in Europe (4.5%). The 8% increase in debt issuances in the financial sector, to US$1.3 trillion, was driven by issuances made in the United States and Japan.

Gross issuances increased in the private sector, although there was a greater rise in non-financial sector issuances.

The main equity indices, which had risen significantly in 2019, posted sharp falls in the first three months of 2020 due to the slowdown in activity linked to the lock-down measures adopted by most governments and the expectation of an economic crisis caused by COVID-19, which could be the worst since World War II. Equity markets suffered abrupt declines in quoted prices and substantial increases in volatility, which in some indices exceeded the peak levels seen in 2008. Some indices, such as Spain's, posted their biggest daily fall ever (14.1% on 12 March).

The main equity indices, which had risen considerably in 2019, posted sharp falls in the first three months of 2020, in an environment of extremely high volatility.

The US stock indices saw significant falls in the first quarter of the year, notably the Dow Jones, down by 23.2% and the S&P 500 down by 20%, while the technology-heavy Nasdaq fell by less, -14.2%. Likewise, European stock markets posted

By region, both US and European stock market indices fell significantly.

sharp falls, ranging from 25% for the Dax 30 to 28.9% for the Ibex 35. In most cases, European indices lost more than they had gained in 2019 (see Table 1). The UK's FTSE 100 index also fell sharply, by 24.8%, as did the Japanese indices: 20% for the Nikkei and 18.5% for the Topix.

Emerging stock markets also performed very poorly in the quarter, affected by the pandemic and other uncertainties.

Emerging stock markets were also affected by the coronavirus pandemic and showed significant falls in quoted prices in the first quarter of 2020, which led to a drop in the MSCI equities index of 21.4%. Therefore, all indices registered large falls compared with the previous quarter and in most cases these were greater than 20%. In China, where the Shanghai Composite index, which fell by 8% in its opening after the Chinese New Year, eventually lost 9.8% in the first quarter, registering the smallest fall among emerging indices and, in particular, among Asian bourses. The fact that this economy has gone through the phases of isolation and the resumption of normal activities ahead of the rest of the economies may partly explain this trend. Asian indices lost between 15% (in Malaysia) and 31.9% (the Philippines). Among Eastern European economies the most notable development was the 34.5% plunge of Russia's RTS index caused by the fall in oil prices following the breakdown of negotiations between Russia and Saudi Arabia. In Latin America, the main falls were seen in Argentina's Merval and Brazil's Bovespa indices (41.5% and 36.9% respectively), while the Peruvian and Mexican stock markets lost less (29.5% and 25.2% respectively).

Returns of the main stock market indices[1] TABLE 1

%

	2016	2017	2018	2019	II 19	III 19	IV 19	I 20
World								
MSCI World	5.3	20.1	-10.4	25.2	3.3	0.1	8.2	-21.4
Euro area								
Eurostoxx 50	0.7	6.5	-14.3	24.8	3.6	2.8	4.9	-25.6
Euronext 100	3.0	10.6	-11.2	24.9	2.8	2.6	4.1	-25.0
Dax 30	6.9	12.5	-18.3	25.5	7.6	0.2	6.6	-25.0
Cac 40	4.9	9.3	-11.0	26.4	3.5	2.5	5.3	-26.5
Mib 30	-10.2	13.6	-16.1	28.3	-0.2	4.1	6.3	-27.5
Ibex 35	-2.0	7.4	-15.0	11.8	-0.4	0.5	3.3	-28.9
United Kingdom								
FTSE 100	14.4	7.6	-12.5	12.1	2.0	-0.2	1.8	-24.8
United States								
Dow Jones	13.4	25.1	-5.6	22.3	2.6	1.2	6.0	-23.2
S&P 500	9.5	19.4	-6.2	28.9	3.8	1.2	8.5	-20.0
Nasdaq-Composite	7.5	28.2	-3.9	35.2	3.6	-0.1	12.2	-14.2
Japan								
Nikkei 225	0.4	19.1	-12.1	18.2	0.3	2.3	8.7	-20.0
Topix	-1.9	19.7	-17.8	15.2	-2.5	2.4	8.4	-18.5

Source: Thomson Datastream.

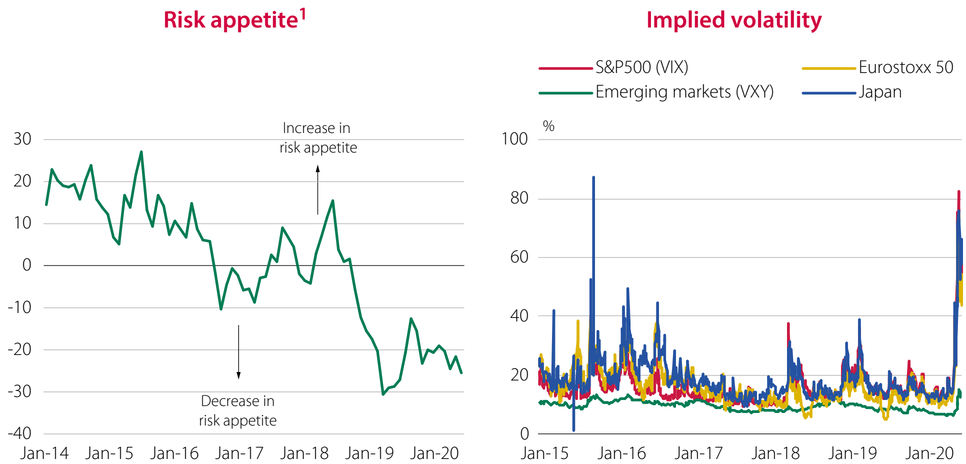
1 In local currency Data to 31 March.

Global implied volatility measures increased during the first quarter of the year and reached very high episodic peaks.

Measures of implied volatility of the main stock market indices, which during 2019 had held steady at between 12% and 16% on average, increased during the first quarter of the year to much higher levels (between 24% and 29% on average), with some very high episodic peaks. Thus, coinciding with the period of greatest downturns in the various indices, levels of implied volatility reached episodic highs of up to 90% for the Mib 30, 88% for the Dow Jones and around 78% for the rest of the major indices. In general terms, the highs recorded by the implied volatility indicators are similar to those observed in the 2008 crisis.

Financial market indicators

FIGURE 7

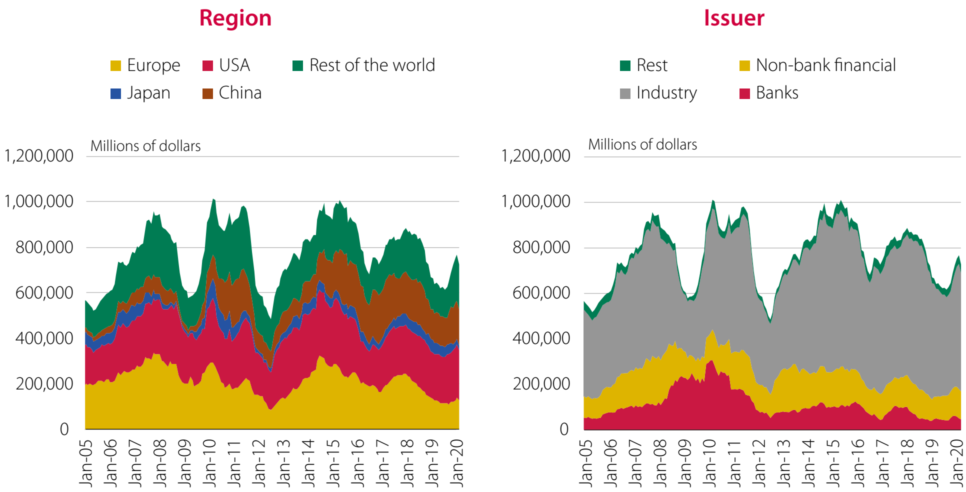


Source: Thomson Datastream and CNMV.

1 State Street indicator.

International equity issuance

FIGURE 8



Source: Dealogic. Cumulative data for the 12 months to 31 March.

The volume of equity issuance increased by 1.9% in the first quarter of 2020, with notable increases in the utilities sector.

The volume of equity issuance increased slightly during the first quarter of 2020 and was close to US$140 billion (1.9% more than in the same period in 2019). This was due to the 7% rise in equity issuance in Europe, while other regions showed declines in varying degrees. The most notable decline was seen in Japan, where issuance fell by 24.3%. In China and the United States the decreases were less pronounced, at 5.1% and 6.4%, respectively. By sector, issuance grew substantially in the utilities sector, and to a lesser extent in manufacturing companies (172.6% and 22.1% respectively, compared with the first quarter of 2019). The remaining sectors all posted declines, most notably the banking sector, with a decrease of 86.7%.

Reorientation of monetary and fiscal policy due to the coronavirus crisis

EXHIBIT 1

Following the last monetary flexibility measures adopted over the course of 2019 by both the ECB (reduction of the marginal rate to -0.50%, third round of financing to banks (TLTRO-III) extending the term from 2 to 3 years, and the beginning of net purchases of debt amounting to €20 billion per month from November) and the US Federal Reserve (three cuts in rates, bringing them to a range of 1.5-1.75%), both the equity and debt markets started the year on the assumption that the monetary authorities would not adopt any additional measures and might even consider some strategic reviews[1] in view of the resolution of certain elements of uncertainty that had affected the markets, such as the trade dispute between the United States and China and the outcome of Brexit. Likewise, the projected scenario of revived growth in Europe and continued expansion in the United States favoured the performance of public accounts and, consequently, fiscal consolidation.

In this context, the spread of the coronavirus to Europe, the United States and much of the rest of the world triggered sharp falls in the stock markets and the first tensions in the debt markets due to uncertainties among economic agents as to how the pandemic would evolve and its potential effects on the economies and public accounts of the largest world economies, in a scenario of lockdown and confinement adopted by many of them to address the health crisis.

In this scenario, the US Federal Reserve announced its first monetary measure, surprisingly lowering its interest rates by 50 bp in response to the risks facing economic activity. This was subsequently followed by a number of monetary, economic and fiscal stimulus measures to address the economic and social effects of the pandemic implemented by the ECB, the US Federal Reserve itself and other central banks, as well as the governments of EU member states and US and global organisations such as the IMF.

In the European framework, the ECB approved an initial package of measures, which included new injections of liquidity for banks at a more favourable interest rate[2] (from June 2020 to June 2021), extraordinary purchases of assets worth €120 billion until the end of the year, in addition to the €20 billion per month of the current asset purchase programme (APP), with the aim of providing more favourable financing conditions for the real economy, in addition to the relaxation of capital and liquidity rules for banks, which included the suspension of the stress tests scheduled for July. Later, in the second half of March, it announced a second package of measures with a greater reach and scope, the Pandemic Emergency Purchase Programme (PEPP), for an amount of €750 billion. The main objectives of this programme are to ensure the proper expansion of monetary policy and to end the escalation of interest on debt in the countries most affected by the spread of the coronavirus, ensuring that all sectors of the economy are able benefit from favourable financial conditions that allow them to absorb this shock. The main measures in the programme include: purchases of €750 billion of public and private debt by the end of 2020 with a flexible approach to its distribution, acquisition of negotiable fixed income securities with a residual maturity of

70 days and a maximum of 30 years – allowing the acquisition of corporate commercial paper that until now had not been included – and exemption from eligibility requirements to allow it to acquire public debt issued by Greece.

Another European monetary authority, the Bank of England, also lowered its interest rates (from 0.25% to 0.10%), while increasing its bond purchase programme by £200 billion (to a total of £645 billion), in addition to temporarily increasing direct funding[3] to the UK Government without limit. Others such as Sweden's central bank launched asset purchase and liquidity injection programmes, while in the Denmark the authority resolved to raise interest rates in an attempt to ease the downward pressure on its currency.

From a fiscal standpoint, Spain and the other EU member states adopted economic support measures worth almost 2% of euro area GDP, as well as schemes to provide liquidity to support businesses and citizens for an amount close to 15% of GDP. Prominent among these plans is the Eurogroup agreement, which will release up to €550 billion for countries (€240 billion through the ESM) and companies (through the EIB, which will mobilise up to €200 billion in loans and guarantees) and to avoid mass layoffs (through a new mechanism called SURE, a fund designed to mitigate unemployment risk in an emergency).[4]

Most notably, on an international level, on a Sunday night just a few days after the previous cut, the Federal Reserve reduced its rates even further (100 bp) to between 0 and 0.25% and announced an asset purchase programme of US$700 billion, which will include public debt and mortgage-backed assets. Lastly, in line with the ECB, it expanded the amount of purchases indeterminately, to any volume that might be necessary to keep the markets working normally and ensure the effective execution of monetary policy, followed by the announcement of an extraordinary liquidity injection of US$2.3 trillion for households and small businesses.

In addition, at the fiscal level, the US government approved a US$2 trillion financial aid package, which includes a direct cash payment to most of the country's citizens, a US$367 billion loan facility to help SMEs with payrolls, and a US$500 billion fund for industries, cities and states.

On top of all this, the IMF and the World Bank established funding facilities for countries needing emergency financing,[5] as well as a raft of monetary policy measures adopted by, among others, the central banks of Japan,[6] Canada,[7] China,[8] Australia, and Brazil, reflecting the global scope of the pandemic's economic impact.

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1 The President of the ECB, Christine Lagarde, expressed her concern about low interest rates, indicating that the ECB would remain attentive to any secondary effects they might generate, and announcing a strategic review of the bank's monetary policy instruments and objectives. The Federal Reserve stated, "This action will help support economic activity, strong labour market conditions, and inflation returning to the Committee's symmetric 2 percent objective." Furthermore, the United States is due to hold presidential elections in November this year and in normal circumstances the Federal Reserve would not make decisions on interest rates in the run-up to elections, in order to preserve its neutrality and independence.

2 At a rate that could be 25 bp below the deposit facility if the funds are used to offer bank financing to the real economy.

3 Through the Ways and Means (W&M) facility, an overdraft facility that the British government has historically held with the Bank of England whereby it borrows directly without having to go to the market to issue debt.
4 This fund will serve to finance furloughs and companies that reduce employees' working hours or wages temporarily rather than laying them off.
5 The IMF offered financing amounting to US$50 billion, of which 10% is earmarked for the poorest countries, while the World Bank announced a package of US$12 billion for the same purpose, while affirming that it was prepared to distribute up to U$160 billion in the coming months to respond to the health consequences and drive economic recovery.
6 The Bank of Japan (BoJ) expanded its purchases of public and corporate debt, as well as of other instruments such as ETF, in addition to creating a line of financing for companies.
7 The Bank of Canada made three successive rate cuts, to 0.25%, while launching an asset purchase programme of at least C$5 billion a week.
8 The People's Bank of China (PBOC) applied several successive rate reductions, bringing them to a record low of 2.95%, as well as making several injections of liquidity.

2.2 National economic and financial developments

As in the analysis of the global environment, most of the economic indicators presented here contain information prior to the intensification of the COVID-19 crisis in Spain and, consequently, describe the previous situation of the Spanish economy and not the current one, which will be dealt with in subsequent issues of the CNMV Bulletin. The economic outlook for Spain and other economies in the region will be discussed in the last part (2.3) of this section; the detailed financial developments – which do reflect the onset of the crisis – are analysed in Section 3 of this report.

Spain's GDP grew by 2.0% in 2019, 0.8 pp more than that of the euro area as a whole.

In 2019, Spain's GDP grew by 2%, thus extending the expansionary path begun in 2014, albeit at a slower pace than in previous years (2.4% in 2018 and 2.9% in 2017), in line with the slowing of other economies. Even so, the slowdown in domestic activity was weaker than in the euro area as a whole, where GDP growth fell from 1.9% to 1.2%, mainly due to Germany's relatively poor performance, taking the growth differential with Spain from 0.5 pp to 0.8 pp.

The contribution of domestic demand to growth decreased from 2.6 pp in 2018 to 1.5 pp in 2019, while that of the external sector ended the year at 0.4 pp (-0.4 pp in 2018).

The contribution of domestic demand to GDP growth fell to 1.5 pp in 2019 (2.6 pp in 2018), while that of the external sector, which had been negative in the previous two years, was 0.4 pp (0.7 pp more than in 2018). As regards the components of domestic demand, growth in private consumption slowed from 1.8% in 2018 to 1.1% in 2019 and growth in gross fixed capital formation slowed by much more, from 5.3% to 1.9%, while growth in public consumption rose slightly, from 1.9% in 2018 to 2.2% in 2019. Regarding the performance of the external sector, exports grew by slightly more than in the previous year (2.3% vs. 2.2%) despite the slowdown in global trade, while the increase in imports slowed (from 3.3% in 2018 to 1.2% in 2019). Because growth in imports slowed by more, the contribution of external demand to growth was positive throughout the year.

In terms of supply, the services sector grew at a similar pace to 2018, and the industrial sector was the only one to see a certain pick up.

On the supply side, the sharpest slowdowns were seen in the primary sector (agriculture, livestock, forestry and fisheries), the added value of which, having grown by 5.9% in 2018, shrank in 2019 by 2.6% as an annual average, and in construction, which still posted positive growth (3% in 2019, compared with 5.7% in 2018). With the services sector growing at a similar pace to the previous year (2.6% in 2019 compared with 2.7% in 2018), the industrial sector was the only one to see a pick up, from a negative 0.4% in 2018 to a positive 0.7% in 2019. This was driven mainly by non-manufacturing industries.

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

% var. anual

					IMF[1]	
	2016	2017	2018	2019	2020	2021
GDP	**3.0**	**2.9**	**2.4**	**2.0**	**-8.0**	**4.3**
Private consumption	2.6	3.0	1.8	1.1	n/a	n/a
Government consumption	1.0	1.0	1.9	2.2	n/a	n/a
Gross fixed capital formation, of which:	2.4	5.9	5.3	1.9	n/a	n/a
Construction	1.6	5.9	6.6	0.9	n/a	n/a
Capital goods and others	1.8	8.5	5.7	2.7	n/a	n/a
Exports	5.4	5.6	2.2	2.3	n/a	n/a
Imports	2.7	6.6	3.3	1.2	n/a	n/a
External sector (contribution to growth, pp)	1.0	-0.1	-0.3	0.4	n/a	n/a
Employment[2]	**2.8**	**2.8**	**2.5**	**2.3**	**-**	**-**
Unemployment rate	**19.6**	**17.2**	**15.3**	**14.1**	**20.8**	**17.5**
Consumer Price Index[3]	**-0.2**	**2.0**	**1.7**	**0.7**	**-0.3**	**0.7**
Current account balance (% GDP)	**3.2**	**2.7**	**1.9**	**1.9**	**2.2**	**2.4**
General government balance[4] (% GDP)	**-4.5**	**-3.1**	**-2.6**	**-2.6**	**-9.5**	**-6.7**
Public debt (% GDP)	**99.0**	**98.1**	**97.2**	**95.5**	**113.4**	**114.6**
Net international investment position (% GDP)	**71.0**	**68.4**	**62.4**	**58.8**	**n/a**	**n/a**

Source: Thomson Datastream, European Commission, Bank of Spain and INE (Spanish National Statistics Institute).

1 IMF forecasts published in mid-April.

2 In full-time equivalent (FTE) jobs.

3 The European Commission forecasts refer to the harmonised index of consumer prices.

4 Includes public aid to credit institutions in 2016, 2017, 2018 and 2019 for amounts of 0.2%, 0.04%, 0.01% and 0.00% of GDP respectively.

n/a [data] not available.

The inflation rate gradually returned to normal over the course of 2019 as energy inflation decreased. The differential with respect to the euro area ended the year at -0.5 pp.

The inflation rate – which reached 1.5% in April, its highest level in 2019 due to the uptick in energy prices – subsequently decreased as the energy inflation rate entered negative territory, ending the year at 0.8%, where it remained in the first months of 2020 (0.7% in February). The core inflation rate, which excludes the most volatile elements of the index such as energy and unprocessed food, stayed within a much narrower band throughout the period (between 0.7% and 1.0%), to end 2019 at 1.0% and register a slight increase in February of this year (to 1.1%). The inflation differential with the euro area ended 2019 at -0.5 pp and ranged from -0.1 pp in the period of highest inflation in Spain in April to -0.7 pp in June. The average of this differential over the year was -0.4 pp, compared with practically zero in 2018. In February 2020, it narrowed slightly to -0.3 pp.

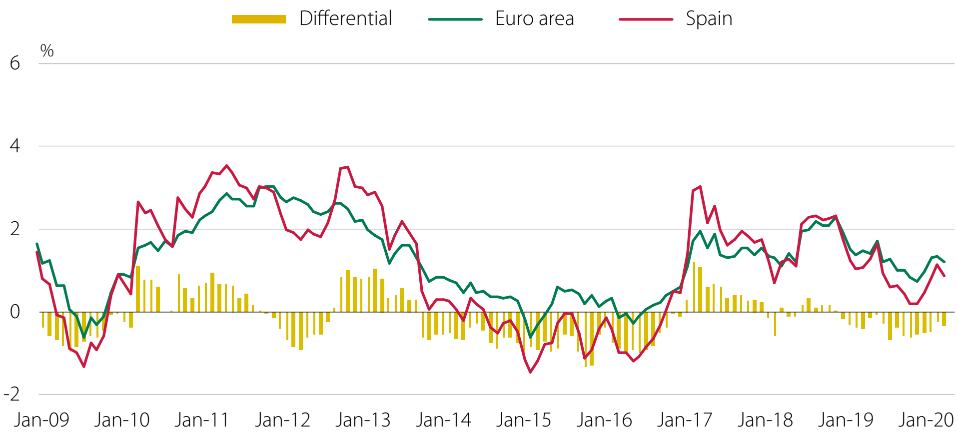
Positive job creation data in 2019 (2.3%) are helping to reduce the unemployment rate, which is still high.

In the labour market, the buoyant economic activity allowed employment to grow significantly, by 2.3% on average in 2019, but with less intensity than in previous years (2.5% in 2018 and 2.8% in 2017). Information from the Labour Force Survey (EPA) indicates that last year the number of employed people increased by 402,300 (2.4 million in the last five years) and that the unemployment rate fell to 13.8% in the fourth quarter (14.5% at the end of 2018). In addition, the average year-on-year growth in unit labour costs stood at 2.3% in 2019, as the increase in remuneration per employee (2%) was accompanied by a slight fall in apparent labour productivity (0.3%).

The leading indicators of trends in the labour market in March illustrate the intensity of the crisis, with an increase of 293,000 in the number of unemployed people in one month.

Leading indicators of trends in the labour market in March illustrate how serious the effect of this crisis might become in the coming months. Unemployment data for March showed an increase of 293,000 in the number of unemployed people, thus interrupting the downward trend seen in recent years. The average number of people registered with the social security system fell in the month by 243,000.[6]

Harmonised CPI: Spain compared with the euro area (annual % change) FIGURE 9



Source: Thomson Datastream. Data to February.

The public deficit remained at 2.6% of GDP in 2019, which means that for the second consecutive year Spain was excluded from the excessive deficit procedure to which it had been subject since 2009.

Public sector finances as a whole were stable in 2019. The public deficit closed the year at 2.6% of GDP, the same figure as in 2018, and which is therefore compatible with Spain's exit from the excessive deficit procedure which it has been subject to since 2009. With the exception of the autonomous regions, with a deficit of 0.55% (0.28% in 2018), the public administrations with financing needs reduced the amounts they borrowed. The most notable decreases were the central administration deficit, which went from 1.32% in 2018 to 1.12% in 2019; and, to a lesser extent, that of social security administrations, which stood at 1.29% (1.44% in 2018). The surplus of local authorities fell slightly from 0.5% to 0.3% of GDP. Public debt stood at 95.5% of GDP (fourth quarter data), 2.1 pp lower than in the same quarter of 2018.

The NPL ratio remains at its lowest since 2011, although the low interest rates continue to put downward pressure on banks' profitability.

Banks continue to operate in a complicated environment of low interest rates, which reduces their profitability. Buoyant economic activity remained a positive factor for the financial sector in Spain. Therefore, the positive performance of private consumption, which boosted the lending recovery, and the favourable performance of the labour market led to a further decrease in the NPL ratio, which stood at 4.8% in December 2019 (5.9% in 2018). There are, however, several underlying challenges related to the entry of new players linked to the technology sector and other

6 The average data for the month, which are those commonly used, do not accurately reflect what happened in the month as a whole. At 31 March, the number of people registered with the social security system was 18,445,436, which means that up to that date the system had lost 833,979 people.

uncertainties of a legal nature, such as the forthcoming ruling of the Court of Justice of the European Union (CJEU) on IRPH linked mortgages.

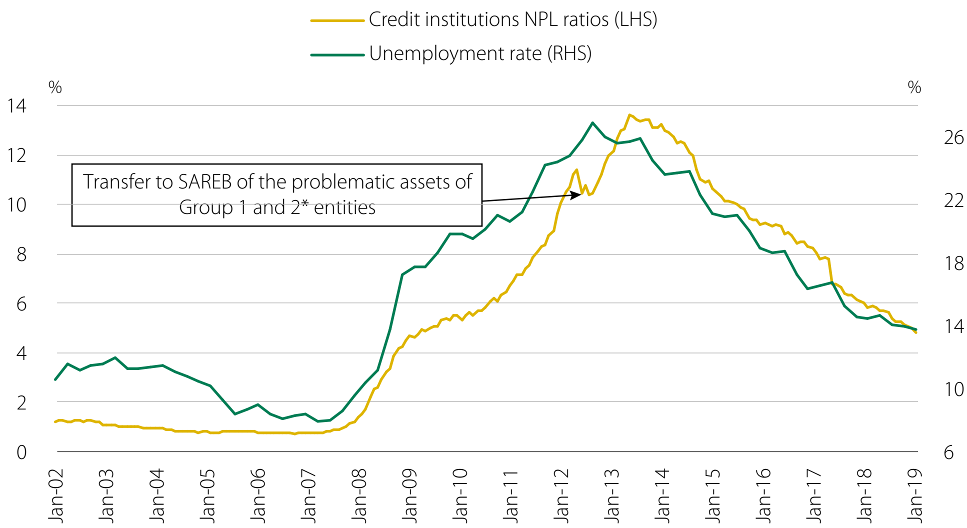
The profit and loss accounts of credit institutions in relation to their businesses in Spain showed profits of €13.8 billion for the whole of 2019 (€12.36 billion in 2018). As previously mentioned, banks' profitability remains under pressure in the low interest rate environment, which is preventing improvements in net interest income (€23.15 billion in 2019 compared with €23.28 billion in 2018). Further, higher returns on financial instruments and the increase in other profit for the year marked the improvement in the sector's aggregate profit, which was the highest since 2009.

The aggregate profit and loss accounts of the banking sector showed profits of more than €13.7 billion in 2019.

In 2019, bank lending to the non-financial residential sector (businesses and households) grew at a similar rate to previous years (by 0.7% compared with 0.8% in 2018 and 0.5% in 2017) and continued to increase in the first months of 2020, although at a slower pace (0.5% in February). Financing extended to non-financial entities, which increased by 1.0% in December 2019 (1.2% in 2018), rose by 0.6% in February. Financing extended to households, which increased by 0.3% in December, in line with the previous year and reversing the trend seen in recent years (0.4% in 2018, -1.3% and -0.6% in 2016 and 2017 respectively), continued to grow in February (0.4%). The growth in consumer lending (4.5% in February 2020, 4.2% in 2019 and 5.2% in 2018) offset the decrease in the outstanding balance of housing loans (-1.1% in February 2020, -1.1% in 2019 and -1.3% in 2018).

In February 2020, bank financing extended to businesses and households increased slightly, continuing the trend of the previous year.

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



Source: Bank of Spain and INE. Data to December.

1 Regarding the active population.

* The transfers from Group 1 entities took place in December 2012 (€36.7 billion) and those from Group 2 in February 2013 (€14.09 billion).

The size of the banking sector, in terms of the aggregate volume of assets from its activity in Spain, increased in 2019 to €2.61 trillion (€2.57 trillion in 2018), breaking, for the second time, the downward trend that started in 2012 (the first time was in 2017). The most important sources of funding performed unevenly: financing

The size of the banking sector increased in 2019, breaking the downward trend started in 2012 for the second time (the first was in 2017).

from the Eurosystem decreased, as did the item that includes equity, adjustments and impairment allowances. In this item it is worth noting that equity increased slightly, but this was offset by the decrease in the item including provisions for impairment losses for both loans and other assets. Liability items that showed the most significant increases included deposits from the other resident institutions sector and debt financing.

Non-financial listed companies posted an aggregate profit of €19.34 billion in 2019, 20% down on 2018, due to the performance of one large company.

Non-financial listed companies posted an aggregate profit of €19.34 billion in 2019, 20% down on 2018. The performance was not uniform among sectors or companies, as stripping out the negative performance of one single company (out of 93) that suffered very high losses,[7] total aggregate profit would have grown by 6.6%. By sector, the largest increases occurred in construction and real estate companies, where profits increased by 61.6% in the year, predominantly driven by the positive performance of companies that had made losses in 2018[8] and industrial companies, with a 2.3% rise in consolidated profits. In contrast, the most significant falls were concentrated in the energy and the retail and services sectors, with a decrease in profits of 43.1% and 35.5% respectively. In both sectors, the specific performance of a few large companies was decisive for the sector aggregate.[9, 10]

Profits by sector: non-financial listed companies TABLE 3

Millions of euros

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

Source: CNMV.

The debt held by listed non-financial companies increased by 8.1% in 2019, to over €249 billion.

The debt of listed non-financial companies increased by 8.1% in 2019, to around €249 billion. Although short term debt represents a minor part (19% of total debt), it grew at a faster pace than long-term debt (16.6% compared with 6.3%). All sectors posted higher debt, most notably companies in the retail and services sector (+9.0%, to €87.97 billion), energy companies (+8.5%, to €89.17 billion) and construction and real estate companies (+7.4%, to €49.74 billion). The increase in debt of

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

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

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

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

industrial companies increased was lower (4.4% to €22.61 billion), although these entities, together with those in the retail and services sector, show the highest rates of leverage, measured in terms of the debt: equity ratio (1.23 and 1.41 respectively). These figures are higher than the aggregate leverage ratio, which went from 0.94 in 2018 to 0.99 in 2019. Lastly, the debt coverage ratio, calculated as the ratio of debt to operating profit, deteriorated between 2018 and 2019, from 5.8 to 7.1.

The equity position of households continues to improve (indebtedness and wealth) and an increase in the savings rate has been observed, which in 2019 stood at 7.4% of disposable income.

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

Financial investment decisions made by households continued to favour liquid assets and investment funds, although the latter saw a lower amount invested than in previous years.

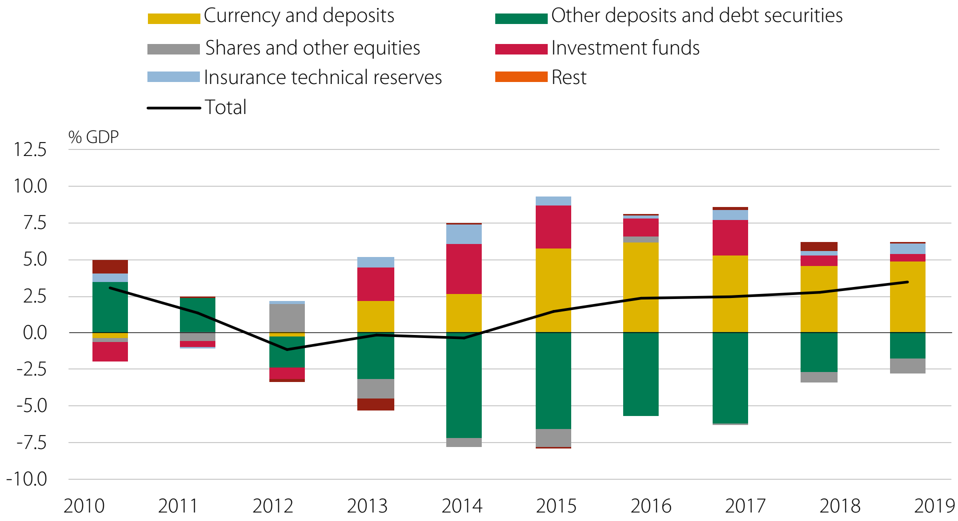
Household net financial investment was 3.9% of GDP in 2019 (2.8% in 2018), maintaining the trend seen in previous years. Therefore, investment in means of payment continued (4.9% of GDP) as did disinvestment in shares and equity stakes (1.0% of GDP) and in term deposits and fixed income securities (1.7% of GDP), in this last case by smaller amounts than in previous years (see Figure 11). Households invested in investment fund units following the trend started in 2012, probably influenced by the good performance of the markets in the latter part of 2019, although the volume invested was also lower than in the previous year. In total, households invested the equivalent of 0.5% of GDP in these products (0.7% in 2018).

In investment funds, net subscriptions in fixed income categories were higher in the first months of the year, while in the final part of the year subscriptions to international equity funds were higher.

Regarding investment in mutual funds, in an apparent break with the trend that had been in place since 2013, with asset variations translating into a decrease in the relative weight of the more conservative formulas (fixed income funds and guaranteed fixed income and equity funds), in 2019 unitholders did not follow such a clear direction. While international equity funds – a category considered more risky – registered positive net subscriptions of more than €4 billion, fixed income funds received the most funds during the year. The way this changed over time was also significant: the first quarters were marked by subscriptions to fixed income funds, above all by the most risk-averse investors who were influenced by the negative performance of the markets at the end of 2018, while there were substantial subscriptions to international equity funds in the second half of the year. While international equities were favoured by the easing of several of the uncertainties affecting the markets, some of these subscriptions may have been made by investors attracted by options with a higher expected return (and risk), in the current environment of low interest rates.

Households: Net financial asset acquisitions

FIGURE 11



Source: Bank of Spain, *Financial Accounts*. Cumulative data for four quarters.

2.3 Outlook

The latest IMF forecasts forecast a contraction in world GDP of 3.0% in 2020, a more negative figure than in 2009 at the time of the global financial crisis (-0.6%).

The latest forecasts published in April by the IMF, which already factor in the effects of the crisis caused by the worldwide spread of the coronavirus but are subject to a very high degree of uncertainty, point to a very unfavourable year in 2020, especially in the first half of the year, with both the main developed economies and most of the emerging economies showing varying degrees of recession, with the exception of China and India. Therefore, a 3.0% contraction in world GDP is expected this year (much more pronounced than the figure seen in 2009 in the global financial crisis, which was 0.6%), with a 5.8% increase in 2021. These forecasts have undergone an extraordinary downward revision with respect to those published by this institution in its January report (-6.3 pp), based on the impact of the health crisis on economic activity, as well as the impact of the economic policy responses implemented.[11]

In the developed economies, the GDP contraction is expected to be more pronounced than in emerging economies, at 6.1%.

In developed economies, the contraction of GDP is expected to be more pronounced than in emerging economies, standing at 6.1% this year, compared with the 1.7% advance in 2019, with expected setbacks for the euro area and the United States of 7.5% and 5.9% respectively (compared with rises of 1.2% and 2.3% in 2019). In Europe, the most notable changes are the downgrades in the forecasts for Italy and Spain, the European countries most affected by the virus, which have been adjusted by 9.6 pp between January and April to place the contraction rates for 2020 at 9.1% and 8.0% respectively. The forecasts for emerging and developing economies imply a decline of 1.0% for this year, as the growth data forecast for China and India (estimated at 1.2% and 1.9% for 2020 respectively) will cushion the fall in GDP for this

11 The IMF forecasts take as a base scenario the assumption that the COVID-19 pandemic will dissipate in the second half of 2020 and that containment measures can be gradually withdrawn, so that economic activity normalises thanks to the support provided by economic policies implemented by the authorities.

group of countries. Subsequently, for 2021, expansion of 6.6% is expected for the emerging economies as a whole.

The most significant risks in this scenario are mainly associated with uncertainty about the duration of the spread and containment of COVID-19, as well as the effectiveness of the measures implemented, the duration of which is also uncertain. The consequences of the current health crisis are difficult to predict and depend on numerous factors. On one hand, it is difficult to predict the rate of recovery of economic activity when the isolation measures are gradually lifted, and there is even the possibility that fresh outbreaks will lead to the tightening or prolongation of some of these. It is also important to take account of the agents' significant loss of wealth deriving from the sharp falls in the prices of financial assets (and possibly real assets shortly) in a context of a foreseeable decrease in their income. Further, it is difficult to predict the change and the scale of agents' consumption patterns and how they will interact in the future; factors that will also determine the speed of the recovery from the crisis. Lastly, the key role of the different authorities and institutions, which are adopting various measures to combat the crisis, should be remembered. In this regard, the need to preserve the sustainability of public accounts in the various economies should be highlighted, especially those that are financially most vulnerable. In Europe, an improvement in coordination among countries and institutions would be desirable, as would a more ambitious reach in the design of a common plan to contain the crisis.

The most significant risks to the scenario envisaged derive mainly from the duration of the spread and containment of COVID-19 and from the effectiveness of the measures implemented. All this in an unknown scenario of impoverishment for companies and consumers, where habits that may change substantially, and also of vulnerability in public finances.

Gross Domestic Product

TABLE 4

% annual variation

					IMF[1]	
	2016	2017	2018	2019	2020	2021
Global	3.2	3.7	3.6	2.9	-3.0 (-6.3)	5.8 (2.4)
United States	1.5	2.2	2.9	2.3	-5.9 (-7.9)	4.7 (3.0)
Euro area	1.8	2.4	1.9	1.2	-7.5 (-8.8)	4.7 (3.3)
Germany	1.9	2.5	1.5	0.6	-7.0 (-8.1)	5.2 (3.8)
France	2.0	2.3	1.7	1.3	-7.2 (-8.5)	4.5 (3.2)
Italy	0.9	1.5	0.8	0.3	-9.1 (-9.6)	4.8 (4.1)
Spain	3.3	3.0	2.4	2.0	-8.0 (-9.6)	4.3 (2.7)
United Kingdom	1.9	1.7	1.3	1.4	-6.5 (-7.9)	4.0 (2.5)
Japan	0.9	1.7	0.3	0.7	-5.2 (-5.9)	3.0 (2.5)
Emerging markets	4.4	4.7	4.5	3.7	-1.0 (-5.4)	6.6 (2.0)

Source: IMF.

1 In parentheses, the variation compared with the last published forecast (IMF, forecasts published in April 2020 relative to January 2020).

For the Spanish economy, as previously mentioned, the IMF forecasts a decrease in GDP of 8.0% this year, followed by growth of 4.3% in 2021, once the COVID-19 health crisis has been resolved. The downward revision to Spanish economic growth (9.6 pp) has been one of the largest, as Spain was one of the countries most affected by the virus (at least, up to the date of preparation of the IMF report), although it should be noted that the negative impact on growth in other European economies has been equally significant, close to 8 pp on average. Based on these figures, the growth differential with the euro area would be negative, standing at -0.5 pp in 2020 and -0.4 pp in 2021.

Spain's GDP will contract by 8.0% in 2020 due to the coronavirus health crisis, in line with other neighbouring countries, and the differential with the euro area will stand at -0.5 pp In 2021, it should recover, with growth of 4.3%.

The most significant risks to the Spanish economy are common to those of other economies affected by the virus, although particular risks that stand out are: the new increase in unemployment to very high rates (at a time when the rate has still not recovered from the previous crisis) and the challenge of reconciling the implementation of the necessary measures to combat the crisis with the need to maintain the sustainability of the public accounts.

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

Actions undertaken by the CNMV to address the COVID-19 crisis

EXHIBIT 2

The crisis unleashed by the spread of COVID-19 is posing a great challenge for Spanish society and the group of institutions that form part of it. In this context the CNMV has taken a large number of decisions of various kinds: initially, measures were taken to ensure that the institution could continue to operate normally, particularly by arranging for as many people as possible to work from home, and subsequent efforts have focused on monitoring the performance of the markets and their participants, which in some cases has led to decisions such as the restrictions placed on short positions. This exhibit describes the main actions, decisions and measures taken by the CNMV since the beginning of March:

i) Organisation:

– Human resources. The first significant measures implemented, following the health guidelines, were aimed at ensuring that CNMV employees could continue to work normally from home. The process began on 11 March, when approximately half the workforce began to work from home, and teams considered especially important for the CNMV's operations were doubled.[1] On 14 March when the Royal Decree on the state of alarm was published and came into force, practically all employees were already working from home. According to a survey carried out among CNMV staff on the institution's work and activity during this exceptional phase, to which more than 300 employees have responded, more than two thirds consider that the CNMV's activity is similar to the level it was before, and their assessment of how the systems and the institution in general are working is favourable. This experience has reinforced the perception of the importance of technology and communication in the CNMV's work and has involved the use of new tools, servers and equipment.

In mid-March, the CNMV announced the temporary postponement of the five personnel selection processes that were under way.[2]

– Registry: On 16 March the CNMV announced the closure of its General Registry for the physical presentation of documents. To ensure continuity in the presentation and registration of documents, various channels have been enabled: the open area and the investors' area of the CNMV's electronic office and the electronic offices of the registries of the different autonomous regions.[3]

On 20 March, the CNMV announced the approval of a resolution on the suspension of administrative deadlines as provided in Royal Decree 463/2020, on the state of alarm. The resolution was published in the Spanish Official State Gazette (*BOE*) of 25 March. As indicated in the resolution, the suspension of deadlines provided in the Royal Decree does not affect the CNMV's supervisory activity in general (requirements and other supervisory actions), nor does it affect authorisations processed by the Institutions or Markets Directorates General that may benefit the interested party or any other procedures established with reason by the institution's Executive Committee.[4]

ii) Market supervision

The context of extreme volatility in the financial markets has given rise to a need to intensify the supervision of the markets, their infrastructure and the agents participating in them. The most notable decisions in this area related to restricting short positions in securities listed on Spanish securities markets (see Exhibit 3). The first such decision, taken on 12 March, involved a ban on short-selling for one day and affected 69 shares. The second decision, prohibiting the creation or increase of net short positions in any shares traded on Spanish markets for one month, was passed on 16 March and was subsequently extended for a further month.[5] Similar decisions were taken in the days following by other European securities supervisors, specifically those of France, Italy, Belgium, Austria and Greece. Furthermore, the European Securities and Markets Authority (ESMA) decided, in parallel, to lower the threshold for triggering the notification of short positions to supervisors from 0.2% to 0.1% of issued share capital.[6] In the field of market **infrastructures**, in addition to verifying that the trading systems have functioned normally despite the severe bout of volatility and price falls, special attention was given to the central counterparty (CCP), BME Clearing. This entity, in addition to activating the contingency plan for pandemics, has made extraordinary margin calls in numbers and amounts higher than usual, as a result of the price variation parameters being exceeded and of the application of CCP regulations, to cover excesses of specific risks. No incidents have been detected in the transfer of funds to the CCP. In addition, back-testing exercises are frequently carried out to check the extent to which it would be able to deal with the hypothetical default of the most significant members with the financial resources available to it, and the CCP has also brought forward the review of the parameters for margin calls. Special attention has also been paid to settlements, with some increase in inefficiency observed (failures in the delivery of securities on the agreed date) as a consequence, according to the entities, of the increase in activity coupled with its decreased capacity to respond to and resolve incidents due to staff working from home. This trend, which has been observed to a lesser extent in other European countries, has been partially reversed in the last few days.

For companies, some considerations have been published both in relation to the holding of **general shareholders' meetings**[7] and the formulation of annual financial statements and the proposed distribution of company profits.[8] With regard to the holding of general shareholders' meetings, the CNMV has indicated that it considers it reasonable to encourage attendance by proxy, as well as to maximise the use of remote attendance and distance voting mechanisms for shareholders. It has also indicated that in the current circumstances it believes the maximum flexibility must be granted to boards of directors of listed companies to adopt measures and solutions that can protect people's health and prevent the spread of the virus, even if they are not expressly contemplated in their articles of association, the regulations of their board or the call notices, provided that shareholders' rights to information, attendance and voting and equal treatment of those who are in the same position are effectively safeguarded.

Regarding the annual financial statements and proposed distribution of company profits, the CNMV published a joint statement with the Registrars Association of Spain clarifying that since the situation deriving from the COVID-19 health crisis constitutes an absolutely extraordinary circumstance, entities may, among other alternatives, choose to replace the proposed distribution of profits contained in the notes to their financial statements with an alternative that is more appropriate to the situation. For general shareholders' meetings that have already been called, the decision on the proposed distribution of profits may be postponed to a subsequent meeting to be held within the period established for holding the ordinary meeting (although these measures were covered by existing legislation, in the interest of clarity they were subsequently included in Royal Decree-Law 8/2020 of 17 March, on extraordinary urgent measures to deal with the economic and social impact of COVID-19, by means of Royal Decree-Law 11/2020 of 31 March).

iii) Supervision of entities

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

The **liquidity conditions** of the funds have been assessed based on various indicators such as trading volumes, time taken to unwind a position and the availability of prices to be able to trade. Attention has also been paid to the credit ratings of the debt assets held by these institutions and in particular to assets with a BBB rating, as this is the lowest rating that still qualifies as investment grade and could be affected if issuers' creditworthiness is perceived as deteriorating. Based on these analyses, the CNMV is carrying out special monitoring exercise on a number of management companies that manage one or more funds that are particularly exposed to assets considered to be relatively illiquid or to debt with a relatively poor credit rating.

In terms of **monitoring redemptions**, the cumulative net volume from the time the crisis flared up in early March until the end of that month is estimated at approximately €6 billion, which managers are handling with no difficulty. In a small number of funds, redemptions exceeded 20% of assets, a percentage that should be reported in a significant event notice (for this purpose, the percentage is applied to redemptions made in a single act; however, when limits are reached through successive redemptions requested by the same unitholder or by several unitholders belonging to the same group in a period of two months, this is also considered as price sensitive information). The only notable incident that has occurred until now concerns a fund of funds that had shares of a Luxembourg SICAV in its portfolio that had suspended the calculation of net asset value. Consequently, the fund continued to carry out subscriptions and partial redemptions in the normal way but without taking account of this investment, which represented 7.1% of its portfolio. Lastly, it is worth noting the inclusion, by virtue of Royal Decree-Law 11/2020, of 31 March, adopting urgent complementary measures in the social and economic area to deal with COVID-19, of a new macro prudential tool consisting of the possibility of establishing prior notice periods for redemptions without these being subject to the term, minimum amount and prior evidence requirements in management regulations, which are ordinarily applicable. These terms can be established by the manager or by the CNMV itself.

Aside from these actions, the CNMV has also adopted a series of measures that relate to certain reporting obligations of CIS management companies and venture capital firm management companies.[9]

iv) Coordination and interaction with other institutions

To manage this crisis, coordination with other national and foreign institutions is proving essential. At the national level, it is worth highlighting the meetings – the frequency of which has increased significantly – that are taking place within the Macroprudential Authority Financial Stability Council (**AMCESFI**), which brings together representatives of the Ministry of Economy, the Bank of Spain, the CNMV and the General Directorate of Insurance and Pension Funds to analyse the situation of the Spanish financial system from the point of view of financial stability and increased systemic risk. In times of major market turmoil, it is important for financial supervisors to exchange information to understand the extent of the risks and, if necessary, to take the necessary measures.

At the global level, the CNMV has intensified the exchange of information with the various institutions with which it regularly maintains contact, such as the International Organization of Securities Commissions (IOSCO), the Financial Stability Board (FSB), ESMA and the European Systemic Risk Board (ESRB). For the time being, the most important aspects of these contacts relate to the exchange of supervisory experiences and information on the various types of measures adopted.

1 http://www.cnmv.es/portal/verDoc.axd?t={401f9f9e-464e-46bb-8ca5-6833f02b0a9f}
2 http://cnmv.es/DocPortal/Ofertas/AplazamientoProcesosSeleccion.pdf
3 http://cnmv.es/DocPortal/AlDia/RegistrosOficialesFuncionamiento.pdf
4 http://www.cnmv.es/portal/verDoc.axd?t={78758e16-becc-4509-aa22-7f79b87ae766}
5 http://www.cnmv.es/portal/verDoc.axd?t={ca1ed0f3-097f-4f08-ab07-e24bcf508e42}
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http://www.cnmv.es/portal/verDoc.axd?t={c65a96cd-6d0d-47b8-90fb-a77b82551349}
6 https://www.esma.europa.eu/sites/default/files/library/esma71-99-1291_pr_ssr_measure_march_2020.pdf
7 http://www.cnmv.es/portal/verDoc.axd?t={410f574a-4778-462f-8785-45a6abb8213a}
8 http://www.cnmv.es/portal/verDoc.axd?t={be06a6b8-516a-4fb0-9016-dd45bcc6f4d3}
9 http://www.cnmv.es/portal/verDoc.axd?t={391bf674-a997-420b-8612-ebf2cbbad844}

3 Domestic market performance

As a result of the COVID-19 crisis and its impact on the financial markets, the system stress indicator posted its largest ever increase in just one month, from 0.19 to 0.56. In the last few days, the intervention of the ECB has helped to avoid a further escalation of the indicator by influencing the risk premiums that it comprises.

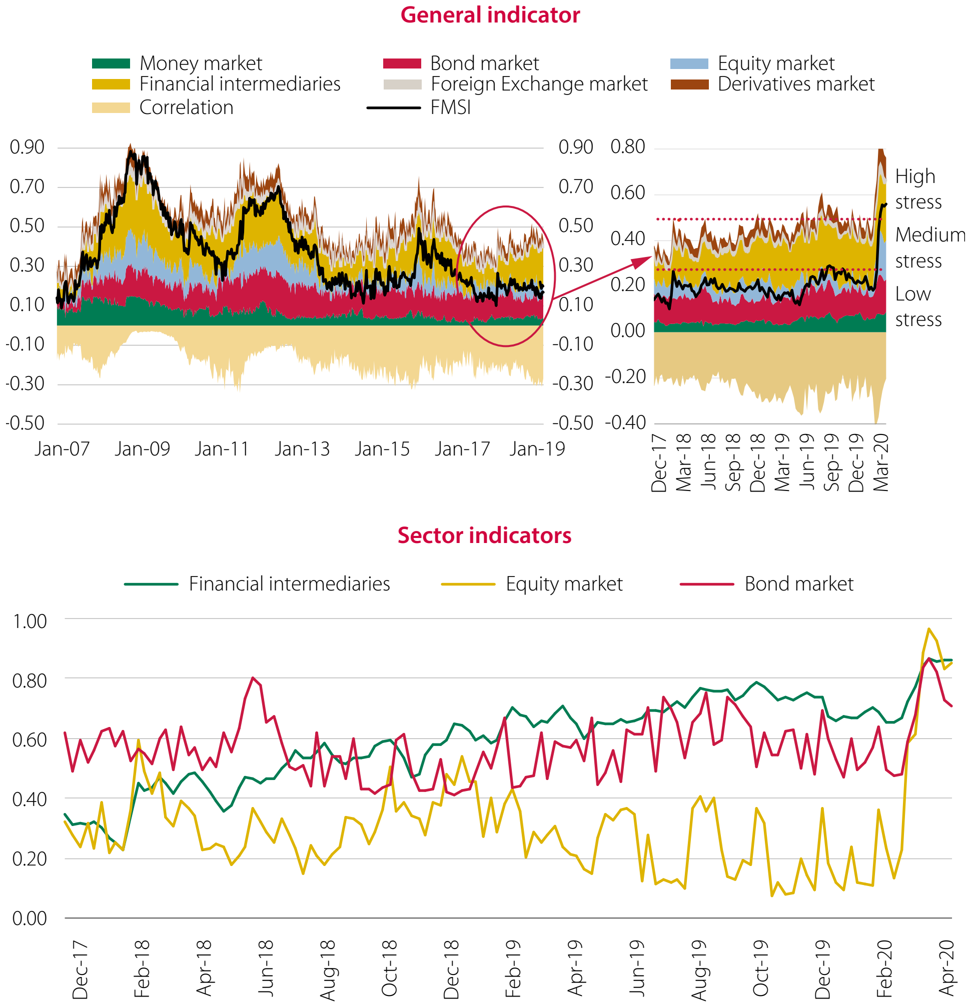
The Spanish financial markets stress indicator[12] has shown a significant increase in recent weeks, reaching the high stress zone (above 0.49) due to the COVID-19 crisis and its impact on the various segments of the financial system. The stress indicator for the system as a whole, the latest reading of which is 0.56 (10 April), saw the most intense uptick in its history in four consecutive weeks: between 28 February and 27 March it surged from 0.19 to 0.56 (0.36 points), a trend that contrasts with the more gradual increase in value observed in other periods of crisis. The indicator has reached its third highest ever value, below only those seen in late 2008 (0.88) and mid-2012 (0.70). Abrupt falls in asset prices, increased volatility and loss of liquidity of assets have generated very significant increases in stress levels in most of the segments that make up the general indicator.

The most significant individual indicators saw peaks of 0.85 or higher in some cases, while a gradual increase in the correlation among them was observed.

As seen in Figure 12, the most significant individual indicators rose above 0.85 or even 0.95 in the case of non-financial equities. Since the end of March, the total aggregate stress value has remained relatively stable at figures ranging between 0.55 and 0.60 due to a certain easing of market turbulence, to which the announcement of a more ambitious package of measures by the ECB has undoubtedly contributed. Furthermore, the degree of correlation in the system has also been increasing over the last few weeks, albeit slowly, which may contribute to keeping the stress level at high levels for some time.

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

Spanish financial markets stress indicator FIGURE 12



Source: CNMV.

3.1 The stock markets

The Spanish equity markets, which had ended 2019 with moderate gains that had allowed them to recover part of the previous year's losses, began the quarter with slight setbacks due to fears of the negative impacts of the coronavirus on the economy and global economic growth. Thus, after a short-lived rebound at the beginning of February, thanks to central banks' maintaining their expansive monetary policy[13] and the easing of some elements of uncertainty,[14] they fell sharply from the latter part of the month on news that the virus was spreading strongly in Europe and

Equity markets fell sharply in the first quarter, posting the largest losses ever in a single quarter, on news that the coronavirus had spread to Europe and much of the rest of the world, leaving most economies heading for recession.

13 The ECB had initiated a third round of bank financing (TLTRO-III), extending its term from two to three years, as well as starting net purchases of debt in secondary markets amounting to €20 billion a month from November. Meanwhile the Federal Reserve, which had cut rates three times in 2019, had said it favoured interest rate stability, noting that its monetary policy would help support economic activity, strong labour market conditions, and inflation returning to the 2% objective.

14 Among them, the signing in mid-December of the first phase of the trade agreement reached between the United States and China, as well as the foreseeable definitive resolution of Brexit.

much of the rest of the world, and posted their biggest ever falls in one month in March. In barely a month, the sharp drop in quoted prices, which was also the biggest ever in a single quarter, took national indices to their lowest levels since 2012 (coinciding with the debt crisis in Europe) on fears that both the Spanish and the world economies would experience sharp declines in the first half of the year and consequently slide into recession. The stock market falls, which affected all global markets, were marked by a context of very high volatility and an increase in trading volumes. At certain times slight price increases were registered due to the effect on the markets of the various economic and monetary measures announced by the governments and monetary authorities in Europe and the United States.[15] Likewise, some regulators, including Spain's, imposed limits on short-selling, while on some global stock exchanges mechanisms were activated to temporarily suspend market trading in view of the speed and intensity of the falls.

In this context, the Ibex 35 lost 28.9% of its value in the first quarter of the year, its biggest quarterly drop ever. Its performance, together with that of the Italian index, was slightly more unfavourable than that of other European benchmarks.

The Ibex 35, which in 2019 had recovered part of its 2018 losses with gains of 11.8% for the whole year, fell by 28.9% in the first quarter of the year, its largest ever fall in a single quarter (with more than 22 pp of it in March). The index fell to around 6,785 points, its lowest value since the summer of 2012 when the sovereign debt crisis occurred. These falls followed the trend of the main global indices,[16] although they were somewhat sharper, as were those of the Italian index. The declines in Spain's leading index were mid way between the declines marked by the share prices of the smallest companies (24.6%) and those of mid-caps (31%), where losses were greater. The FTSE Latibex All-Share and FTSE Latibex Top indices of Latin American securities listed in euros showed even sharper falls (46.3% and 43.3% respectively) due to uncertainty about the impact of the expected recession on Latin American economies,[17] closely linked to the prices of raw materials, as well as the depreciation of their currencies against the euro.[18]

The decreases were uneven among companies, those of companies in the consumer services sector (airlines and hotel companies), banks and oil companies being particularly notable.

All sectors ended the quarter with falls, although of sharply varying degrees of intensity among sectors and among companies within them due to the different outlook for each one of the impact of this health crisis and the foreseeable subsequent economic crisis. The most significant falls (see Table 5) were those of companies in the consumer services sector, where the sharp declines posted by the airline IAG and hotel companies in the tourism sector stood out due to the cessation of their activity and the foreseeable loss of the tourist season; banks, which face an even more intense and prolonged squeeze on their margins in an environment of increasing non-performing loans and risks, and the main company in the oil sector, Repsol, which was negatively affected by the decline in oil[19] and natural gas prices, weighing down its margins in a context of reduced economic activity.

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15 Among them, US and European governments' stimulus programmes and those of the EU, in addition to rate cuts and debt purchase programmes of the Federal Reserve, the ECB and the Bank of England.

16 The main European indices also presented sharp falls: Eurostoxx 50 (25.6%), Dax 30 (25%), Cac 40 (26.5%), Mib 30 (27.5%), as did the US Dow Jones (23.2%) and S&P 500 (20%), while those of the technology-heavy Nasdaq and Japan's Nikkei 225 were somewhat more moderate at 14.2% and 20% respectively.

17 The main stock market indices in Brazil (Bovespa) and Mexico (S&P/BMV IPC) fell in the same period by 36.9% and 20.6% respectively.

18 In the first quarter of the year the euro appreciated by almost 27.4% against the Brazilian real and by nearly 23.3% against the Mexican peso.

19 The price of oil fell below US$25, its lowest level since 2002.

The trend was also negative in sectors that produce raw materials and industrial and construction goods, as well as in the real estate, technology and textile sectors. Companies that produce raw materials and industrial goods face a decline in the prices of raw materials and intermediate goods due to lower demand in an environment of reduced activity at a global level, while construction companies must deal with an expected decline in capital expenditure. Meanwhile, the real estate, technology and textile sectors have suffered decreased demand for capital and consumer goods. Companies with more moderate declines notably included those in the electricity, pharmaceutical and food sectors, which are expected to suffer less severe effects of the crisis. Companies in the utilities sector will have to cope with lower demand but will be favoured by financial costs being kept low; pharmaceutical companies will benefit from sustained demand for health-related goods and the food sector will benefit from its countercyclical nature.

Companies with more moderate declines notably included those in the electricity, pharmaceutical and food sectors, which are expected to suffer less severe effects of the crisis.

Performance of Spanish stock market indices and sectors TABLE 5

Indices	2017	2018	2019	I 19[1]	II 19[1]	III 19[1]	IV 19[1]	I 20[1]
Ibex 35	7.4	-15.0	11.8	8.2	-0.4	0.5	3.3	-28.9
Madrid	7.6	-15.0	10.2	8.0	-0.6	-0.3	3.0	-29.4
Ibex Medium Cap	4.0	-13.7	8.4	4.7	-1.5	-5.5	11.1	-31.0
Ibex Small Cap	31.4	-7.5	11.9	9.4	-1.3	-1.3	5.0	-24.6
FTSE Latibex All-Share	9.0	10.3	16.3	14.0	0.9	-6.2	7.8	-46.3
FTSE Latibex Top	7.3	14.8	15.3	11.7	1.1	-5.8	8.4	-43.3
Sectors[2]								
Financial and real estate services	**10.5**	**-27.1**	**-2.6**	**2.7**	**-3.0**	**-6.3**	**4.3**	**-40.7**
Banking	10.6	-29.0	-3.4	2.7	-3.1	-6.5	3.8	-41.9
Insurance	0.1	-12.8	-0.5	2.9	3.9	-6.0	-0.9	-36.4
Real estate and other	17.6	-26.1	-11.0	-2.9	-6.7	-0.5	-1.3	-31.3
Oil and energy	**3.9**	**6.1**	**14.4**	**9.6**	**2.3**	**5.4**	**-3.2**	**-13.9**
Oil	9.9	-4.5	-1.1	8.4	-9.7	4.0	-2.9	-40.2
Electricity and gas	2.0	8.9	18.4	9.9	5.6	5.7	-3.4	-7.7
Basic mats., industry and construction	**2.6**	**-8.6**	**24.9**	**18.2**	**-0.6**	**2.1**	**4.1**	**-30.5**
Construction	9.9	-3.4	29.1	18.7	-1.3	10.1	0.1	-29.2
Manufacture and assembly of capital goods	-19.3	-10.4	21.1	19.9	-1.0	-12.0	15.9	-20.4
Minerals, metals and metal products processing	14.2	-25.3	4.4	7.5	0.8	-11.6	8.9	-38.7
Engineering and other	-9.9	-21.3	19.1	14.4	5.0	-2.2	1.4	-44.3
Technology and telecommunications	**7.5**	**-5.5**	**4.5**	**9.0**	**-1.4**	**-2.5**	**-0.3**	**-30.3**
Telecommunications and other	-5.1	-8.2	-4.5	3.7	-0.5	-0.5	-7.0	-23.8
Electronics and software	36.6	-0.1	19.8	17.3	-2.6	-5.8	11.4	-40.1
Consumer goods	**-2.1**	**-16.7**	**34.8**	**14.3**	**0.9**	**5.0**	**11.3**	**-19.1**
Textile, clothing and footwear	-10.4	-23.1	40.6	17.2	1.0	7.4	10.7	-24.8
Food and drink	5.2	-8.4	1.8	12.2	-9.7	-3.4	4.0	-2.1
Pharmaceutical products and biotechnology	14.6	-6.4	38.0	11.6	5.0	3.4	13.9	-8.6
Consumer services	**23.3**	**-19.7**	**8.6**	**2.0**	**-1.4**	**-3.9**	**12.3**	**-50.2**
Motorways and car parks	-3.1	39.5	6.9	2.7	4.3	-2.6	2.4	-49.1
Transport and distribution	-15.7	32.3	12.5	0.3	-0.5	-2.5	15.6	-52.5

Source: BME and Thomson Datastream.

1 Variation compared with the previous quarter.

2 Sectors belonging to the IGBM (Madrid Stock Exchange General Index). The information corresponding to the most representative subsectors is displayed within each sector.

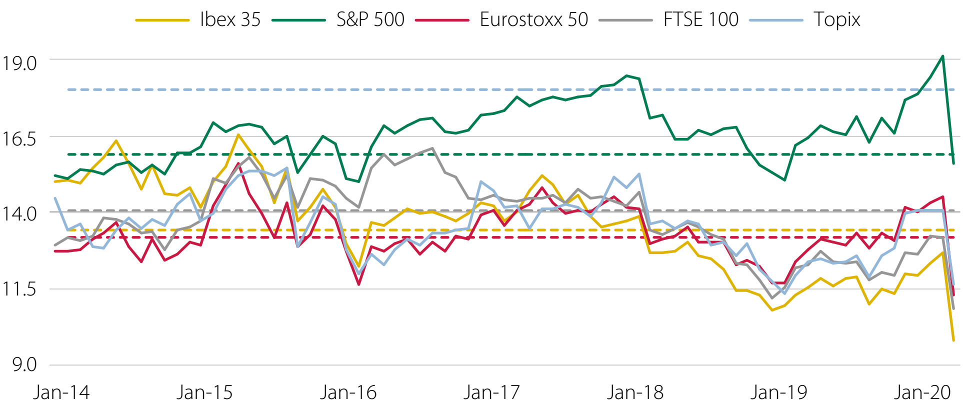
The regulation adopted in March to deal with the crisis stemming from COVID-19 established restrictions on takeover bids from outside the EU and EFTA for Spanish companies in strategic sectors taking advantage of the sharp falls in quoted prices.

The drastic drop in quoted prices, which placed the valuations of many companies at very low levels (several have lost more than half of their value and some close to two thirds), coupled with the absence, in some cases, of anti takeover amendments or reference shareholders, could make several of these entities susceptible to possible takeover bids by large industrial groups or foreign funds due to their attractive valuations. In order to avoid situations of this type, Royal Decree-Law 8/2020 of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19, included a limitation on Foreign Direct Investments from outside the EU and EFTA,[20] making the acquisition of 10% or more of the share capital of companies in strategic sectors (or less if the transaction gives the investor an effective role in management, or control of the company) subject to authorisation by the Council of Ministers. Subsequently, Royal Decree-Law 11/2020 of 31 March, on complementary measures, specified that foreign investors may not indirectly acquire shares of 10% or more in Spanish companies through investment structures established in EU or EFTA countries.

The sharp drop in prices led to a fall in the price-earnings ratio (PER) from 11.9 in December to 9.8 in March, the lowest level since 2012 and well below its historical average.

The sharp fall in quoted prices in the quarter, together with a slower decline in the growth of expected corporate earnings for the coming months caused the price-earnings ratio (PER) to fall, although it is foreseeable that in the coming months it will increase as estimates of expected earnings reflect the strong shock that the temporary closure of economies represents for companies, the amount of which is very difficult to estimate at the moment. The value of this ratio fell from 11.9 in mid-December to 9.8 in March, its lowest level since mid-2012. As shown in Figure 13, the PER of the most significant stock market indices across the world also showed a similar behaviour in the quarter, although in all cases these ratios were higher than the PER of the Spanish index, which reflects the better relative price performance of these markets in recent years. Even so, with the exception of the US S&P 500 index, which remains at similar levels, all PER fell well below their average values during the 2010-2020 period.

Price-earnings ratio[1] (PER) FIGURE 13



Source: Thomson Datastream. Data to 15 March.

1 With forecast earnings for 12 months.

20 This regulation does not affect Six's takeover bid for BME, since Six is a Swiss company and Switzerland belongs to EFTA.

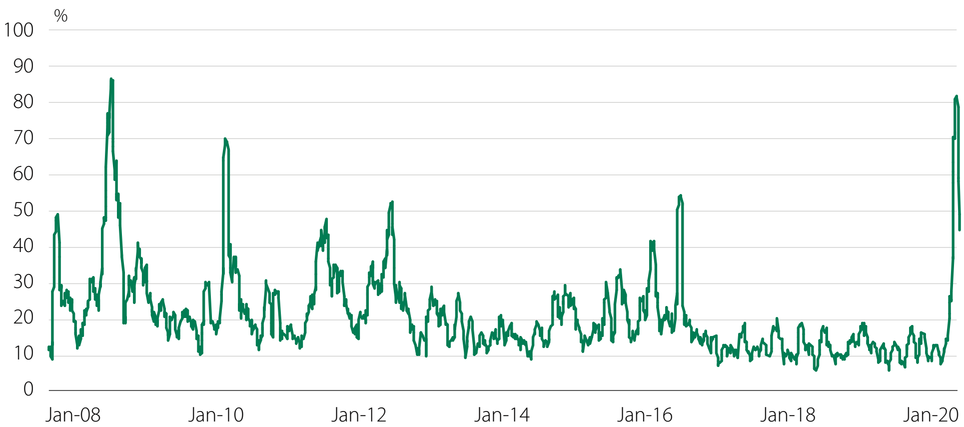
The volatility of the Ibex 35, which had reached historic lows during the last quarter of 2019, rose sharply to its highest level since the financial crisis of 2008, in line with the main European and global stock markets, where in some cases, such as the New York Stock Exchange, trading was temporarily suspended several times.[21] At the end of the first quarter, the volatility of the Ibex 35 was above 80%, far exceeding the 57.5% average for the entire month of March and almost three times the average for the entire first quarter (28.2%). The volatility of the Ibex 35 moved in a range of over 55 pp in March and over 70 pp in the quarter. This performance was similar the volatilities of other European indices such as the Eurostoxx 50 (77.6% at the end of the quarter), but the rises were somewhat less pronounced than in the US indices, where the Dow Jones historical volatility indicator peaked at 103.2%.[22]

Volatility, which came from all-time lows during the last quarter of 2019, increased sharply to its highest level since the 2008 financial crisis, just as happened in the main global stock exchanges.

Further, in line with other European regulators,[23] the CNMV banned transactions in securities and financial instruments that create or increase net short positions in shares admitted to trading in Spanish trading venues (stock exchanges and the Alternative Stock Market, MAB) for a month,[24] with effect from 17 March to 20 April[25] (see Exhibit 3). ESMA also announced the obligation to temporarily require investors with net short positions in shares listed on regulated EU markets to report to the corresponding national authority when their position was equal to or greater than 0.1% of capital, as opposed to 0.2% in force until then.

The CNMV banned transactions with securities and financial instruments that create or increase net short positions in shares admitted to trading in Spanish trading venues.

Historical volatility of the Ibex 35 FIGURE 14



Source: Thomson Datastream and CNMV. The indicator is calculated as the annualised standard deviation of the daily changes in the prices of the Ibex 35 over 21 days.

21 The New York Stock Exchange is equipped with procedures known as market-side circuit breakers which apply to both individual stocks and market indices. In the S&P 500 index, a halt to trading is triggered if it falls 7% below its previous close, which is known as a level 1 breach. Level 2 and 3 breaches imply 13% and 20% drops respectively. In the case of Level 1 and 2 breaches trading is halted for 15 minutes, except if it occurs with less than 35 minutes remaining before the close. Level 3 breaches bring trading to a halt for the rest of the trading day.

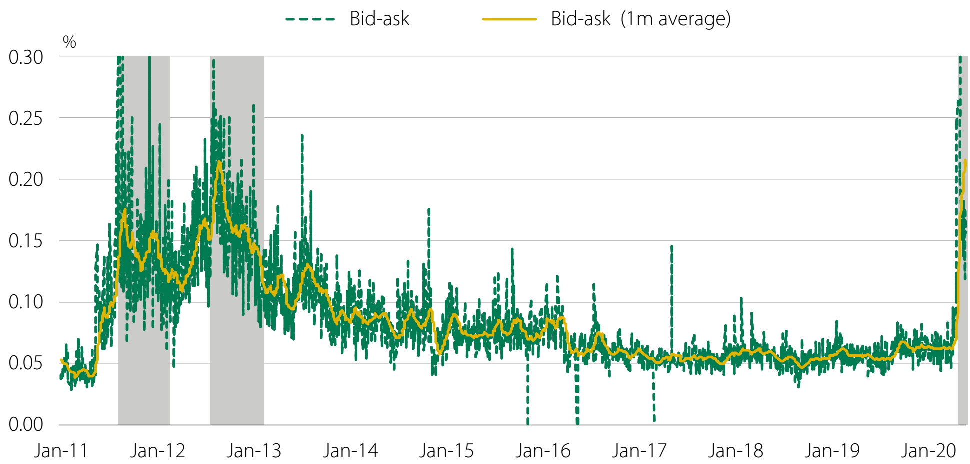
22 The VIX volatility index – known as the "fear index" – reached 64%, its highest ever.

23 Regulators in France (AMF), Italy (CONSOB), Belgium (FSMA) and Greece (HCMC) also imposed restrictions on the short selling of securities listed on their respective markets.

24 Previously, the CNMV had banned the short selling of shares of 69 listed companies in the session of Friday, 13 March.

25 The CNMV extended the ban for one more month, from 18 April to 18 May.

Liquidity of the Ibex 35. Bid-ask spread FIGURE 15



Source: Thomson Datastream and CNMV. Information on the bid-ask spread of the Ibex 35 and the average of the last month is presented here. The shaded areas of the figure refer to the introduction of the precautionary prohibition on short-selling dated 11 August 2011, its subsequent lifting on 16 February 2012 (for financial institutions), the new prohibition of 23 July 2012 and its lifting on 1 February 2013, as well as the latest ban which was imposed on 16 March 2020. The last two prohibitions affect all entities.

Liquidity conditions deteriorated to levels that were worse than those of the 2008 financial crisis and the 2012 debt crisis.

The liquidity conditions of the Ibex 35, measured through the bid-ask spread, remained relatively stable at the beginning of the first quarter of the year, but as the coronavirus crisis took hold, they deteriorated substantially, with both the spread and market volatility increasing to values in excess of those of the financial crisis of 2008 and the debt crisis of 2012. This differential reached 0.107% on average in the first quarter of the year, but increased to 0.25% in the second half of March – almost three times the historical average of this indicator (0.091%) –, when it was briefly above 0.4%, which could be partly associated with the ban on short positions.

The rise in market volatility boosted trading in Spanish securities, which increased by 26.3% year-on-year in the first quarter…

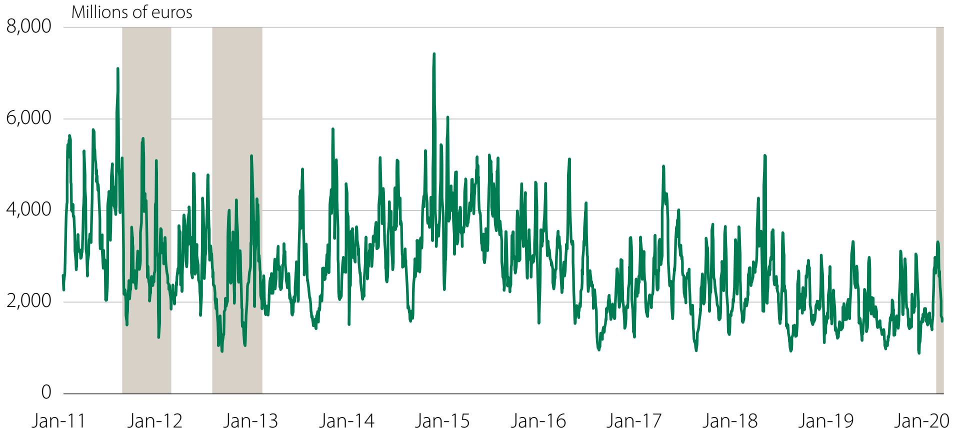
In this environment of high volatility and sharp falls in quoted prices, trading in Spanish equities increased significantly in the quarter, reaching the highest volume seen since the first half of 2018. The increase is explained by the selling pressure registered as a result of the price falls, by purchases to close short positions following the ban on short-selling and also by the fact that high market volatility once again encouraged algorithmic and high frequency trading.[26] Therefore, trading in Spanish equities grew by 26.2% year-on-year to more than €244 billion, almost €51 billion higher than in the same period of 2019, in line with the trend marked by most of the main European stock markets, which also saw a significant increase in trading.[27] Average daily trading on the continuous market in the first quarter reached €1.995 billion, 17.6% more than in the same period of 2019. This figure is also above the average of the previous quarter (€1.98 billion) and of 2019 as a whole (€1.82 billion). It should be noted, however, that this increase occurred exclusively in March.

26 High Frequency Trading (HFT).

27 According to data from the World Federation of Exchanges, trading up until February increased significantly in year-on-year terms on the main European stock markets: by 29.0% on Euronext, 19.4% on the London Stock Exchange Group (London and Italy), 25% on Deutsch Börse and 18.8% on Cboe Europe.

Daily trading on the Spanish stock market[1]

FIGURE 16



Source: CNMV. The shaded areas of the figure refer to the introduction of the precautionary prohibition on short-selling dated 11 August 2011, its subsequent lifting on 16 February 2012 (for financial institutions), the new prohibition of 23 July 2012 and its lifting on 1 February 2013, as well as the latest ban imposed on 16 March 2020. The last two prohibitions affect all entities.

1 Moving average of five business sessions.

… and allowed trading on trading venues and competing markets other than the home market to reach 47.8% of the total, the highest percentage recorded in the entire historical series.

Regarding the distribution of Spanish securities trading, a total of €126.70 billion corresponded to the Spanish regulated market (+19.4% year-on-year), while €117.73 billion (+34.4%) were traded through other trading venues and competing markets, which saw their highest ever volumes. While the amount traded through BME has grown significantly year-on-year, there has been hardly any increase compared with the previous quarter (0.8%), while the amount traded on trading venues and competing markets has risen a much faster rate in both comparisons. As a result, the market share held by the latter has continued to grow, reaching a new record high of 47.8%. Trading on competing trading venues and regulated markets subject to market rules remained above 40% of total trading in all quarters of 2019, with some temporary recoveries in the share held by BME. However, in this quarter the increase in volatility, and therefore in algorithmic and high-frequency trading, which is usually carried out to a greater extent in these competing centres, is one of the main reasons for the increase in this share to the aforementioned high (7.5 pp more than at the end of 2019).

Cboe Global Markets continued to lead the trading of Spanish stocks abroad, with 72% of the total volume traded outside Spain.

Regarding the trading of Spanish shares abroad, the standout was once again Cboe Global Markets (Cboe), which operates through two different order books, BATS and Chi-X, although there was a further increase in both its trading volume and market share. Trading was close to €85 billion in the first quarter, which represents 72% of trades made abroad and around two thirds of trades carried out through BME. In addition, as in previous quarters, distribution continued to shift between the two books in favour of BATS. Both Turquoise and the rest of the operators again lost market share among the competing centres of BME, reaching 6.8% and 21.1%, respectively, since their gains were lower than those of the total volume traded (see Table 6).

The CNMV authorised the voluntary takeover bid to acquire BME shares by the Swiss entity Six Group.

Additionally, on 25 March, the CNMV authorised the voluntary takeover bid to acquire BME's shares submitted by the Swiss entity, Six Group.[28] The approval took place once the acquisition had been authorised by the government by means of a resolution of the Council of Ministers. The offer is for 100% of BME's capital and the price offered is €33.40 per share.

Trading in Spanish shares listed on Spanish stock exchanges[1]

TABLE 6

Millions of euros

	2016	2017	2018	2019	III 19	IV 19	I 20
Total	**877,413.3**	**932,771.9**	**930,616.1**	**805,833.0**	**181,393.0**	**209,032.6**	**244,429.7**
Admitted to SIBE (electronic trading platform)	**877,402.7**	**932,763.1**	**930,607.1**	**805,826.6**	**181,391.6**	**209,031.8**	**244,428.6**
BME	631,107.2	633,385.7	579,810.4	460,267.4	99,552.2	125,712.6	126,698.3
Chi-X	117,419.4	117,899.2	106,869.7	80,678.9	20,312.6	16,053.1	22,954.9
Turquoise	51,051.8	44,720.1	42,833.4	30,550.6	6,730.5	5,711.7	7,954.3
BATS	44,839.8	75,411.6	171,491.3	176,093.6	42,557.4	39,694.3	62,025.5
Other	32,984.5	61,346.5	29,552.2	58,236.1	12,238.9	21,860.2	24,795.5
Pit-traded (corros)	**7.5**	**8.1**	**8.2**	**6.2**	**1.4**	**0.7**	**1.1**
Madrid	3.2	1.8	0.8	0.8	0.2	0.0	0.1
Bilbao	0.0	0.0	0.0	2.1	0.1	0.0	0.0
Barcelona	4.1	6.3	7.4	3.2	1.1	0.7	1.0
Valencia	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Secondary market	**3.2**	**0.7**	**0.8**	**0.1**	**0.0**	**0.0**	**0.0**
Pro memoria							
Trading in foreign equities, BME	6,033.0	6,908.0	3,517.1	3,480.5	698.0	962.1	987.7
MAB	5,066.2	4,987.9	4,216.3	4,007.7	710.4	1,345.8	1,145.3
Latibex	156.7	130.8	151.6	136.6	32.8	39.0	29.2
ETF	6,045.2	4,464.1	3,027.6	1,718.0	415.9	459.2	819.0
Total trading through BME	648,418.9	649,885.3	590,732.0	469,616.6	101,410.7	127,938.4	129,680.6
% total Spanish equities traded through BME	71.9	68.3	62.6	57.4	55.2	59.7	52.2

Source: Bloomberg and CNMV.

1 This includes the trading of Spanish equities 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 (BME), i.e., not including the Alternative Stock Market (MAB). Foreign equities are those admitted to trading on the regulated BME market with an ISIN that is not Spanish.

28 The offer was presented on 18 November by Six Group at a price of €34 per share, from which the dividends paid by the company would have to be discounted.

Capital increases and public offerings

TABLE 7

	2017	2018	2019	II 19	III 19	IV 19	I 20
NUMBER OF ISSUERS[1]							
Total	**47**	**46**	**47**	**11**	**10**	**12**	**8**
Capital increases	45	45	47	11	10	12	8
Public offerings (for subscription of securities)	3	2	1	0	0	0	0
Initial public offerings (IPO)	4	1	0	0	0	0	0
NUMBER OF ISSUES[1]							
Total	**91**	**81**	**52**	**13**	**10**	**15**	**15**
Capital increases	84	80	52	13	10	15	15
Public offerings (for subscription of securities)	4	2	1	0	0	0	0
Initial public offering (IPO)[2]	7	1	0	0	0	0	0
CASH AMOUNT[1] (millions of euros)							
Capital increases with fund-raising	**25,787.7**	**7,389.9**	**8,240.6**	**973.3**	**1,748.3**	**4,132.9**	**174.9**
With preemptive rights	7,831.4	888.4	4,729.8	199.8	44.6	3,132.8	0.0
Without preemptive rights	956.2	200.1	10.0	0.0	0.0	0.0	0.0
Of which, increases	68.8	0.0	30.0	10.0	10.0	0.0	0.0
Accelerated book builds	821.8	1,999.1	500.0	0.0	0.0	500.0	0.0
Capital increases with non-monetary consideration[3]	8,469.3	2,999.7	2,034.2	351.6	1,682.6	0.0	12.5
Capital increases via debt conversion	1,648.8	388.7	354.9	0.0	0.7	341.1	162.4
Other	6,060.2	913.9	611.8	421.9	20.4	159.0	0.0
Scrip issues[4]	**3,807.3**	**3,939.7**	**1,565.4**	**140.4**	**1,074.9**	**2.6**	**396.4**
Of which, scrip dividends	3,807.3	3,915.2	1,564.1	140.4	1,074.9	1.3	396.4
Total capital increases	**29,595.0**	**11,329.6**	**9,806.0**	**1,113.7**	**2,823.1**	**4,135.5**	**571.3**
Public offerings	**2,944.5**	**733.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
***Pro memoria*: Transactions on the MAB[5]**							
Number of issuers	13	8	12	2	5	4	5
Number of issuances	15	12	17	2	6	4	6
Cash amount (millions of euros)	129.9	164.5	298.3	3.4	74.1	200.5	18.3
Capital increases	129.9	164.5	298.3	3.4	74.1	200.5	18.3
Of which, initial public offerings	17.1	0.0	229.4	0.0	30.0	196.3	0.1
Public share offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: BME and CNMV.

1 Trades registered with the CNMV. Does not include data from MAB, ETF or Latibex.

2 Transactions linked to the exercise of green shoe options are accounted for separately.

3 Capital increases for a non-monetary consideration have been stated at market value.

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

5 Trades not registered with the CNMV.

Equity issuances made in Spanish markets stood at €571.3 million in the first quarter, which represents less than a third of the amount issued in the same quarter of 2019 and the lowest figure since the second quarter of 2018 (see Table 7). Capital increases were mostly carried out under the scrip dividend method, coinciding with the payment in January of the dividends of several large energy companies under this format, which nonetheless continued to lose its appeal for investors and issuers alike. Even so, this option is likely to be used more extensively in the near future, if companies perceive the need to strengthen their capital in the context of the crisis. The rest of the increases corresponded mostly to capital increases with debt conversion, although their amount was very low, and capital increases with

The issuance of new shares reached its lowest level since the second quarter of 2018 and those that were issued were mostly under the scrip dividend format. Likewise, there were no IPOs in the quarter.

fund-raising reached their lowest levels in recent years. Likewise, as happened throughout 2019, there were no initial public offerings in the quarter. The projected scenario of uncertainty and volatility over the coming months makes it unlikely that any such transactions will occur in the immediate future.

Numerous companies have announced the cancellation of their dividends and other actions to strengthen their balance sheets in the context of the crisis.

However, many companies, especially banks,[29] have announced the cancellation of dividends or their intention to delay or reduce the amounts paid out, in addition to cancellation of share buyback programmes, to strengthen their balance sheets and address the economic and financial challenges posed by the coronavirus crisis.

The CNMV introduces restrictions on short-selling of shares listed on Spanish stock exchanges EXHIBIT 3

In an environment of extreme volatility and sharp falls in quoted prices, which were accentuated in March, several European securities authorities,[1] including the Spanish authority, resolved to impose restrictions on short trading with certain shares. These decisions can be taken on certain financial instruments in situations of significant price falls or, more generally, when circumstances arise that constitute a serious threat to financial stability. In parallel, the European Securities and Markets Authority (ESMA) ruled to temporarily lower the threshold that determines the obligation to report to the competent national authority the short positions of holders, from 0.2% of issued capital to 0.1%.[2]

The CNMV, which, since the years of the sovereign debt crisis in 2011 and 2012 had only ever adopted one measure of this nature, with respect to a specific share (Liberbank, following the resolution of Banco Popular), first resolved to prohibit short-selling on 13 March for certain securities, followed by a second decision to prohibit the creation or increase of net short positions, which applied to all shares and which was recently extended until 18 May. The first decision[3] affected all the shares considered to be liquid admitted to trading on the Spanish stock exchanges, the price of which had fallen by more than 10% in the previous session (12 March) and all shares considered illiquid, the price of which had fallen by more than 20%. In total it affected 69 securities.

Subsequently, on 17 March, the CNMV temporarily prohibited, pursuant to Article 20 of Regulation (EU) No. 236/2012, until 17 April the creation or increase of net short positions on shares admitted to trading on Spanish trading venues for which the CNMV is the competent authority, in accordance with the provisions of said Regulation.[4] In the following days, the French, Italian, Belgian, Austrian and Greek supervisors took similar measures. The ban was subsequently extended from 18 April to 18 May, both dates inclusive, and may in turn be extended for renewable periods not exceeding three months, if the circumstances that gave rise to it persist, in accordance with Article 24 of the aforementioned Regulation, or it may be lifted at any time before the term has

29 Banking and insurance supervisors have urged financial institutions and insurers to suspend payments of dividends.

elapsed if deemed necessary. The extension,[5] which was approved after various discussions with the securities supervisors of the other European countries that have adopted similar measures, was notified to ESMA as provided for in the Regulation. The reasons given were the persistence of risks and uncertainties affecting the performance of the economy and the market in the context of the situation deriving from the COVID-19 pandemic, the high levels of volatility and the risk of disorderly price movements.

The prohibition affects any transactions on shares or indices, including cash transactions, derivatives transactions in organised markets or OTC derivatives transactions that involve creating a net short position or increasing a pre-existing one, even on an intraday basis. Net short positions are understood to be those defined in Article 3.1 of Regulation (EU) No. 236/2012. These positions include short-selling even where the transactions are covered by securities loans. The following transactions are excluded from the scope of the prohibition:

– Market-making activities under the terms provided in the Regulation on short-selling.

– The creation or increase of net short positions when the investor acquiring a convertible bond holds a neutral delta position between the position in the equity element of the convertible bond and the short position taken out to cover this element.

– The creation or increase of net short positions when the creation or increase of the short position in shares is covered with an equivalent purchase in terms of the proportion of subscription rights.

– The creation or increase of net short positions through derivative financial instruments on indices or weighted baskets of financial instruments when the weight of the securities affected by the prohibition does not exceed half of the index or basket (the scope of this exception differs from the initial ban, which referred to the number of financial instruments, not their weighting in the index or basket).

Restrictions on short-selling, which may be appropriate in exceptional situations, affect the efficiency of the markets by reducing the speed at which prices adjust to available information and adversely affect some liquidity measures or actual trading volumes. The CNMV is carrying out a specific analysis to assess the impact in this case of the measure adopted.

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1 In particular those of Italy, Austria, Belgium, France and Greece.

2 https://www.esma.europa.eu/press-news/esma-news/esma-requires-net-short-position-holders-report-positions-01-and-above

3 The decision was taken in accordance with Article 23 of Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012, which empowers the competent national authorities to temporarily restrict short-selling in the event of a significant fall in share prices. https://www.cnmv.es/portal/verDoc.axd?t=%7Bca1ed0f3-097f-4f08-ab07-e24bcf508e42%7D

4 https://www.cnmv.es/Portal/verDoc.axd?t=%7B5baf609e-ed4e-4dad-a697-80c55548e181%7D

5 http://www.cnmv.es/portal/verDoc.axd?t={c65a96cd-6d0d-47b8-90fb-a77b82551349}

3.2 Fixed income markets

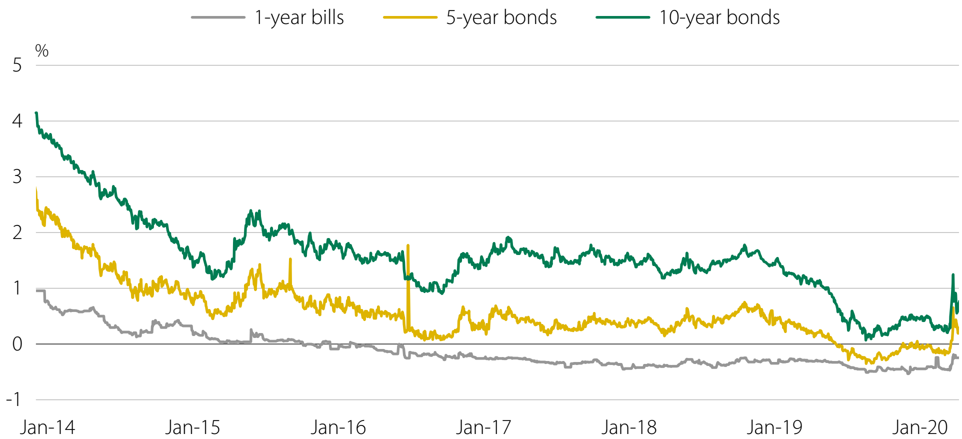
The turmoil in the financial markets was reflected in the debt markets with spikes in the sovereign and corporate risk premiums of the most vulnerable countries and companies, which did not ease until after the announcement of the specific ECB debt purchase programme (PEPP) to mitigate the effects of the pandemic.

The debt markets started the year with a slight upturn in yields, given the prospect that the monetary authorities would not adopt any additional monetary policy measures and could even consider revising their strategies, following the resolution of some areas of uncertainty that had been affecting the markets. In this context, the spread of the coronavirus in Europe and the start of the financial market turmoil translated into a process of replacing relatively high-risk debt assets with better credit quality debt instruments (flight to quality). In parallel, there was a notable increase in the risk premiums applied on sovereign and corporate debt of countries and companies perceived as most vulnerable, in which the impact on public accounts and economic activity is expected to be more significant, and this trend did not change until governments announced economic stimulus measures and, particularly, when the ECB announced its new exceptional monetary policy measures. These included a substantial programme of debt purchases, the Pandemic Emergency Purchase Programme, or PEPP, details of which are discussed in Section 2.1 and Exhibit 1 of this report, specifically to alleviate the effects of the pandemic, for instance by eliminating the spikes in interest on the debt of countries most affected by the spread of the virus.

Despite the positive effect of the ECB purchases, both public and private debt rates rose in the quarter, and the increases were more marked for debt assets with low credit ratings.

The rates on Spanish public debt, like those of other southern European economies, increased slightly in the quarter, and were attenuated by the positive effect of the ECB's purchasing programme, while those of northern European economies showed slight declines, which were more concentrated in Germany and the Netherlands. Long-term private sector fixed income rates also saw increases, which were more notable in the case of high-yield corporate debt. As a consequence, the Spanish risk premium increased by 48 bp in the quarter, reaching 114 bp, although it had episodic peaks of close to 150 bp.

Interest rates on Spanish public debt FIGURE 17



Source: Thomson Datastream.

In this context of low interest rates and a certain market stability until February, issuances registered with the CNMV remained relatively stable in the quarter, while those made abroad increased, once again exceeding the volume recorded in Spain, as had been the case throughout 2019. In addition, issuers continued to take advantage of favourable market conditions and low costs to raise financing for the medium and long term, and it is therefore expected that many companies – at least the largest ones – will have a sufficient level of liquidity to be able to deal with the risks and uncertainties associated with the pandemic without too much difficulty.

In this context, fixed income issuances made by Spanish issuers registered with the CNMV saw little change in the first quarter, while those made abroad continued to increase.

There was a disparity in the performance of interest rates on short term debt in the first quarter between the public and private sector, with slight increases in the former and slight decreases in the latter. In this way, the yield on public debt entered its fifth consecutive year of negative values for the entire short section of the curve due to the intensification of the ECB's ultra-expansive monetary policy, which now includes exceptional measures to mitigate the effects of the coronavirus.[30] At the end of March, the yield on the secondary market for treasury bills at 3, 6 and 12 months stood at -0.28%, -0.24% and -0.28% respectively, slightly above the closing values of 2019 and also above the ECB's deposit facility rate (-0.50%), which they usually tracked. All the TLTRO auctions in the primary market were still allocated at negative rates, including those carried out in March (with positive returns for the longer terms).[31] In the case of short term private fixed income, the returns observed at the end of the first quarter were lower than those of the previous quarter. The largest decreases were in the 6- and 12-month terms, assets that could now be eligible for the ECB's purchase programme.[32] However, there are a significant number of smaller issuers that have stopped issuing commercial paper, either because of the greater difficulties in placing these instruments or because of their higher cost, as investors demand higher returns. Therefore, in March yields on commercial paper at the time of issuance reached values of between 0.19% for the 3-month instrument and 0.58% for the 12-month paper[33] (see Table 8).

The yield on short term public debt increased slightly, although it remained negative for the fifth consecutive year, while that of corporate commercial paper showed slight declines thanks to the intensification of the ECB's ultra-expansive monetary policy.

30 The new PEPP programme, amounting to €750 billion, includes purchases of securities with a minimum residual maturity of 70 days.

31 The auctions of 3- and 5-year bonds held on 2 April had a marginal rate of 0.107% and 0.276% respectively.

32 The ECB would acquire short term debt under its PEPP purchase programme, which could include commercial paper issued by some Spanish companies (such as Endesa, Iberdrola, Repsol, Telefónica, Red Eléctrica, Ferrovial, Naturgy, Abertis, Aena, ACS, Amadeus, Cellnex, Colonial, ACS and Viesgo), as long as they have a minimum credit rating of BBB- according to Standard & Poor's, Fitch and DBRS or Baa3 according to Moody´s.

33 Regarding commercial paper, it should be noted that the guarantee programme recently established by Royal Decree-Law of 21 April, on complementary urgent measures to support the economy and employment, indicates that commercial paper traded on the Fixed Income Market of the Association of Financial Asset Intermediaries (AIAF) and the Alternative Fixed Income Market (MARF) will be eligible for the guarantees, promoting the maintenance of liquidity sources provided by the capital markets and not only through the traditional banking channels.

Short term interest rates

TABLE 8

%

	Dec-17	Dec-18	Dec-19	Jun-19	Sep-19	Dec-19	Mar-20
Treasury bills							
3 months	-0.62	-0.50	-0.58	-0.47	-0.54	-0.58	-0.28
6 months	-0.45	-0.41	-0.47	-0.38	-0.53	-0.47	-0.24
12 months	-0.42	-0.33	-0.48	-0.38	-0.49	-0.48	-0.28
Corporate commercial paper[1, 2]							
3 months	0.39	0.24	0.20	0.21	0.16	0.20	0.19
6 months	0.26	0.19	0.52	0.58	0.17	0.52	0.23
12 months	0.19	0.07	0.71	1.06	0.43	0.71	0.58

Source: Thomson Datastream and CNMV.

1 Monthly average of daily data.

2 Issuance interest rates.

The yield on long-term public debt increased over the entire curve, although the increases were tempered by the positive effect of the ECB's purchase programmes. The rate curve went from presenting negative values up to the 5-year term to presenting such value only up to the 2-year term.

Interest rates on medium- and long-term public debt started the quarter showing a relatively stable trend and with negative values up to the 5-year term, given the prospect that both the ECB and the Federal Reserve would maintain their accommodative monetary policy in order to avoid a slowdown in both Europe and the United States and boost economic growth. As the spread of the virus throughout Spain took hold, rates began to rise for the entire middle and long section of the curve, where they began to acquire positive values and even temporarily recovered values greater than 1% at 10 years. They went on to decline when the ECB stepped up its purchases of public debt[34] and announced the new Pandemic Emergency Purchase Programme (PEPP),[35] which had a greater scope. Therefore, the yield on Spanish public debt at 3, 5 and 10 years stood at 0.02%, 0.26% and 0.68% respectively at the end of March (see Table 9). Over the course of the quarter, the interest rate curve changed from presenting negative values up to 5 years to doing so up to 2 years, since the 3-year term closed the quarter with slightly positive values.

Private fixed income marked a different performance, with increases in returns observed, which were a reflection of the fall in the prices of higher-risk assets.

Private sector fixed income marked a different performance, with notable increases observed in all segments of the curve, putting returns at their highest levels since the end of 2018. Although the ECB's corporate debt purchase programme[36] remains in place and its amount increased, its scope is limited to a small number of issuers with a minimum investment grade rating. Therefore, the increase in rates reflects the fall in prices of relatively high-risk assets,[37] among which a significant increase in the spreads demanded for high yield or lower credit quality debt has been observed, as well as a flight to quality, since many investors have replaced their investments in debt of this type with public debt or other less risky assets. At the end of

34 Up until 2 April the ECB had acquired public debt for a net amount of €2.26 trillion, of which €266.62 billion corresponded to Spanish securities.

35 The emergency purchasing programme, which includes purchases of public and private assets, was launched in March and by 3 April purchases totalling €30.15 billion had been made.

36 Up until 2 April, purchases under the corporate debt programme totalled €203.41 billion, of which more than 18% were acquired in the primary market.

37 The sample used to calculate interest rates included a wide range of assets with different risk levels, including covered bonds, investment grade bonds, high-yield bonds and even unrated debt.

March, the returns on private debt at 3, 5 and 10 years were 0.48%, 0.65% and 1.49% respectively, which implied a risk premium of between 39 and 81 bp with respect to public debt assets. In addition, in the second half of March, issuances made by several issuers suffered reductions in their credit ratings or a negative review of their outlook, reflecting the risks faced by their activities as a consequence of the economic impact of the pandemic.

Medium- and long-term bond yields TABLE 9

%

	Dec-17	Dec-18	Dec-19	Jun-19	Sep-19	Dec-19	Mar-20
Public fixed income							
3 years	-0.09	-0.04	-0.29	-0.31	-0.44	-0.29	0.02
5 years	0.31	0.43	-0.06	-0.10	-0.27	-0.06	0.26
10 years	1.46	1.43	0.45	0.50	0.20	0.45	0.68
Private fixed income							
3 years	0.44	0.67	0.20	0.19	-0.10	0.20	0.48
5 years	0.41	0.55	0.23	0.34	0.10	0.23	0.65
10 years	1.16	1.52	0.79	1.05	0.63	0.79	1.49

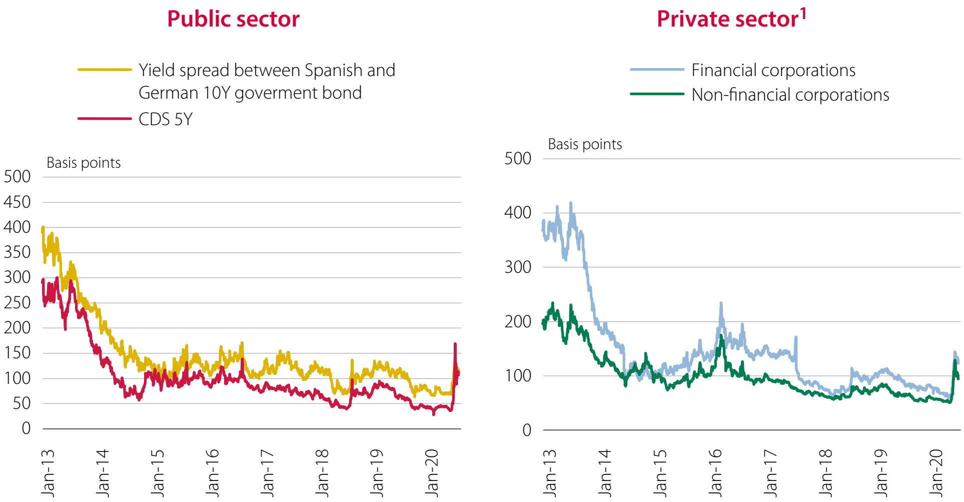
Source: Thomson Datastream, Reuters and CNMV.

The sovereign risk premium increased by 48 bp to 117 bp, although it had episodic peaks of 148 bp.

The sovereign risk premium – measured as the difference in yield between the Spanish and the German 10-year sovereign bonds – began the year at 66 bp, close to the annual low of 60 bp in 2019, and remained unchanged until late February, when it started to rise as uncertainty spread in the markets. This indicator continued to rise until mid-March, standing at 148 bp as a consequence of the high degree of uncertainty about the effects of the crisis on the public finances of European economies, which could generate tensions in the sovereign risk premiums of those economies with higher debt levels. As previously mentioned, the announcement of the ECB's purchase programmes and the intensification of its purchases eased pressure on debt premiums, which in the case of Spain ended the quarter at 114 bp, 48 bp above the value at the beginning of the year. The increases were also similar for the risk premium estimated using the CDS of the Spanish sovereign bond (the market for which is less liquid than that of its underlying), which closed the quarter at 105 bp, compared with 41 bp at the end of 2019 (see left-hand panel of Figure 18). In the short term, its performance, like that of the risk premiums of major Spanish issuers, will be largely determined by the effects of the pandemic on the Spanish economy and the timing and intensity of the recovery, as well as by the impact of the fiscal and monetary policy support measures put in place by the EU, the Spanish government and the ECB respectively.

Risk premium of Spanish issuers

FIGURE 18



Source: Thomson Datastream and CNMV.

1 Simple average of 5-year CDS of a sample of entities.

Risk premiums applied in the private sectors of the economy increased and the most significant increases were those of financial institutions as a consequence of the likely impact of the economic crisis on their margins and balance sheets.

The premiums of the private subsectors of the economy followed a similar path to that of public debt, although increases were somewhat greater in the case of financial institutions. Despite having the support of the ECB, which allows them to access to long-term, low-cost financing through the third round of TLTROs, financial institutions face increasing uncertainties and risks[38] as a consequence of the expected recession. The new scenario will cause their interest income to decline for a prolonged period as a result of the continuing context of low interest rates and may well involve a deterioration in delinquency/NPL levels, in a context of reduced commercial and lending activity. On the positive side, as well as extending its financing facilities,[39] the ECB will extend and significantly increase its debt purchase programmes, which include specific programmes for the purchase of securities issued by financial institutions, such as covered bonds and securitisations[40] (CBPP3 and ABSPP respectively), and now the purchase of these securities through the PEPP.

Risk premiums applied in the private sectors of the economy increased and the most significant increases were those of financial institutions as a consequence of the likely impact of the economic crisis on their margins and balance sheets.

In the case of non-financial companies, the rise in premiums was more moderate, even though they reached their highest levels since the end of 2016. Although these companies also benefit from the positive effect of the ECB's purchase programmes, their premiums reflect the potential impact of the economic slowdown on their businesses, as well as the foreseeable increase in their financial costs caused by the increase in credit risk. As the right-hand panel of Figure 18 shows, the average of the CDS of financial institutions stood at 125 bp at the end of March, 60 bp above the 65 bp at which it began the year; for non-financial institutions, the average risk

38 The ECB has urged banks to cancel the distribution of dividends against 2019 and 2020 results.

39 The ECB has announced a package of temporary measures that relax the requirements on guarantees and the valuation of the collateral provided in loan transactions.

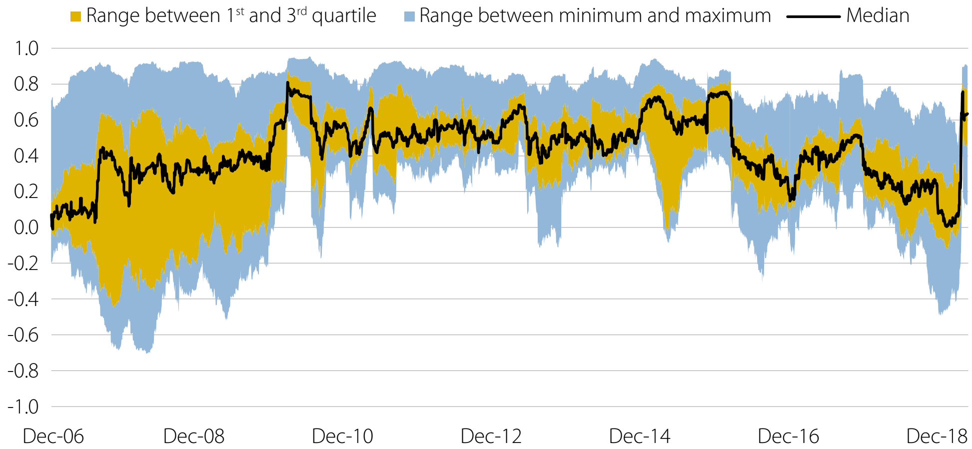
40 Up until 2 April, purchases under the covered bonds programme totalled €275.23 billion, of which more than 38% were acquired in the primary market. At the same date, cumulative purchases under the asset-backed securities programme amounted to €31.69 billion, of which almost 52% were acquired in the primary market.

premium was 98 bp at the same date, compared with 52 bp at the end of the previous quarter.

The price correlation between the different classes of Spanish financial assets, which had decreased significantly during the last quarter of 2019, reaching its lowest value in the last decade, rose sharply again in the first quarter of this year, reaching its highest level since the second half of 2016, on the back of the uncertainties associated with the health crisis. The value of the indicator, one of the highest observed in the last decade, implies that the uncertainties – and, therefore, the potential risks originated by the crisis – were transferred to the different types of assets, including shares, and debt and credit. These uncertainties triggered generalised price falls and gave rise to the aforementioned increase in the general correlation.

The correlation between asset prices, which had decreased significantly in the last quarter of 2019, rose sharply again in the early months of 2020. The generalised price falls among assets explains this performance.

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



Source: Thomson Datastream and CNMV.

1 The correlation indicator between asset classes includes pairs of correlations calculated using daily data in three-month windows. The asset classes are sovereign debt, private fixed income of financial and non-financial entities and securities of the Ibex 35, financial companies, utilities and other sectors. A high correlation between the different classes of Spanish assets would indicate the possible existence of herding behaviour by investors. This situation could lead to high volatility in periods of stress. Meanwhile, diversification would offer fewer advantages since in this context it would be more difficult to avoid exposure to sources of systematic risk.

2 Since 7 June 2017, the CDS of the 5-year senior debt of Banco Popular has been excluded from the calculation of ROI on the asset class corresponding to financial fixed income.

Fixed income issuances registered with the CNMV in the first quarter of 2020 came to €20.20 billion, 3.2% down on the same period of the previous year. The volume of issuances remains low, as in previous quarters, and remains largely determined by the high volume of issuance activity abroad, which in 2019 already exceeded the issuances registered with the CNMV. Furthermore, many companies took advantage of the favourable market conditions during 2019 to raise financing at a low cost, which reduces their needs for this year. In addition, financial institutions have other appealing sources of financing available to them, such as the third round of ECB financing. Regarding the composition of the issuances, in both absolute and relative terms, the largest increases corresponded to covered bonds (56%), asset-backed securities (58%) and corporate commercial paper (53%). In the case of covered bonds, activity is limited to the renewal of maturing issues, since issuance is a function of

The volume of fixed income issuances registered with the CNMV decreased slightly in the first quarter…

changes in total mortgage loans outstanding, which continue to fall;[41] asset-backed securities relate to two STS programmes carried out by two financing companies; issuances of corporate commercial paper are favoured by the return to Spain of some companies' issuance programmes from abroad.[42] The largest decrease was seen in the issuance of medium- and long-term straight bonds, which fell to less than half. This was due to the fact that SAREB (Asset Management Company for Assets Arising from Bank Restructuring) carried out a single issue of €4.06 billion, compared with three issuances for an aggregate amount of more than €10.2 billion in 2019.

… while Spanish issuances made abroad continued to grow, largely in long-term debt.

Fixed income issuances carried out abroad by Spanish issuers during the first months of the year (data to February) retained the buoyancy observed in the previous year, growing to €26.1 billion, the highest figure seen in the past few quarters and 48% more than in the same period of 2019. The largest increase, 83%, was in long-term debt issuances, due to the rise in bond issuances, which more than doubled, while short term commercial paper issuances saw more moderate growth (19%). It can therefore be inferred that companies have taken advantage of the favourable market conditions – as regards both availability of funds and low costs – to obtain long-term financing: long-term issuances represented 55% of the total, compared with 44% in the same period of the previous year. Preliminary data for 2020, subject to the changes that may arise due to the new situation caused by the pandemic, appear to indicate that the trend observed in 2019, when issuances made abroad exceeded those registered with the CNMV[43] for the first time, will continue or even intensify this year. There was also a significant increase in issuances made by subsidiaries of Spanish companies in the rest of the world, which amounted to €18.32 billion (data to February), 38% more than in 2019. Of this amount, 77% corresponded to banks and the rest to non-financial companies, reflecting the growth of Spanish banking subsidiaries as part of the internationalisation and growth of these entities in other regions.

41 To February, according to Bank of Spain data, the balance of mortgage lending to households fell by 1.1% year-on-year, to €517.1 billion.

42 For instance, the energy company Endesa, which has again registered its commercial paper issuances with the CNMV.

43 These issuances accounted for 53% of the total in 2019 (47% in 2018).

Gross fixed income issuances registered with the CNMV

TABLE 10

	2016	2017	2018	2019	2019 III	2019 IV	2020 I[1]
NOMINAL AMOUNT (millions of euros)	**139,028**	**109,487**	**101,296**	**90,161**	**19,968**	**35,018**	**20,203**
Covered bonds	31,643	29,824	26,575	22,933	6,750	7,508	6,250
Regional covered bonds	7,250	350	2,800	1,300	0	1,300	0
Non-convertible bonds and debentures	40,170	30,006	35,836	29,602	1,533	12,084	6,159
Convertible/exchangeable bonds and debentures	0	0	0	0	0	0	0
Asset-backed securities	35,505	29,415	18,145	18,741	4,909	9,681	3,066
Corporate commercial paper[2]	22,960	17,911	15,089	15,085	5,275	4,446	4,728
Securitised	1,880	1,800	240	0	0	0	0
Other commercial paper	21,080	16,111	14,849	15,085	5,275	4,446	4,728
Other fixed income issuances	1,500	981	0	1,500	1,500	0	0
Preferred shares	0	1,000	2,850	1,000	0	0	0
***Pro memoria*:**							
Subordinated issuances	4,279	6,505	4,923	3,214	459	2,088	861
Secured issuances	421	0	0	0	0	0	0

Abroad by Spanish issuers	2016	2017	2018	2019	2019 III	2019 IV	2020 I[1]
NOMINAL AMOUNT (millions of euros)	**58,587**	**84,760**	**89,358**	**100,321**	**23,754**	**22,318**	**26,098**
Long term	31,655	61,095	38,425	53,234	12,342	10,552	14,384
Preferred shares	1,200	5,844	2,000	3,070	918	100	1,500
Subordinated bonds	2,333	5,399	2,250	1,755	0	0	0
Bonds and debentures	28,122	49,852	34,175	48,409	11,424	10,452	12,884
Asset-backed securities	0	0	0	0	0	0	0
Short term	26,932	23,665	50,933	47,087	11,412	11,766	11,714
Commercial paper	26,932	23,665	50,933	47,087	11,412	11,766	11,714
Asset securitisation	0	0	0	0	0	0	0

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

	2016	2017	2018	2019	2019 III	2019 IV	2020 I[3]
NOMINAL AMOUNT (millions of euros)	**56,674**	**66,790**	**91,446**	**92,284**	**22,187**	**17,789**	**18,315**
Financial institutions	11,427	19,742	43,234	57,391	13,568	13,825	14,152
Non-financial entities	45,247	47,585	48,212	34,893	8,619	3,964	4,163

Source: CNMV and Bank of Spain.

1 Data to 31 March.

2 The figures for issuances of corporate commercial paper correspond to the amounts placed.

3 Data to 28 February.

4 Market agents

4.1 Investment vehicles

Financial CIS

Investment funds

Investment fund assets increased by 7.8% in 2019, mainly due to their positive returns in a year of lower net subscriptions by unitholders.

The assets of investment funds (the five-year sustained high growth of which had been interrupted in 2018), increased strongly again in 2019, standing at €279.38 billion at year-end, 7.8% more than at the end of the previous year. 90% of this increase in assets was due to the positive performance of the assets in their portfolios. With regard to performance, the weighted average return of the funds stood at 7.1% in 2019, which is mainly explained by the rise in quoted prices on international equity markets, particularly during the first part of the year. Net subscriptions were negative during the first three months of 2019, still influenced by the fall in stock markets at the end of 2018, but positive for the rest of the year, especially in the fourth quarter (€2.25 billion). For the year as a whole, net subscriptions were €2.47 billion, a much lower figure than in recent years.

Despite the current interest rate environment, many unitholders opted to invest in less risky fund categories than in previous years, influenced by the unfavourable performance of the equity markets in 2018.

Unlike previous years and despite the prolongation of the context of low interest rates, unitholders did not show a majority preference for the riskier fund categories, with some of them opting for more conservative formulas as a consequence of the unfavourable performance of the markets in 2018, especially in the latter part of the year. In the year as a whole, fixed income funds attracted by far the largest volume of net subscriptions, with a total of €10.73 billion, followed by international equity (€4.11 billion) and mixed equity (€3.29 billion). The largest redemptions (in net terms) were seen in euro equity funds, with a net outflow of €3.59 billion, and passive management funds, with €3.01 billion (see Table 11). There have been significant redemptions of passive management funds over the last three years, and their assets have almost halved since the end of 2016.

Fund portfolios performed well in all categories, particularly those with a high proportion of equities.

The yield on investment fund portfolios in 2019 was positive, without exception, in all categories, and the highest returns were posted by the categories with the largest proportion of equities in their portfolios. Thus, international equity and euro equity funds saw their portfolios gain 22.2% and 14.3% respectively. Mixed equity funds also performed well, with a return of 9.3% on their portfolios. In contrast, fixed income funds marked a lower return, with 1.4%.

Net investment funds subscriptions TABLE 11

Millions of euros

				2019			
	2017	2018	2019	I	II	III	IV
Total investment funds	**21,325.0**	**7,841.8**	**2,467.4**	**-402.3**	**326.2**	**295.6**	**2,247.9**
Fixed income[1]	-3,638.0	-2,766.0	10,732.6	2,996.7	2,469.2	4,352.6	914.1
Mixed fixed income[2]	2,890.5	-1,063.7	-1,506.1	-543.8	-1,631.4	-949.3	1,618.4
Mixed equity[3]	5,498.6	2,485.9	3,288.8	-27.3	2,623.8	-0.8	693.1
Euro equity[4]	2,549.7	1,848.7	-3,588.2	-1,331.1	-1,272.8	-518.3	-466.0
International equity[5]	4,514.0	3,864.1	4,113.8	-183.5	-38.9	2,843.5	1,492.7
Guaranteed fixed income	-3,262.6	-575.8	-282.6	98.3	24.2	-126.2	-278.9
Guaranteed equity[6]	-309.5	-667.2	-1,857.0	-28.5	-4.7	-745.2	-1,078.6
Global funds	13,405.9	9,448.9	-2,553.9	182.9	93.2	-3,325.4	495.4
Passive management[7]	-4,585.0	-2,790.4	-3,026.8	-270.6	-680.3	-780.1	-1,295.8
Absolute return	4,287.3	-1,899.6	-2,852.9	-1,295.4	-1,256.1	-454.9	153.5

Source: CNMV.

1 Until I-2019 comprises the following categories (CNMV Circular 3/2011): euro fixed income, international fixed income, money market and short term money market. From II-2019 comprises the following categories (Circular 1/2019): short term public debt constant net asset value MMF, short term low volatility net asset value MMF, short term variable net asset value MMF, standard variable net asset value MMF, euro fixed income and short term euro fixed income.
2 Includes: euro mixed fixed income and international mixed fixed income.
3 Includes: euro mixed equity and international equity.
4 Includes: euro equity.
5 Includes: international equity.
6 Includes: GIF and partial guarantee.
7 Until I-2019 comprises passive management CIS (CNMV Circular 3/2011). From II-2019 comprises the following categories (Circular 1/2019): Passive management CIS, CIS that replicate an index and CIS with a specific objective of non-guaranteed return.

The number of funds continued to decline in 2019, especially passive management funds.

The number of funds offered by management companies continued to decrease as a result of the rationalisation process carried out from 2013, although more moderately than in previous years (between 2013 and 2016 the number of funds decreased by around 450). The number of funds at the end of the year was 1,710, just 15 fewer than at the end of 2018. The largest decline, reflecting their negative performance in recent years, occurred in passive management funds, with 39 fewer funds, followed by absolute return funds, with a reduction of 15. In contrast, international equity funds, the number of which had already increased in 2018 by 25, grew further in 2019 with 27 new institutions.

The number of unitholders exceeded 11.7 million at the end of the year, with particularly notable increases in fixed income funds, which also attracted the largest number of subscriptions.

The number of unitholders increased by 4.6% in 2019 and closed the year at a total of 11.7 million, compared with 11.2 million the previous year.[44] In line with the data on net subscriptions, fixed income and international equity funds showed the greatest progress over the course of 2019, with almost a million more unitholders for the

44 It must be borne in mind that a unitholder is counted as many times as the number of contracts held in different funds, so the registered increase could be explained in some cases by an investor diversifying into a greater number of funds.

former and just under half a million more for the latter. In contrast, the absolute return and euro equity categories saw notable declines in the number of unitholders (285,000 and 232,000 respectively).

In the first two months of 2020, the expansionary trend of investment funds continued, only to be truncated in March, with initial estimates indicating a contraction in fund assets of nearly 10%.

According to provisional data for the months of January and February of this year, fund assets continued to mark the same trend as in 2019 in the first month, with a decrease in the number of funds to 1,702 in February, 8 fewer than in December, and a 2.4% increase in the number of unitholders, to over 12 million. However, in March, as a consequence of the economic impact of the current pandemic, these trends reversed due to both the loss in value of the fund portfolios and the redemptions made by unitholders. Initial estimates show that in March redemptions were probably close to €6 billion, equivalent to a contraction in assets of around 2%. The largest number of redemptions were concentrated in fixed income funds, followed by global and absolute return funds. These redemptions, together with the contraction of investment portfolios as a consequence of the general fall in financial asset prices, point to a decrease in assets of close to 10% in March.

The percentage of reduced liquidity assets in funds' private sector fixed income portfolios increased by 1.3 pp during 2019, to 8.7% of the fixed income portfolio…

Liquidity conditions for the private sector fixed income portfolios of investment funds worsened slightly over the course of 2019, although they remained satisfactory, with a weight of reduced liquidity assets that is far from the values reached in 2010, when they came to represent more than 30% of the fixed income portfolio. Since then, this percentage has gradually decreased and from 2014 it has remained at moderate levels, ranging between 7% and 9% of the funds' private sector fixed income portfolios. In 2019, the weight of these assets increased by 1.3 pp from 7.4% at the end of 2018 to 8.7% at the end of 2019. Thus, at 31 December 2019, the total volume of assets considered to be reduced liquidity assets amounted to €4.52 billion, which represents 1.62% of total fund assets.

… with a notable increase in reduced liquidity assets in the non-financial fixed income portfolio.

If we look at the different categories of fixed income assets, it can be seen that the increase was concentrated in non-financial fixed income and in financial fixed income assets rated lower than AA. In the former, reduced liquidity assets increased during the year by €549 million to €1.34 billion. For financial fixed income rated lower than AA, the annual increase was €265 million, reaching €1.85 billion at 31 December 2019 (see Table 13). The largest percentage of reduced liquidity assets still occurred in the securitisations segment, at 75.1%. However, this figure has decreased progressively over in the last two years and these assets have a very low weight in the fund portfolios.

Investment funds: Key figures*

TABLE 12

	2017	2018	2019	2019 I	2019 II	2019 III	2019 IV
Total investment funds (number)	**1,741**	**1,725**	**1,710**	**1,704**	**1,737**	**1,723**	**1,710**
Fixed income[1]	290	279	281	274	283	283	281
Mixed fixed income[2]	155	168	173	166	173	171	173
Mixed equity[3]	176	184	185	188	191	186	185
Euro equity[4]	111	113	113	113	114	113	113
International equity[5]	211	236	263	240	253	257	263
Guaranteed fixed income	79	67	66	66	66	66	66
Guaranteed equity[6]	188	163	155	161	164	159	155
Global funds	225	242	255	238	240	252	255
Passive management[7]	202	172	133	160	161	148	133
Absolute return	104	99	84	96	90	86	84
Assets (millions of euros)							
Total investment funds	**265,195**	**259,095**	**279,377.4**	**268,364.0**	**270,916.0**	**273,100.7**	**279,377.4**
Fixed income[1]	70,564	66,889	78,583.2	70,391.3	73,202.8	77,871.1	78,583.2
Mixed fixed income[2]	43,407	40,471	40,819.9	40,980.6	39,643.5	38,959.2	40,819.9
Mixed equity[3]	22,387	23,256	28,775.8	24,465.0	27,350.1	27,613.4	28,775.8
Euro equity[4]	12,203	12,178	10,145.1	11,844.7	10,676.8	10,034.3	10,145.1
International equity[5]	24,065	24,405	34,078.9	27,088.3	27,262.4	30,447.0	34,078.9
Guaranteed fixed income	5,457	4,887	4,809.3	5,065.6	5,197.8	5,143.1	4,809.3
Guaranteed equity[6]	15,418	14,556	13,229.1	14,724.9	14,938.2	14,395.0	13,229.1
Global funds	35,512	42,137	43,041.9	44,221.3	44,669.4	41,702.5	43,041.9
Passive management[7]	19,478	16,139	14,073.8	16,396.7	15,983.2	15,355.0	14,073.8
Absolute return	16,706	14,173	11,818.3	13,181.5	11,988.8	11,577.6	11,818.3
Unitholders							
Total investment funds	**10,287,454**	**11,217,569**	**11,739,183**	**11,211,400**	**11,350,779**	**11,227,036**	**11,739,183**
Fixed income[1]	2,627,547	2,709,547	3,668,324	2,737,450	3,279,530	3,376,056	3,668,324
Mixed fixed income[2]	1,197,523	1,188,157	1,087,881	1,168,810	1,124,303	1,044,836	1,087,881
Mixed equity[3]	584,408	624,290	707,159	620,258	695,823	695,444	707,159
Euro equity[4]	710,928	831,115	598,901	820,890	564,406	553,832	598,901
International equity[5]	1,865,367	2,225,366	2,655,123	2,226,793	2,301,171	2,512,222	2,655,123
Guaranteed fixed income	190,075	165,913	154,980	162,551	164,034	161,392	154,980
Guaranteed equity[6]	527,533	494,660	428,470	493,318	491,969	461,897	428,470
Global funds	1,086,937	1,501,730	1,359,915	1,535,831	1,553,357	1,291,172	1,359,915
Passive management[7]	638,966	543,192	429,428	525,194	503,369	474,947	429,428
Absolute return	858,170	930,641	646,042	917,346	669,857	652,278	646,042
Return[8] (%)							
Total investment funds	**2.42**	**-4.89**	**7.12**	**3.85**	**0.83**	**0.71**	**1.57**
Fixed income[1]	-0.13	-1.44	1.38	0.75	0.47	0.42	-0.26
Mixed fixed income[2]	1.10	-4.27	4.75	2.65	0.75	0.69	0.59
Mixed equity[3]	3.23	-6.45	9.25	5.32	1.03	0.97	1.68
Euro equity[4]	11.16	-13.01	14.27	8.21	0.82	-1.13	5.95
International equity[5]	8.75	-12.34	22.18	11.86	0.79	1.37	6.91
Guaranteed fixed income	0.72	0.09	3.98	1.51	2.12	1.39	-1.07
Guaranteed equity[6]	1.61	-1.33	3.62	1.38	1.42	1.42	-0.63
Global funds	4.46	-5.69	8.45	4.62	0.82	0.77	2.04
Passive management[7]	2.13	-3.16	7.45	3.37	1.66	0.96	1.28
Absolute return	1.44	-4.81	3.94	2.26	0.54	0.35	0.75

Source: CNMV. * Information on funds that have submitted confidential statements (does not therefore include funds in the process of dissolution or liquidation).

1 Until I-2019 comprises the following categories (CNMV Circular 3/2011): euro fixed income, international fixed income, money market and short term money market. From II-2019 comprises the following categories (Circular 1/2019): short term public debt constant net asset value MMF, short term low volatility net asset value MMF, short term variable net asset value MMF, standard variable net asset value MMF, euro fixed income and short term euro fixed income.
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: GIF and partial guarantee.
7 Until I-2019 comprises passive management CIS (CNMV Circular 3/2011). From II-2019 comprises the following categories (Circular 1/2019): Passive management CIS, CIS that replicate an index and CIS with a specific objective of non-guaranteed return.
8 Annual return for 2017, 2018 and 2019. Quarterly return not annualised for quarterly data.

Estimated liquidity of IF assets

TABLE 13

	Reduced liquidity investments[1]					
	Millions of euros			% of total volume of asset type		
Asset type	Jun-19	Sep-19	Dec-19	Jun-19	Sep-19	Dec-19
Financial fixed income with AAA/AA rating	72	72	72	4.9	5.1	5.6
Financial fixed income with a rating below AA	1,484	1,653	1,844	5.7	6.1	6.7
Non-financial fixed income	918	1,123	1,339	4.7	5.3	6.2
Securitisations	694	649	630	83.1	79.1	75.1
AAA securitisation	19	12	14	100	44.2	35.6
Other securitisations	675	638	616	82.7	80.2	77.0
Total	**3,862**	**4,146**	**4,515**	**7.9**	**8.1**	**8.7**
% / IF assets	**1.43**	**1.52**	**1.62**			

Source: CNMV.

1 Reduced liquidity assets are considered to be private sector fixed income assets with a maturity greater than one year for which there is no representative number of intermediaries willing to buy and sell them with a normal market spread.

Open-ended collective investment schemes (SICAV)

The number of SICAVs registered with the CNMV continued to decline in 2019, with 147 deregistrations and only three additions, reaching 2,569…

As has been the case since 2015, the number of SICAV registered with the CNMV decreased notably in 2019, as there were 147 deregistrations and just three registrations, so that at the end of the year there were 2,569 vehicles registered compared with 2,713 in December 2018. More than 60% of the deregistrations, specifically 91, were the result of liquidation processes, while 30 were absorbed in merger processes and 26 were transformed into other types of entities (15 into S.Ls (private limited liability companies), nine into S.As (public limited companies) and two into SILs (hedge funds with legal personality)). The decrease in the number of entities was also reflected in the number of shareholders, which fell by 3.7% to 398,552. Virtually all SICAVs (over 99%) were listed on the MAB.

… despite which the assets of these institutions grew by 3.4% thanks to the gains on their portfolios.

The assets of these CIS, on the other hand, increased by 3.4%, from €27.84 billion at the end of 2018 to €28.79 billion at the end of 2019. This increase was due exclusively to the increase in value of the assets in these vehicles' portfolios, particularly the equity portfolios, since share issues were negative in net terms. Average assets per SICAV increased from €10.3 million in 2018 to €11.2 million in 2019.

In the first two months of 2020, SICAV assets remained stable, but the number of entities continued to decline.

In the first two months of 2020, SICAV assets remained relatively stable, while the number of vehicles registered with the CNMV continued to decrease, standing at 2,549 at the end of February, 20 fewer than at the end of 2019.

Hedge funds

Hedge funds, which continue to have a very low weight in collective investment in Spain…

Despite the significant progress made in 2019, hedge funds still have a very low weighting in collective investment in Spain, representing less than 1% of total assets. This collective investment segment consists of two types of vehicles, depending on whether they invest in assets directly (hedge funds) or through other hedge funds (funds of hedge funds). In both cases, the vehicles can be set up as funds or as companies.

Aggregate assets of these institutions saw strong growth in 2019, increasing by 24.4% to €3.40 billion at year-end. Hedge funds saw an increase of 25.2%, to €2.83 billion, while in funds of hedge funds assets increased by 20.7%, closing the year at €565.9 million.

… saw a significant increase in assets in 2019 (24.4%), which was distributed evenly between the two types of vehicles.

Trends in portfolio returns were in line with the performance of the markets, especially the equity markets, and were positive for all categories: while hedge funds posted a return of 10.4% in annual terms, funds of hedge funds showed a return of 5.1%. As in investment funds, the best performance occurred in the first quarter of the year.

Returns on these institutions' portfolios were relatively high, in line with the increase in prices of equity assets over the course of the year.

Hedge funds registered with the CNMV at the end of 2019 numbered 69, 13 more than at the end of the previous year. As seen in Table 14, there was a strong increase in the number of hedge funds, from 49 to 62, with 16 additions and three deregistrations during the year. In contrast, there was no movement in the register of funds of funds, with the number remaining at seven as in 2018. Of these, six have the legal form of funds (three are in the process of liquidation) and one is set up as a company. In December 2019 this company had equity of €267.6 million, an amount similar to that of all six funds of hedge funds.

The number of vehicles increased by 13 and ended the year at 69. This rise corresponded to hedge funds, which went from 49 to 62, and there was no movement in funds of hedge funds, the number of which remained at seven as in 2018.

The total number of unitholders and shareholders of these institutions tracked the trend shown by assets, with an increase of 43.6%, giving a year-end total of 10,407. This increase was uneven between the two types of fund, with those of hedge funds rising 69.8% in 2019, to 7,548, while in funds of hedge funds this increase was very small, 2.0%, to 2,859. The significant growth in hedge funds was largely a consequence of the 13 new additions (in net terms) that took place throughout the year.

The number of unitholders and shareholders showed a growth of 43.6%, and the increase in hedge funds was particularly notable, thanks in part to the high number of new registrations.

In the first two months of the year, there was no movement in the registration of these entities, so the number of hedge funds remained at 62 and the number of funds of hedge funds at seven.

In January and February 2020, there was no movement in the registration of hedge funds.

Key figures of hedge funds and funds of hedge funds TABLE 14

				2019			
	2017	2018	2019[1]	I	II	III	IV[1]
FUNDS OF HEDGE FUNDS							
Number	8	7	7	7	7	7	7
Unitholders	3,596	2,804	2,859	2,847	2,850	2,861	2,859
Assets (millions of euros)	468.7	468.8	565.9	506.9	513.7	562.4	565.9
Return (%)	-1.66	-1.28	5.07	1.86	1.34	1.10	0.68
HEDGE FUNDS							
Number	47	49	62	50	54	58	62
Unitholders	3,656	4,444	7,548	5,937	5,846	6,451	7,548
Assets (millions of euros)	2,298.2	2,262.2	2,832.4	2,395.0	2,321.5	2,467.1	2,832.4
Return (%)	7.84	-6.47	10.35	5.56	0.36	0.22	3.94

Source: CNMV.

1 Data to November, except the number of entities which is to December.

Real estate CIS

Despite the improvement of the construction and real estate sector, the figures for real estate CIS continued to decline due to the transfer of business to SOCIMI.

Real estate collective investment schemes have declined steadily and significantly since the worst moments of the financial crisis, in which the construction and real estate sector was one of the worst hit. This negative trend has continued in recent years, despite the improvement seen in this sector since 2015. One of the main reasons lies in the fact that real estate investment in Spain is being channelled mainly through SOCIMIs[45] (listed real estate investment companies, similar to REITs). These entities are listed in a specific segment of the MAB, which was extremely buoyant throughout 2019, with the incorporation of 13 new companies, to total 77 at the end of the year.

Real estate investment funds have marked the worst performance, with only two left since 2018, both of which are in the process of liquidation.

In recent years, key figures for real estate investment funds have marked significant declines as a consequence of the large number of redemptions, leading them to start liquidation processes, with their consequent deregistration in most cases. Thus, from a high of ten real estate investment funds in mid-2007, with assets of around €9 billion, these had declined to just two (both in the process of liquidation) at the end of 2018, which were still registered with the CNMV at the end of 2019, with total assets of €309 million.

Real estate investment companies on the other hand saw a small increase in assets (2%), even though one company was deregistered in the fourth quarter of 2019.

In contrast, real estate investment companies (as opposed to funds) saw a rise in assets in 2019, as they had in 2018, of 2.0% to €763.5 million, even though one company was deregistered in the last quarter. The main cause of this increase was the positive net subscriptions in one particular real estate investment company in the final months of the year. Including the aforementioned deregistration, there were three real estate investment companies at the end of the year, one of which was being liquidated and has since been deregistered in January 2020.

Foreign CIS marketed in Spain

The assets of foreign CIS continued to expand in 2019, reaching nearly €179 billion at the end of the year, which represents 36.4% of the total assets of CIS marketed in Spain.

The volume of foreign CIS marketed in Spain has increased sharply and steadily in recent years, practically tenfold since 2008, and moving from €18 billion in 2008 to €178.84 billion in 2019. The increase registered in 2019 was €16.51 billion, 10.2% more than in 2018.[46] As seen in Figure 20, this strong growth rate has meant that the weight of foreign CIS of total CIS marketed in Spain has increased significantly in the last 5 years, standing at 36.4% at year-end 2019.

The number of foreign CIS registered with the CNMV increased by nine in 2019, to a total of 1,033 vehicles (399 funds and 634 companies).

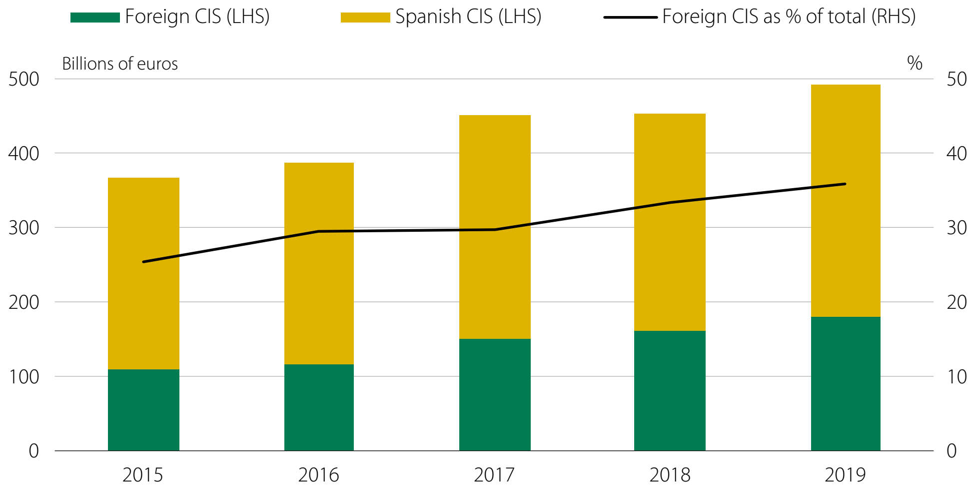
In line with the trend of recent years, the number of foreign CIS registered with the CNMV increased in 2019 by nine (11 in 2018), so that at the end of the year there were a total of 1,033 vehicles of this type (399 funds and 634 companies). As had been the case for some time, this increase was due exclusively to the large number of registrations of investment companies, as the number of funds decreased by 30.

45 SOCIMIs are public limited companies with a corporate purpose similar to real estate investment funds and companies, of either investment in real estate for leasing or indirect investment through the purchase of shares or equity stakes in other Spanish SOCIMIs or foreign REITs.

46 It is worth mentioning that with the entry into force of CNMV Circular 2/2017 of 25 October establishing the obligation for all entities that market foreign CIS to send the CNMV as much information as possible on the product marketed in Spain, information received prior to 31 December 2017 may not be fully comparable with that received after that date.

By country of origin, in 2019, as in previous years, most of the registrations corresponded to vehicles from Luxembourg and Ireland, with 15 and 20 more, reaching 462 and 220, respectively. In contrast, the number of French vehicles with investments in Spain decreased by 41, to 222.

Assets of foreign CIS marketed in Spain FIGURE 20



Source: CNMV.

Outlook

The growth of the industry took an unexpected turn in March following the onset of the crisis, and the priority is now to ensure that managers value assets correctly and attend to redemptions normally.

Trends in the collective investment industry in 2019 and the first months of 2020 seemed to indicate that, albeit at moderate rates, the expansion that had started in 2013 was continuing, both with regard to domestic vehicles and investment by foreign vehicles. The crisis unleashed in such a short time caused a reversal of this trend, the duration of which is difficult to predict. Currently, the priority is to ensure that management companies correctly value the assets of their funds' portfolios and that they respond normally to the requests for redemptions that they receive, using, if necessary, the various liquidity management tools available.[47] The CNMV has reminded managers of the possibility of valuing assets at bid prices and using swing pricing. Up until now, there have been no incidents relating to meeting requests for redemptions or any suspensions, as in cases in some other EU countries. Even so, the CNMV is carrying out a special monitoring of managers with high exposure to relatively illiquid assets or assets with low credit quality.

In the medium term, agents' liquidity needs will direct investment flows in these products, and further increases in redemptions cannot be ruled out.

In the medium term, how the assets of this industry evolve will depend on the severity of the crisis and on investors' needs for liquidity. Decisions relating to investment or divestment in these products are probably not influenced so much by purely financial considerations such as the level of interest rates, market trends, etc. as by the extent of decline in the agents' wealth and income and consequently their need to unwind certain positions in all types of assets as the economic recovery progresses.

47 These tools have recently been revised to allow management companies, if they consider it necessary, to establish prior notice periods for redemptions even if this is not included in the fund's prospectus. The CNMV may also adopt this measure.

4.2 Provision of investment services

Investment services may be provided by several kinds of entities, among which credit institutions stand out, as they receive almost 90% of the income generated by this business.

In Spain, investment services can be provided by various types of entities, notably credit institutions and broker-dealers and brokers. The former are by far the main providers of these services, accounting for most of the fee income deriving from the different types of services (about 90% of the total). The latter still retain a relative weight of some importance, especially in the transmission and execution of orders, although they also offer a wide range of services (see Table 15). In addition to these entities, financial advisory firms (EAF) and portfolio management companies (SGC) provide investment services.

Fees received for investment services. 2019 TABLE 15

Millions of euros

	Broker-dealers and brokers[1]	Credit institutions[2]	Total	% Credit inst. of total
Total investment services	**381**	**3,409**	**3,790**	**89.9**
Placement and underwriting of securities	9	294	304	96.9
Processing and execution of orders	188	478	666	71.8
Portfolio management	30	474	504	94.1
Investment advice	38	577	614	93.9
Marketing of CIS	116	1,585	1,702	93.2
Total ancillary services	**197**	**889**	**1,087**	**81.8**
Administration and custody	44	643	687	93.7
Other ancillary services	154	246	400	61.5

Source: CNMV and Bank of Spain.

1 Includes portfolio management companies.

2 Includes branches of EU credit institutions.

In Spain, investment services can be provided by various types of entities, notably credit institutions – the main providers of these services – and broker-dealers and brokers.

In this section we look closely at the performance of the activity and the economic and financial situation of the entities the prudential and regulatory supervision of which is carried out by the CNMV, namely securities brokers and broker-dealers, portfolio management companies[48] and financial advisory firms. We also provide information on the provision of investment services by credit institutions that are authorised to do so and on which the CNMV performs supervisory work regarding compliance with the rules of conduct in the market and in relation to clients.

Credit institutions

The number of Spanish credit institutions registered with the CNMV stood at 112 at the end of 2019, two fewer than in 2018, while the number of foreign entities able to provide investment services was 476, 15 more.

The number of Spanish credit institutions (banks, savings banks and credit cooperatives) registered with the CNMV for the provision of investment services amounted to 112 at the end of 2019, two fewer than in 2018.[49] This slight decrease can still

48 With regard to the latter, at the end of 2019 a single entity was registered with the CNMV, the same as at the end of 2018. Due to the lesser relevance of these types of entities with respect to the others, there is no specific heading dedicated for them.

49 It should be noted that in 2019, of the 112 registered credit institutions, only 101 can be considered active in the provision of investment services.

be considered to be related to the consolidation effect deriving from the reorganisation of the banking sector following the financial crisis. The number of foreign credit institutions providing investment services in Spain at the end of the year stood at 476, 15 more than the previous year. Of these, 419 entities operated under the freedom to provide services regime and 57 through branches. Almost all of these entities come from other EU member states (469 entities).

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

TABLE 16

Millions of euros

	2016	2017	2018	2019	As % of total credit inst. fees
For investment services	**1,501**	**1,737**	**1,719**	**1,823**	**12.0**
Placement and underwriting of securities	208	281	216	294	1.9
Processing and execution of orders	536	565	504	478	3.2
Discretionary portfolio management	286	382	410	474	3.1
Investment advice	471	508	588	577	3.8
For ancillary services	**777**	**879**	**952**	**889**	**5.9**
Administration and custody	621	649	663	643	4.2
Financial reporting and analysis	112	148	183	133	0.9
Other ancillary services	44	82	106	113	0.7
For marketing of non-bank financial products	**3,632**	**3,725**	**4,208**	**4,083**	**26.9**
Collective investment schemes	1,611	1,808	1,674	1,585	10.4
Pension funds	520	498	892	939	6.2
Insurance	1,446	1,330	1,507	1,437	9.5
Other	55	90	135	122	0.8
Total	**5,910**	**6,341**	**6,879**	**6,796**	**44.8**
***Pro memoria*:**					
For CIS brokerage and marketing services	3,890	4,423	4,345	4,298	28.3
Total fee income	**13,486**	**14,295**	**14,928**	**15,176**	**100.0**

Source: CNMV and Bank of Spain. In 2017, the confidential statements that credit institutions send to the Bank of Spain were amended to bring them into line with the criteria for preparation, terminology, definitions and formats of the European Union's FINREP statements.

1 Includes branches of EU credit institutions.

The amount of fees received for the provision of securities services and marketing of CIS decreased by 2.1% in 2019, although progress was recorded in some particular segments, such as portfolio management.

Table 16 shows the revenue obtained by credit institutions from the provision of securities investment services and the marketing of investment funds and other non-bank financial products.[50] As seen in the table, the aggregate amount of fees received for the provision of investment services and marketing of CIS decreased by 1.1% in 2019, to €4.3 billion. The provision of investment services carried fees of €1.82 billion for credit institutions, 6.1% more than in 2018. However, the performance of revenue from the different investment services was uneven. In particular, fees for securities placement and underwriting (36.0%) and for discretionary portfolio management (15.7%) increased significantly. On the other hand, revenues from the processing and execution of orders and from investment advice decreased by

50 In 2017, the confidential statements that credit institutions send to the Bank of Spain were amended to bring them into line with the criteria for preparation, terminology, definitions and formats of the European Union's FINREP statements. This accounting change means that the comparison of the data for 2016 with those of 2017, 2018 and 2019 is carried out on a non-homogeneous basis.

5.2% and 2.0% respectively. The latter, which had registered a significant increase in 2018 as a result of the implementation of MiFID II, tended to normalise in 2019 and would have increased slightly in the year had it not been for an incorrect recognition of income by an entity in 2018. The decrease in revenues from the processing and execution of orders could be related to the fact that an increasingly significant part of trading in Spanish securities takes place in foreign markets.

Revenue received from ancillary services, among which administration and custody stands out, decreased by 6.3%.

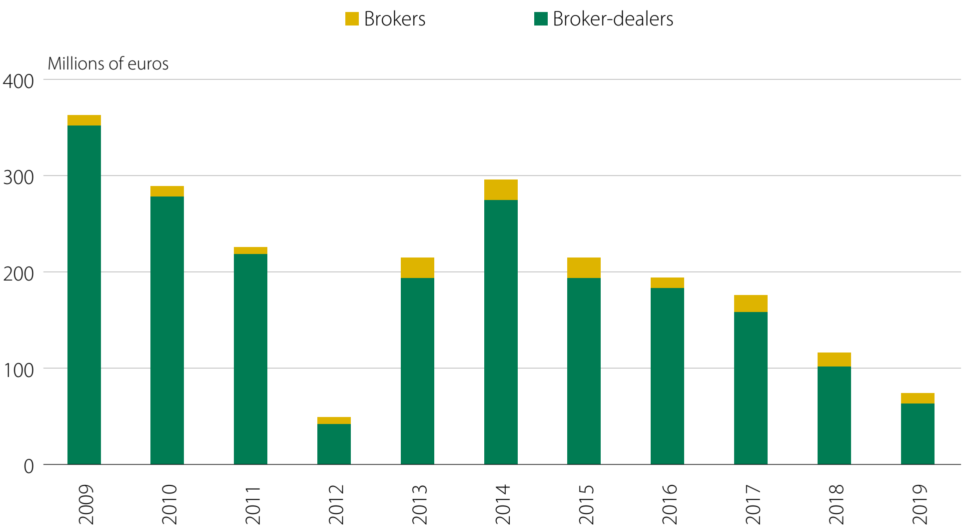
Regarding fees for ancillary services related to the provision of investment services, credit institutions received €889 million, representing a decrease of 6.6% compared with 2018. Among these services, the administration and custody service stands out, representing 72% of the total, 2.9% down on the previous year.

Broker-dealers and brokers

In 2019, broker-dealers and brokers continued to redirect their business models and, despite registering an increase in the number of entities, aggregate profit before tax decreased by 35%, to €75.5 million.

In 2019, the activity of broker-dealers and brokers remained hampered by increasing competition from credit institutions in the provision of financial services and the displacement of part of the trading of Spanish stock exchanges to other trading venues abroad. The number of entities increased, but not their profits, which fell by 35.2% to €75.5 million. Profits fell for both broker-dealers and brokers, and there was some division between entities, since there was both a decrease in profits and a decline in the number of loss-making entities. These entities, which in recent years have been redirecting their business from traditional activities such as the execution and processing of orders to other investment services, now face a new period of crisis with the difficulties that this entails and that were all too evident in the previous crisis.

Aggregate profit/(loss) of investment firms before tax[1] FIGURE 21



Source: CNMV.

1 Except EAFs (financial advisers) and SGC (portfolio managers).

At the end of 2019, a total of 95 broker-dealers and brokers were registered with the CNMV, four more than in 2018, which seemed to point to the end of the sector restructuring after the last crisis.

At the end of 2019, a total of 95 broker-dealers and brokers were registered with the CNMV, four more than at the end of 2018, following eight additions and four deregistrations. Seven of the additions were independent brokers and the other was a broker-dealer established to manage a multilateral trading system specialising in

European sovereign debt and derivatives. This increase in entities could be seen as a positive sign for the sector, after the lengthy and far-reaching adjustment process that began with the financial crisis. However, it should be noted that the current crisis could trigger another adjustment process.

50 of these operated in the EU under the freedom to provide services regime and six through branches.

As usual, most entities that provided services in the European Union did so under the freedom to provide services regime, specifically 50 (one more than at the end of 2018) and only six entities maintained branches in other countries (one fewer than in 2018). The number of foreign entities that provide investment services in Spain continued to grow in 2019, both under the freedom to provide services regime, which increased from 2,894 to 3,020, and through branches, which increased from 61 to 65 (just over half of the latter were based in the United Kingdom).

Profits of broker-dealers fell by 37.4% in 2019, to €65 million, with most items in the income statement contributing to the decrease.

As seen in Table 17, broker-dealers saw a decrease in aggregate profit before taxes of 37.4%, to €65 million. All items contributed to this performance except for gains/(losses) on financial investments and other operating income and expense. The decrease in net interest income (-48.5%) was particularly notable. The fall in net fee income was 5.5%, although the performance of its different components was uneven. Under revenues from the provision of services to third parties, fees for processing and executing orders, which continued to account for the largest part, increased by 2.7% compared with the previous year. The small increase was due to the contribution of a company belonging to a foreign credit institution. This company, which is dedicated mainly to processing and executing customer orders, transferred part of its business to Spain as a result of Brexit. The decrease in fees received from the placement and underwriting of securities (-20.2%) and the increase in those from investment advice (114.7%) were also significant. The latter increase could be linked to the process of adaptation to MiFID II. On the other hand, fees paid increased significantly (25.0%).

As in previous years, a small number of entities generated most of the profits in this sector.

On the other hand, broker-dealers' operating expenses held practically steady, although the two subheadings of this item performed differently. In the past financial year, the decrease in the gross margin led to a reduction in operating profit (-34.8%), which went from €85.8 million in 2018 to €56.0 million in 2019. Profit before tax fell by 37.4% to €65.0 million due to "other income" of €9 million. As in recent years, a small number of companies generated most of the profits in this subsector. Specifically, four broker-dealers accounted for 75.7% of the total profits of companies returning a profit, which indicates a higher concentration than in previous years.

Aggregate income statement (Dec-19)

TABLE 17

Thousands of euros

	Broker-dealers			Brokers		
	Dec-18	Dec-19	% change	Dec-18	Dec-19	% change
1. Net interest income	73,969	38,125	-48.5	1,583	1,252	-20.9
2. Net fees	296,037	279,650	-5.5	135,782	130,293	-4.0
2.1. Fees received	414,595	427,813	3.2	156,624	150,842	-3.7
2.1.1. Processing and execution of orders	160,320	164,606	2.7	20,018	23,194	15.9
2.1.2. Issuance placement and underwriting	11,090	8,849	-20.2	1,120	580	-48.2
2.1.3. Deposit and book-entry of securities	42,958	42,643	-0.7	824	879	6.7
2.1.4. Portfolio management	13,505	15,102	11.8	15,412	14,890	-3.4
2.1.5. Investment advice	9,562	23,400	144.7	25,725	14,183	-44.9
2.1.6. Search and placement of packages	543	1,302	139.8	0	0	-
2.1.7. Market credit transactions	0	0	-	0	0	-
2.1.8. Marketing of CIS	55,483	53,506	-3.6	63,821	62,866	-1.5
2.1.9. Other	121,134	118,406	-2.3	29,704	34,251	15.3
2.2. Fees paid	118,558	148,163	25.0	20,842	20,549	-1.4
3. Gains/(losses) on financial investments	27,088	29,452	8.7	-51	910	-
4. Net exchange differences	283	117	-58.7	85	75	-11.8
5. Other operating income and expense	16,331	28,949	77.3	-364	1,119	-
GROSS MARGIN	**413,708**	**376,293**	**-9.0**	**137,035**	**133,648**	**-2.5**
6. Operating expenses	315,951	316,406	0.1	121,611	120,787	-0.7
7. Depreciation, amortisation and other charges	11,267	3,265	-71.0	3,381	3,542	4.8
8. Net losses due to impairment of financial assets	653	644	-1.4	12	35	191.7
OPERATING PROFIT/(LOSS)	**85,837**	**55,978**	**-34.8**	**12,031**	**9,284**	**-22.8**
9. Other gains and losses	18,016	9,033	-49.9	501	1,159	131.3
PROFIT/(LOSS) BEFORE TAX	**103,853**	**65,011**	**-37.4**	**12,532**	**10,443**	**-16.7**
10. Income tax	12,082	10,483	-13.2	5,073	4,280	-15.6
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**91,771**	**54,528**	**-40.6**	**7,459**	**6,163**	**-17.4**
11. Profit/(loss) from discontinued operations	0	0	-	0	0	-
NET PROFIT/(LOSS) FOR THE YEAR	**91,771**	**54,528**	**-40.6**	**7,459**	**6,163**	**-17.4**

Source: CNMV.

Brokers, which cannot carry out investment activities on their own account, saw their pre-tax profits decrease by 16.7% in 2019 to €10.4 million.

Broker-dealers receive income mainly from the provision of services to third parties because they cannot carry out investment activities on their own account. Some brokers derive the bulk of their income from order processing and execution, but most of them have tended to specialise in certain services such as CIS marketing or portfolio management. Independent entities predominate in this subsector (50 out of 56). Brokers reported a decrease in aggregate profit before tax of 16.7% in 2019, to €10.4 million. The decrease in profits was due to lower income, mainly fee income, and to costs remaining practically stable.

Income received from fees fell as a whole, but trends were uneven among the different components.

Under fee income (gross), which decreased overall by 3.7%, the most notable increases were in income from the processing and execution of orders (15.9%) and fees classified as "Other" (15.3%). Conversely, there was a significant decrease in income from investment advice (-44.9%), although admittedly this item had increased significantly in 2018 (122.3% compared with 2017). The rest of the fees categories did not show large variations: fees from the marketing of CIS fell by 1.5% and portfolio management fees by 3.4%.

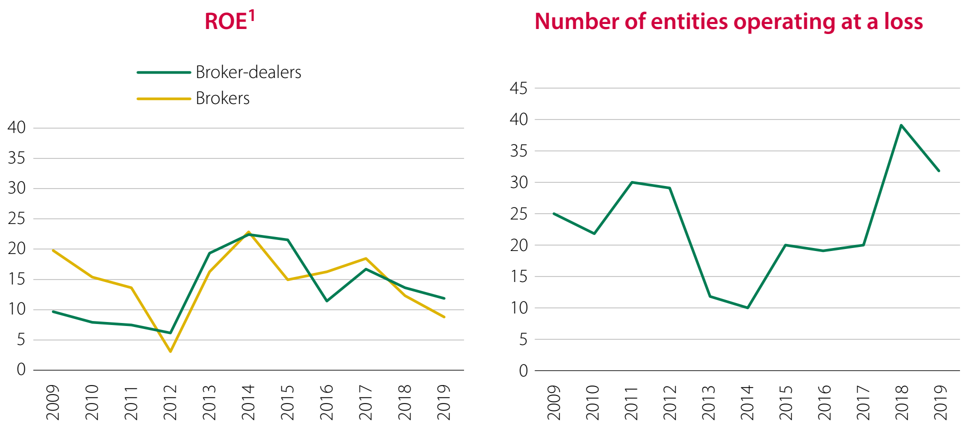
The decrease in income, together with stable operating expenses, brought net operating profit down 23%, to €9.3 million.

The decrease in brokers' fee income was reflected in a small decrease in fees paid to third parties (-1.4%). As a consequence of the performance of fee income, the aggregate gross margin decreased by 2.5% to €133.6 million. Meanwhile, operating expenses barely changed compared with 2018 (-0.7%). The combination of lower income and relatively unchanged operating expenses brought net operating profit to €9.3 million, which was 22.8% less than in 2018.

The decline in investment firms' profits again led to a noticeable drop in returns.

The pre-tax return on equity (ROE) of the sector fell during the year, from 12.3% to 9.2%, as a result of the adverse earnings trend. This contraction affected both broker-dealers and brokers, although it was greater in the former, where ROE decreased by more than 3 pp to 8.9%. For brokers, the ratio fell from 13.5% to 12.1% (see left-hand panel of Figure 22).

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



Source: CNMV.

1 ROE calculated with pre-tax profit.

The decrease in profits was uneven among entities, as the number of loss-making entities decreased even though the volume of losses increased.

The decrease in profit affected companies unevenly, as it did not prevent a decrease in the number of loss-making entities. Thus, in 2019, 13 broker-dealers and 19 brokers posted negative pre-tax earnings, five and two fewer entities, respectively, than at the end of 2018. Accumulated losses increased by 3.9% for broker-dealers, to €29.9 million, and by 3.7% for brokers, to €11.3 million.

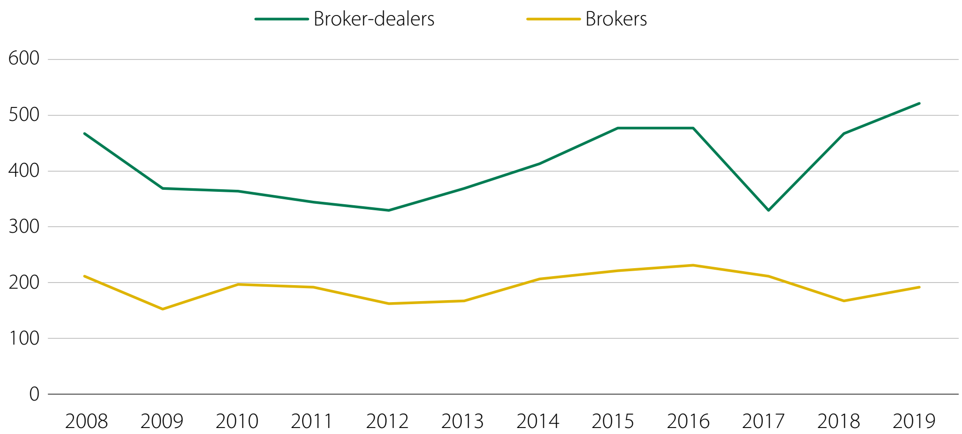
Solvency levels in the sector remained high in 2019 and higher for broker-dealers than brokers.

The sector as a whole continued to exhibit high relative solvency levels during 2019: at the end of the year the capital surplus was 4.9 times required amount, whereas at the end of 2018 this figure had been significantly lower, specifically 4.3. In absolute terms, while the figure is large, the values of the numerator and denominator are small and therefore it is not considered significant. As usual, this margin was generally higher in broker-dealers than in brokers. While for the former the aggregate capital surplus was approximately 5.2, for the latter it remained at 1.9 (see Figure 23).

At the end of March, the CNMV announced its decision to temporarily take over the administration of a broker, having been informed of a mismatch deriving from an incident relating to derivatives management.

Lastly, it should be noted that at the end of March, the CNMV announced the agreement on the intervention of Esfera Capital, Agencia de Valores, S.A., after having been informed by the entity itself of a mismatch deriving from an incident related to the management of derivative positions of a limited number of clients. The measure, which is adopted in accordance with the mere "intervention" procedure and did not involve the replacement of directors, was taken at the request of the entity. This entity is considering various options to resolve the situation, which, according to the information it has provided, could have a maximum equity impact of approximately six million euros.

Capital adequacy of investment firms (capital surplus vs requirements) FIGURE 23



Source: CNMV.

Financial advisory firms

The volume of assets on which financial advisory firms gave advice fell by 31.7% in 2019, to €21.6 billion, and the number of entities also fell, to 140 at year-end. The largest loss of clients corresponded to eligible counterparties.

The number of financial advisory firms (EAF) declined in 2019 from 158 to 140, repeating the trend of the last two years. The volume of assets on which advice was given, which had grown in previous years despite the decrease in the number of entities, decreased sharply during 2019 and stood at €21.63 billion, 31.7% less than in 2018 (see Table 18). While both assets from retail clients and from professionals and eligible counterparties[51] (heading "Other") contracted, the latter saw the greatest decrease, which was also reflected in the number of clients advised: from 91 at the end of 2018 to 29 at the end of 2019. This caused the distribution of assets to change substantially in favour of retail clients, which went from representing 32.5% of managed assets to 38.4%.

Fee income fell by 9.7%, due to the decrease in both fees received from clients and from other entities.

The decrease in the volume of assets managed translated into a decrease in fee income of 9.7%, to €56 million. Both fees received directly from clients and those corresponding to other entities contracted during the year by the same percentage, reaching €45.4 and €9.8 million respectively.

51 Eligible counterparty is the classification that the MiFID typically gives to banks, other financial institutions and governments, and is the category that requires a lower level of protection.

Main figures of financial advisory firms TABLE 18

Thousands of euros

	2017	2018	2019	% change 19/18
NUMBER OF ENTITIES	**171**	**158**	**140**	**-11.4**
ASSETS UNDER ADVICE[1]	**30,790,535**	**31,658,460**	**21,627,677**	**-31.7**
Retail clients	9,096,071	10,281,573	8,313,608	-19.1
Professional clients and others	21,694,464	21,376,887	13,314,069	-37.7
NUMBER OF CLIENTS[1]	**6,775**	**6,524**	**6,458**	**-1.0**
Retail clients	6,321	5,997	6,025	0.5
Professional clients	359	436	404	-7.3
Other	95	91	29	-68.1
FEE INCOME	**65,802**	**62,168**	**56,128**	**-9.7**
Fees received	**65,191**	**61,079**	**55,258**	**-9.5**
From clients	51,475	50,247	45,432	-9.6
From other entities	13,716	10,832	9,827	-9.3
Other income	**611**	**1,088**	**870**	**-20.0**
EQUITY	**32,803**	**33,572**	**32,746**	**-2.5**
Share capital	8,039	6,894	5,522	-19.9
Reserves and retained earnings	13,317	15,386	17,525	13.9
Profit/(loss) for the year	11,361	10,626	7,889	-25.8
Other own funds	86	666	1,809	171.6

1 Data at the end of the period at market value.

A complementary view of the entities that provide investment services

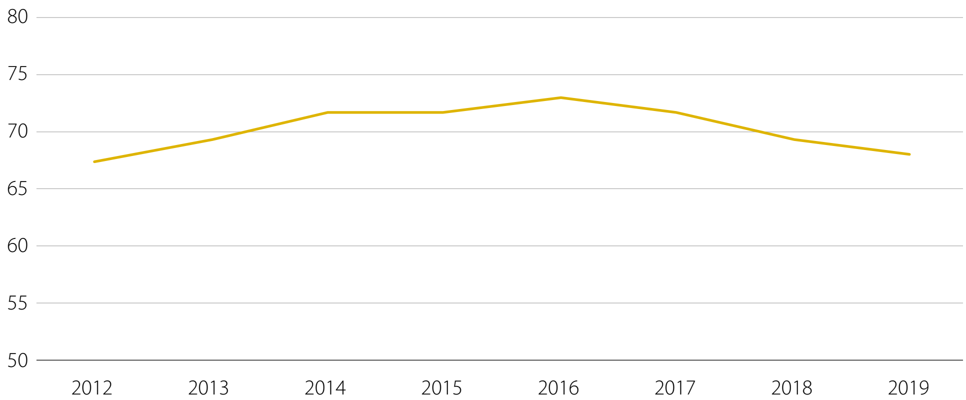
The alternative analysis of the entities that provide investment services according to their business model and not their legal form reveals that…

The information that is usually presented in relation to the activity of providing investment services in Spain from a broad point of view (that is, including the management activity of CIS, even though it is not strictly an investment service from a legal point of view) is provided by type of entity performing this activity: credit institution, investment firm or CIS management company. However, a less formal conception, which addresses the business model of the entities and their relationship with commercial banks, requires a more precise demarcation of which part of the business related to the provision of investment services is carried out by banks that could be called commercial, with income deriving mostly (over two thirds) from the provision of typical banking services (deposits, loans, etc.) and which part is performed by entities that can be considered to be specialised in the provision of investment services. This last group of entities would be formed by independent investment firms and CIS management companies (that is, not subsidiaries of commercial banking groups) and by banks specialising in the provision of investment services. The latter would include entities such as Allfunds, Banco Inversis, Cecaban and Renta 4.

… 70% of the income related to this activity is received by traditional commercial banks or entities that belong to their groups.

As seen in Figure 24, the proportion of the business relating to the provision of investment services in Spain (including the management of CIS and measured through the fees received) that corresponds to traditional commercial banks or entities that belong to their groups was slightly less than 70% of the total in 2019, while the rest was performed by financial entities specialising in the provision of investment services and without ties to commercial banks. This proportion has remained relatively stable in recent years at around 70%, although there has been a slight decrease since 2016, when it reached a high of 73%.

Share of financial entities related to commercial banks[1] in total income deriving from the provision of investment services[2] FIGURE 24



Source: CNMV.

1 This group of entities includes commercial banks (understood as those that are not specialised in the provision of financial services) and the investment firms and CIS management companies that belong to them.

2 Includes CIS management activity, even though this is not an investment service from a legal point of view.

Outlook

The medium-term outlook for financial intermediaries is more uncertain in the context of the crisis that has recently unfolded, and which could lead to a new restructuring process in the sector.

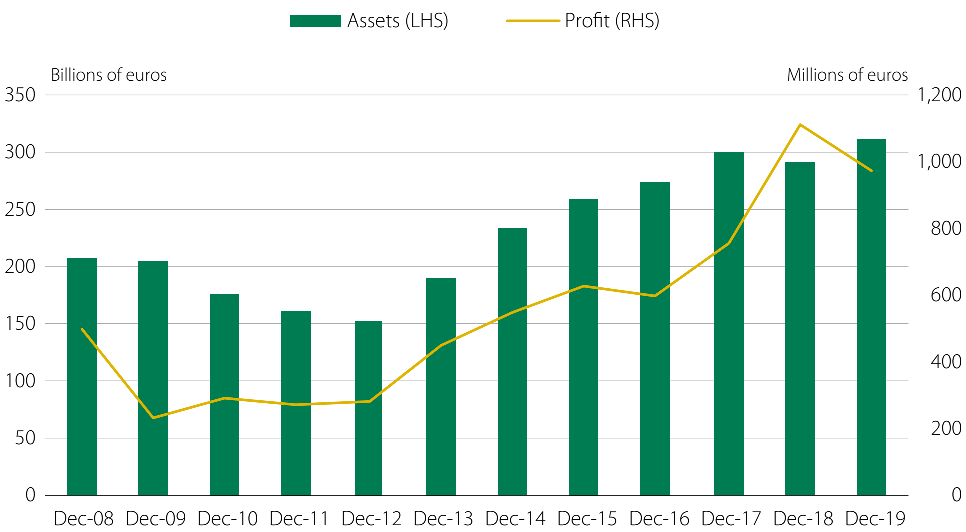
The outlook for non-bank financial intermediaries is more uncertain than in previous editions of this report, as is that for other participants in the financial markets, as a consequence of the serious crisis that has unfolded in recent weeks. In the past few years, there has been an increase in competition in the provision of investment services, which has led to a change in the business model of dealer-brokers and brokers, in that their main traditional business, intermediation in the securities markets, tends to have less and less weight, while marketing and management activities, and advisory services to third parties, are increasingly important. The displacement of the trading of Spanish securities to trading venues to outside their origin may also have influenced this change. In the current crisis, it remains to be seen whether this competition will increase and whether it will be possible for a new reorganisation of the sector to be launched, similar to the one that occurred after the last financial crisis and that led to a notable decrease in the number of entities.

4.3 CIS management companies

CIS management companies continued the growth trend of the last three years, with four more vehicles (seven registrations and three deregistrations) and an increase in assets under management of 7.5%, to €312 billion.

At the end of 2019 there were a total of 123 CIS management companies registered with the CNMV, four more than at the end of 2018, after the seven additions and three deregistrations over the course of the year. This upward trend, started in 2016, marks an end to the sector's restructuring process, during which the number of CIS management companies operating in Spain was significantly reduced. As the figures seen prior to this restructuring have been recovered. The assets managed by these companies closed 2019 with growth of 7.5%, standing slightly above €312 billion, after a year in which the expansionary trend started in 2013 had been interrupted (see Figure 25). More than 90% of this increase originated in the real estate investment fund segment, where assets mainly increased due to the gains marked by the investment portfolio. Sector concentration remained high in 2019: the three largest managers together holding 42% of total assets, a figure similar to that of previous years.

CIS management companies: assets under management and profit before tax FIGURE 25



Source: CNMV.

Profit of these entities decreased by 13.1% in 2019 compared with the previous year, although it grew by 28.5% compared with 2017.

Despite the increase in the assets managed by these institutions, their aggregate profit before tax contracted by 13.1% relative to 2018, to €976.4 million. However, this decline can be explained by a one-off increase in the fees of a single entity in 2018, specifically in relation to portfolio management, which led to a very large increase in total aggregate profit (see Figure 24). If we exclude the figures for this entity, profit would have grown by 2.3% and if we compare the aggregate profit of all entities between 2019 and 2017, an increase of 28.5% can be observed.

Profit of these entities decreased by 13.1% in 2019 compared with the previous year, although it grew by 28.5% compared with 2017.

Net fees decreased by 8.6% compared with 2018, to €1.56 billion, as a consequence of the lower fees paid (-3.0%) which was less than the decrease in fees received (-6.0%). However, this second figure was influenced by the aforementioned increase in portfolio management fees in 2018. Therefore, if these fees are excluded from the analysis, we can see that the fees received in 2019 remained practically constant, with growth of 0.6%. This was a consequence, above all, of the stability of CIS management fees, which are by far the largest component, accounting for close to 88% of the total fees received by the managers (83% in 2018). These fees saw a slight decrease of 0.4%, to €2.64 billion, while the previous year they had risen by 0.1%. The total amount was equivalent to 0.85% of assets, below the 0.91% at the end of 2018, possibly due to the redirection of investment fund assets towards categories such as fixed income, which are in general, associated with lower fees than other categories with higher levels of risk. Despite the reduction in profits, there was a slight increase in the aggregate return on equity (ROE) from 115.4 in 2018 to 120.6 in 2019, while the number of loss-making companies decreased from 26 to 21 and the volume of losses went from €12.3 million to €7.8 million.

CIS management companies: Assets under management, CIS management fees and average fee ratio TABLE 19

Millions of euros

	Managed assets	Revenue from CIS management fees	Average CIS management fees (%)	Fee ratio[1] (%)
2011	161,481	1,503	0.93	65.6
2012	152,959	1,416	0.93	64.6
2013	189,433	1,588	0.84	62.0
2014	232,232	2,004	0.85	61.8
2015	258,201	2,442	0.95	63.7
2016	272,906	2,347	0.86	61.7
2017	299,974	2,647	0.88	58.7
2018	290,364	2,649	0.91	51.2
2019	312,072	2,638	0.85	49.8

Source: CNMV.

1 Relationship between fees paid for the marketing of funds and revenue from CIS management fees.

4.4 Other intermediaries: Venture capital and crowdfunding platforms

Venture capital

Over the course of 2019 there was significant expansion in the venture capital sector…

Throughout 2019, the expansion that has been taking place in the venture capital sector in recent years continued, if anything more strongly than in previous years. Thus, the number of entities belonging to this category registered with the CNMV increased by 101 (89 investment vehicles and 12 managers), after 124 additions and 21 deregistrations.

… which was generalised among the various types of entities, affecting both traditional venture capital firms and other relatively recent types of entity such as European Social Entrepreneurship Funds (EuSEF).

Regarding traditional venture capital firms,[52] there were a total of 68 additions and 12 deregistrations, so that at the end of the year there were 210 venture capital funds and 148 venture capital companies. In the case of SME venture capital firms, five registrations and three deregistrations (the first since its creation) were recorded,

52 Traditional entities are understood as those of types existing before the entry into force of Law 22/2014 of 12 November.

reaching 29 vehicles (10 funds and 19 companies) at 31 December 2019. 12 European venture capital funds (EuVECA), making a total of 20, and four European Social Entrepreneurship Funds (EuSEF) were also registered, following the first one in the previous year.[53]

Closed-ended collective investment schemes were also buoyant in 2019, with 17 additions and only two deregistrations in the year. Thus, as of 31 December, there were a total of 46 vehicles of this type, of which 20 were funds and 26 were companies. It is worth mentioning that this type of collective investment scheme enjoys high flexibility both in its investment policy and in terms of compliance with investment ratios, which are more restrictive in the case of venture capital entities.

Closed-ended collective investment schemes, which have high flexibility in their investment policy, also saw a significant increase in the number of registered vehicles.

Movements in the venture capital firm register in 2019 TABLE 20

	Situation as at 31/12/2018	Registrations	Deregistrations	Situation as at 31/12/2019
Entities				
Venture capital funds	181	36	7	210
SME venture capital funds	10	3	3	10
European venture capital funds (EuVECA)	8	12	0	20
European social entrepreneurship funds	1	4	0	5
Venture capital companies	121	32	5	148
SME venture capital companies	17	2	0	19
Total venture capital firms	**338**	**89**	**15**	**412**
Closed-ended collective investment funds	12	8	0	20
Closed-ended collective investment companies	19	9	2	26
Total closed-ended collective investment entities	**31**	**17**	**2**	**46**
Closed-ended investment scheme management companies (SGEIC)[1]	**94**	**16**	**4**	**106**

Source: CNMV.

1 Denomination that now applies both to the old managers of venture capital firms (SGECR) and to the managers of the new closed-ended collective investment firms.

The data corresponding to 2019 provided by the Spanish Association of Capital, Growth and Investment (ASCRI) show even greater growth in the sector than in previous years, with an investment volume of €8.51 billion, 41.2% more than in 2018. International funds continued to show great interest in the Spanish market and accounted for 80.7% of the total investment volume, with a figure of almost €6.87 billion spread over 115 transactions; in addition, they played a special lead

According to preliminary ASCRI data, investment in the venture capital sector grew by 41.2% in 2019, to exceed €8.5 billion. Particularly notable was the intense activity of global funds, which are usually involved in larger transactions.

53 The EuVECA and the EuSEF (FCRE and FESE respectively in Spanish) are entities regulated under Regulation (EU) No. 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds and Regulation (EU) No. 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds.

role in the megadeals (transactions over €100 million). These large transactions, which numbered 18 in total compared with eight in 2018, represented, in volume terms, 68.4% of the sector's investment. Meanwhile, middle market transactions (between €10 and €100 million) also posted significant growth: investment reached €1.99 billion, 27.8% more than the previous year, and was divided into 69 transactions (63 in 2018).

Investment in buy-outs represented 40% of the total volume invested with €3.37 billion, while venture capital grew by 45.9% to more than €700 million.

In regard to the project development phase, investment in buy-outs[54] stood out, accounting for almost 40% of the total invested volume, with €3.37 billion spread over 71 transactions. Venture capital (seed and start-up phases) remained very active throughout the year, growing by 45.9%, with an investment volume of €737 million in 517 transactions (510 in 2018). As in other years, these investments were carried out by private Spanish funds. In relation to fundraising by private national operators, there was a decrease of 16.7% in the volume invested in 2019, which stood at €1.81 billion.

Public investment instrumented through the FOND-ICO global fund was still important, involved in 90 transactions.

As in previous years, the ICO initiative, through the FOND-ICO global venture capital fund, was key to attracting fresh funds from the private sector, through co-investment formulas. In this regard, there were 90 transactions carried out by Spanish public investors in 2019, 76 of which were investments in venture capital.

Crowdfunding platforms

After a few first years of intense activity, the number of registered crowdfunding platforms decreased to four in 2019…

In 2019, the number of crowdfunding platforms registered during the year continued to decrease, after several early years of intense activity in which, after the publication of Law 5/2015, many of the requests corresponded to platforms that were already acting as such and which as a consequence of the new regulation had to adapt to the regulatory requirements in order to continue their activity.

… which together with the first two de-registrations brought the total number of platforms in the Registry at the end of the year to 28.

Thus, throughout 2019, four new platforms were registered (five in 2018) and the first two deregistrations occurred, so that at the end of the year there were a total of 28 in the CNMV Registry. During the year eight requests for registration were received (four fewer than in 2018), while no projects were turned down (one was turned down in 2018). In addition, five withdrew their requests, eight fewer than in 2018.

Of all platforms, 12 were for securities, 9 were for loans, and 7 were for mixed funds.

Of the 28 platforms registered at the end of December, 12 corresponded to securities vehicles, nine were for loans and seven were mixed. In relation to the target sector of the investment, it is worth mentioning that eight of them were real estate vehicles, double the number in 2018 (one for securities, four for loans and three for mixed funds). In addition, there were still two platforms controlled by foreign companies.

54 Leveraged transactions (investments in mature companies in which external debt is used, in addition to equity, to acquire stakes) whose investors belong to the company itself.

Number of registered crowdfunding platforms

TABLE 21

Type of platform	2018			2019			Total accumulated since 2015		
		of which			of which			of which[1]	
	Total	Madrid	Barcelona	Total	Madrid	Barcelona	Total	Madrid	Barcelona
Securities	**3**	1	1	**2**	1	0	**12**	5	4
Loans	**1**	1	0	**0**	0	0	**9**	6	1
Mixed	**1**	0	1	**2**	1	0	**7**	4	1
TOTAL	**5**	**2**	**2**	**4**	**2**	**0**	**28**	**15**	**6**

Source: CNMV.

1 Additionally, in 2016 a crowdfunding platform was registered with its registered office in Soria and another in Valencia. In 2017, a platform was registered with its registered office in Santa Cruz de Tenerife and another in Valencia. In 2018, a crowdfunding platform was registered with its registered office in Bilbao and in 2019, one with its registered office in Ávila and one in Las Palmas.

II Reports and analysis

Analysis of return and expenses of CIS (IF and SICAV) domiciled in Spain between 2009 and 2019

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Summary

– This study describes the trends in returns and expenses of Spanish collective investment schemes (CIS) – funds and SICAV – in the period 2009-2019, grouping these institutions into seven investment categories: money market, fixed income, mixed fixed income, mixed equity, euro equity, international equity and absolute return.

  Other relevant aggregations are also carried out to check whether there are significant differences between the returns and expenses of funds associated with institutional investors and those of retail CIS, as well as between those of CIS managed by members of a banking group (specifically commercial banks) and those of other managers, which we refer to as *independent* managers in this report.

– At the beginning of last year, the European Securities and Markets Authority (ESMA) published a study calculating the performance and costs of CIS in 14 European Union (EU) countries that comply with the Directive on undertakings for collective investment in transferable securities (UCITS). To do this, a commercial database was used that covered 68% of the European market in 2017.

  This ESMA study, for which an update with information for 2018 has recently been published,[1] presents several limitations due to the partial coverage of the sector, certain methodological problems and the possibility of quality defects in the data used.

  Our study, relating to Spanish CIS, is presented in this context, as we are able to address some of the limitations of the European study by using the data available to the CNMV, which are of high quality and which cover the entire CIS industry in Spain. We would point out that CNMV is in a position of relative strength compared to other European supervisors in terms of the quantity and quality of the data it receives from entities for supervisory purposes.

– The main findings in relation to the gross returns of CIS are as follows:

  • Returns for money market CIS tracked the trend in short-term interest rates in the euro area, peaking at 2.8% in 2012 and closing the study period in 2019 at 0.24%, so avoiding the current context of negative interest rates (average for the period: 1.07%).

1 https://www.esma.europa.eu/sites/default/files/library/esma50-165-1106-asr-performance_and_costs.pdf

- A similar trend, albeit with higher values, was seen in fixed income funds, which recorded highs (above 5%) during the sovereign debt crisis and which, after a negative performance in 2018, achieved returns of 2.5% in the last year of the study (average for the period: 2.4%). In general, for fixed income investment, funds obtained gross returns that were in line with benchmark returns.

- The pure equity categories showed higher annual average returns than the fixed income categories: 13.2% for international equity and 9.5% for euro equity, with higher variability due to their nature. In many cases, the returns posted by these institutions outpaced the benchmark index, although this performance is reduced if the dividend effect (reflected in CIS returns but not in returns of equity indices) is taken into account. Therefore, for example, it is estimated that 63% of euro equity CIS (73% of the assets in this category) performed better than a benchmark portfolio based on the Ibex 35 and Eurostoxx 50,[2] this figure falls to 35% of the number of CIS and 43% of assets when the estimated dividend yield is included.

- Returns of mixed CIS during the period reflected the proportion of fixed income and equity assets in their portfolios. On average, the gross return of mixed fixed income CIS was 3.0% and that of mixed equity CIS was 5.1%.

– An analysis of the net returns for institutional and retail funds shows relatively uniform results during the period analysed and for each investment category.

  Overall, CIS in the hands of institutional investors outperformed those of retail investors in most periods. However, the performance of institutional CIS was more variable, offering higher returns than retail CIS in periods of market gains and lower returns during falls. On average, the difference is not very large and stands at 0.4 percentage points (pp): 3.4% for institutional investors and 3.0% for retail investors.

– Analysis of the net returns of CIS by type of manager reveals that, on average, independent managers obtained superior results than managers belonging to banking groups (4.3% vs. 2.8%), which was reflected mostly in the better performance by equity investment categories or those with a high proportion of equity. In these investment categories, the difference in returns in some years was close to or greater than 10 pp. In fixed income investment categories, these differences were not so pronounced and the average for the period was close to zero. The analysis was also carried out taking into account only CIS of managers that belong to non-commercial banks (those with income deriving mainly from investment services). The results revealed that the net returns obtained by these managers were higher than those of managers belonging to

2 The benchmark index is weighted to reflect the relative weight in the fund portfolio of domestic and foreign assets.

commercial banks and those of independent managers in most investment categories (except mixed funds).[3]

– The analysis of the costs borne by the CIS was carried out based on the current expense ratio, which includes management and depository fees and other current administrative expenses borne[4] by the CIS. This ratio varies greatly among the different investment categories, with equity categories bearing much higher costs than fixed income categories. In 2019, the money market and fixed income investment categories showed an average expense ratio of 0.23% and 0.58% respectively, compared with 1.62% and 1.79% for euro and international equity funds respectively.

  The expense ratio shows a downward trend in most investment categories in the period, which is due to increased competition between entities and the environment of low interest rates, which has brought significant downward pressure to bear on the fees charged by funds that invest mainly in debt. In absolute terms, the greatest decreases occurred in equity and in some mixed investment categories, but in relative terms the decline was greater in fixed income.

– Findings by type of investor reveal that the costs borne by institutional investors were considerably lower than those of retail investors, consistently, for all years and all investment categories. On average, costs stood at 0.75% for institutional investors and 1.19% for retail investors. However, the average differential in the expense ratio decreased in the period, from 0.51 pp in 2009 to 0.37 pp in 2019.

– Analysis of the costs borne by CIS of managers belonging to banking groups compared to those managed by independent managers reveals that the differences between the two are small and less persistent than those observed by type of investor. The greatest differences are found in the euro and international equity, and absolute return investment categories, in which the CIS of independent managers bear lower costs than those of managers belonging to banking groups (the average difference ranged between 0.1 pp and 0.4 pp). In the rest of the categories the differences are small and in some cases the sign changes depending on the year considered.

– According to ESMA's calculations for the aforementioned study, Spanish CIS present, in general terms, levels of both performance and costs that are lower than the European average. However, according to the same study, this is not the case in all investment categories and for all periods. This is observed especially in fixed income and mixed funds while equity funds, in addition to

3 There are, however, two points that need to be made in this regard: i) if all funds, including mixed funds, are considered, the net return for managers belonging to non-commercial banks falls somewhere between that for managers belonging to commercial banks and for independent managers; and ii) this better performance is due entirely to one entity, without which the net return in this group would be less than both other groups.

4 Including indirect expenses from investments in other CIS. Excluding management fees when calculated on profits or transaction costs assumed by the funds in the purchase and sale of securities.

showing lower returns, have higher costs. Absolute return funds show higher gross and net returns, with an inconclusive balance in regard to costs.

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

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

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

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

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

- CNMV calculations (based on the data available to the institution) place the average costs for Spanish CIS below the estimate made by ESMA for Spain and also for the average of EU countries, with the exception of equity funds.

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

- In terms of net returns, the amount actually received by the unitholders, for the period 2016-2018, it can be concluded that in general Spanish fixed income, mixed and absolute return CIS would be practically in line with the EU average, while equity funds would show a worse performance (with lower returns and higher costs). In the investment categories mentioned above, the lower returns are offset by lower costs. On the other hand, money market CIS show net returns that are above the EU average, although the relative significance of these funds in Spain is very low.

- Additionally, the adjustment to factor in retrocessions (marketing costs) would place the net return of Spanish CIS above the EU average in all categories except equity funds.

1 Rationale

On 10 January 2019, ESMA published its first report on the performance and costs of retail investment products, in which a comparative analysis of the returns earned and expense ratios borne by CIS complying with the UCITS Directive and domiciled in 14 jurisdictions[5] of the EU was carried out. For these purposes, UCITS were classified into five investment categories: money market, fixed income, equity, mixed and alternative. The time horizons analysed were 1, 3, 7 and 10 years, all ending in December 2017. A distinction was made between CIS aimed at institutional investors and those aimed at retail investors, in order to compare performance and costs. In early April 2020, ESMA published its second report, with data to December 2018. ESMA does not compile data on UCITS returns and costs, so the data published by Thomson Reuters Lipper was used, which covered 68% of the European UCITS market in 2017 and 74% in 2018.

ESMA's comparative analysis is not conclusive for all the periods considered, nor are the results homogeneous across fund categories, although it could be said that, in general, Spanish CIS show lower gross returns and lower costs. This can be seen above all in fixed income and mixed funds, although the returns offered by these institutions saw a relative improvement in Spain in the most recent period. Gross returns for equity funds are lower in all periods, while costs are higher, so that in net terms these institutions show much lower values than those of the rest of the jurisdictions in the area. For absolute return CIS, gross and net returns are, in general, higher than the EU average, while the cost balance is somewhat uneven. Lastly, Spanish money market CIS show higher returns and costs, although in terms of assets, these institutions are relatively insignificant in the sector as a whole.

The analysis carried out by ESMA has several limitations that relate to the coverage of the data, the methodology used and the possibility that the data quality is not sufficiently high. There are two main aspects of this analysis that prevent certain comparisons. Firstly, ESMA uses a methodology for calculating returns that seeks to smooth out series and could be considered to generate overlaps of information and confusion as it prevents comparisons being made with the behaviour of benchmarks and other common references (nor does it allow a proper comparison with the returns presented in this work). Further, in the area of costs, there is one especially significant difference that impedes the comparison of figures among countries, namely, that is it not possible to separate CIS marketing expenses from other types of expenses in several jurisdictions. When comparing the costs borne by CIS investors in different areas, it should be noted that in Spain, as in some other European countries, distributors are generally remunerated through payment from managers of a significant percentage of their management fees, as a result of which these are generally higher [than in countries where this is not the case]. The ESMA study factors in management fees but not the fees the investor pays directly to the distributor, which is logical, since these are not fees that are borne by the fund. Therefore, in the study, the countries in which the distributor is explicitly remunerated by the investor show lower costs for investors.

5 In descending order of market size: Luxembourg, United Kingdom, Ireland, France, Sweden, Germany, Italy, Spain, Finland, Denmark, Austria, Belgium, the Netherlands and Portugal.

In this context, the CNMV proposed this work on Spanish CIS with a view to shedding some light on the returns and expenses of these institutions, endeavouring to overcome some of the limitations in ESMA's work. Certain limitations have been addressed by using the data available to the CNMV, which are of high quality and cover the entire CIS industry, in addition to a different methodology for calculating returns.

In the study, all CIS of a financial nature were considered, both investment funds (IF) and SICAV. Only hedge funds and funds of hedge funds and real estate CIS were excluded. The time horizon considered was 11 years, from 2009 until the end of 2019. We chose to increase the number of investment categories analysed from the five proposed by ESMA to seven, because we believe certain indicators can be better understood if some additional divisions are made. Therefore, the mixed investment category has been divided into two segments: mixed fixed income and mixed equity, and equity funds have been split into euro equity and international equity.

In the following sections, we present an exhaustive analysis of trends in the returns and expenses of Spanish CIS between 2009 and 2019, which also includes new factors that may be of interest. One of these compares the returns and costs of CIS held mainly by investors with very large stakes in the scheme (for the purposes of this report referred to as *institutional CIS*) with those of CIS held by investors with smaller stakes (*retail CIS*). The returns and costs of CIS belonging to banking groups are compared with those of CIS managed by entities with no such link and trends in CIS that are dependent on entities that can be considered exclusively as commercial banks.

The study is structured as follows: Section 2 describes the methodology used; Section 3 describes the main figures (number of institutions and assets) in the database used; Section 4 contains the main calculations made on the returns and costs of Spanish CIS, as well as a comparison with the estimates made by ESMA. Lastly, Section 5 presents the conclusions. In the final part of the document, the analysis of returns and costs is presented in detail, including specific sections by investment categories, type of investor (institutional vs. retail) and type of manager (bank vs. independent).

2 Methodology

This study was performed based on information from the confidential statements that CIS management companies domiciled in Spain periodically send to the CNMV. Annual data were taken from all CIS of a financial nature – both investment funds (IF) and open-ended CIS (SICAV) – existing between 2009 and 2019. Hedge funds, funds of hedge funds and real estate CIS were excluded.

For each year, only the CIS that were registered for the whole year were taken into account, while those that were created or wound up during the year were excluded. The calculation of returns for each of the 11 years analysed (from 2009 to 2019) was made on the basis of the net asset value (NAV) of each CIS at the end of the year (31/12/n) compared to the end of the previous year (31/12/n-1).

CIS management companies (CISMC) must calculate the NAV of each CIS under management based on the daily calculation of fund assets divided by the number of units or shares outstanding. The asset calculation involves a valuation of the portfolio assets at closing market prices, as well as the income accrued in the day, and discounts the expenses incurred. The management and depository fees and other costs established as an annual percentage of the fund assets are discounted daily from the calculation of the fund assets in the equivalent daily amount. Consequently, the return calculated based on the NAV of the CIS is a return net of all costs borne by the fund.

CNMV Circular 1/2009 of 4 February, on the categories of CIS based on their investment type, established 15 different categories based on the weight of their investments in equity and fixed income, the fixed income duration, in the case of money market funds, and the geographical regions in which they were invested. Circular 1/2009 subsequently amended Circulars 3/2011 and 2/2019, including new investment categories, to complete a total of 20 today. In this study we decided to group these categories into a smaller number with the twofold objective of establishing a classification comparable with that of ESMA and to obtain a sufficient critical mass of assets in each of them to make the proposed comparative analysis sufficiently representative.

Therefore, the existing investment groups have been grouped into the following seven categories:[6]

i) **Money market (M)**. Includes money market and short-term money market funds.

ii) **Fixed Income (FI)**. Includes euro fixed income, international fixed income and guaranteed fixed income.

iii) **Mixed fixed income (BFI)**. Includes euro mixed fixed income, international mixed fixed income, partially guaranteed and guaranteed equity. The latter have been included in this category as they are comparable in terms of exposure to equity during the period.

iv) **Mixed equity (BE)**. Includes euro mixed equity, international mixed equity, passive management and global funds. The last two categories have been added based on their average exposure to equity.

v) **Euro equity (EE)**. Includes only euro equity.

vi) **International equity (IE)**. Includes only international equity.

vii) **Absolute return (AR)**. Includes only the absolute return investment category.

6 The abbreviations after the name of each investment category will be used in the tables and figures in the report.

Unitholders must bear two types of costs when they invest in investment funds: direct costs, paid by the unitholder at the time of subscribing or redeeming the units as a marketing, subscription or redemption fee, and indirect costs, borne by the fund and consequently deducted from the asset calculation, which has a negative effect on NAV and therefore on the return of the fund.

In Spain, the investment fund marketing model usually involves unitholders bearing the costs indirectly, and the payment of direct marketing, subscription or redemption fees is very rare.

There is a harmonised methodology at European level, established in the guidelines of the Committee of European Securities Regulators (CESR) – *CESR's Guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document* (CESR/10-674) – for calculating the impact in annual and percentage terms of the sum of all current management expenses borne by a CIS with respect to its average daily assets. This methodology was developed to foster transparency and comparison of the costs of different CIS at European level. However, it must be considered that in some countries, such as Spain and Italy, it is common for management companies to remunerate distributors by paying them back a significant percentage of the management fee, and therefore management fees include marketing costs while in English-speaking and Northern European countries it is common for the investor to pay a direct marketing fee. This makes a full cost comparison impossible, since while in Spain the expense ratio is a very close approximation of the total expenses borne by investors, in other regions it would be necessary to add the marketing fee paid directly by the investor.

The periodic CIS reports sent to the unitholders include historical information on the expense ratio in each of the last five years, calculated in accordance with the methodology set down in the CESR guidelines.[7] The current expense ratio included in the reports corresponding to the second half of each year and referring to the last financial year is transferred to the Key Investor Information Document (KIID) in the annual update, which occurs in the first 35 business days of each financial year.

To carry out the analysis we took the figure for the current expense ratio included in the reports sent to unitholders and in the KIID for each of the 11 years considered. The expense ratio must include in the numerator the sum of the management and depository fees and all other current management expenses borne by the CIS, including an estimate of the indirect expenses borne as a result of investment in other CIS, when these represent more than 10% of the assets of the investing CIS. The expense ratio does not include performance fees or transaction costs assumed by funds in the purchase and sale of securities.

The cost analysis was performed on the same sample as the returns analysis, i.e., 100% of all IF unit classes and 100% of SICAV were considered, provided they were included in the CNMV register both at the beginning and at the end of any of the

7 CESR/10-674 guidelines were applied from 2011. In previous years, a total expense ratio (TER) was also calculated using a slightly different methodology. The fundamental difference is that, unlike the current expense ratio, the TER did include performance fees and financing costs in the calculation but did not include indirect costs resulting from investment in other CIS.

years. This means that for each year analysed, only CIS that were “live” throughout the year were considered.

In relation to the analysis that seeks to compare institutional CIS with retail CIS, the CIS investor profile was considered to be institutional if it met the following criteria:

– IF: either the minimum initial investment required to subscribe to this asset class is equal to or greater than €100,000,[8] or it is sold exclusively to clients who have signed discretionary portfolio management contracts.

– SICAV: do not usually require an initial minimum subscription, although their assets are in many cases concentrated in a small number of shareholders; for this reason, a different criterion was adopted to determine those considered to be institutional: i.e. funds where more than 50% of assets are held by investors whose [individual] investments each exceed €150,000.

Lastly, the study compares the returns and costs of funds managed by management companies that belong to banking groups with those of funds managed by other managers. We refer to the latter as independent managers, although some of them may belong to other (non-banking) groups such as insurance companies.

3 Description of the sample

In total, there is a sample of 4,688 classes of IF units and 3,867 different SICAV, i.e., funds or companies for which data for at least one financial year are available. The number of investment funds for which observations are available for every one of the 11 years under consideration (survival rate) is 800 (17.1% of the total) and the number of SICAV is 1,999 (51.7%). The table below details the number of CIS of each type considered for each of the 11 years analysed.

8 This information is not available between 2009 and 2013 for investment funds wound up before 2013. By default these funds are classified as retail.

Number of entities analysed

TABLE 1

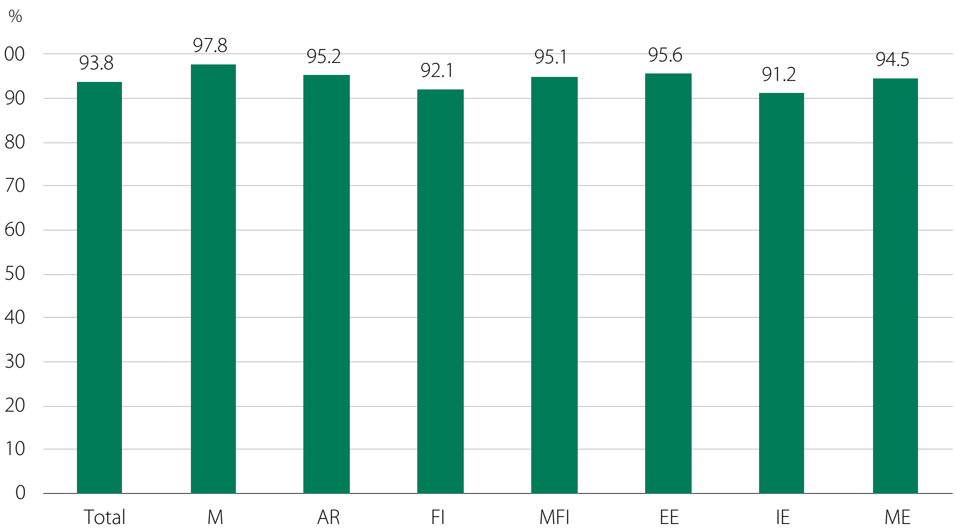
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Investment funds (class level)	**2,446**	**2,310**	**2,247**	**2,211**	**2,077**	**2,025**	**1,954**	**1,987**	**2,044**	**2,169**	**2,330**
Money market	72	78	80	70	60	55	41	40	36	36	8
Fixed income	688	694	734	782	747	659	545	495	431	444	508
Mixed fixed income	707	634	547	476	403	375	334	313	348	358	403
Mixed equity	417	367	378	377	417	488	576	627	677	698	697
Euro equity	178	173	151	141	119	117	117	149	155	175	204
International equity	241	229	219	239	224	216	231	254	275	324	398
Absolute return	143	135	138	126	107	115	110	109	122	134	121
SICAV	**3,179**	**3,070**	**2,989**	**2,926**	**2,899**	**2,990**	**3,195**	**3,169**	**2,813**	**2,694**	**2,556**
Money market	0	0	0	0	0	0	0	0	0	0	0
Fixed income	3	5	4	4	5	4	3	3	4	3	3
Mixed fixed income	7	5	7	9	11	7	9	11	11	9	11
Mixed equity	3,166	3,057	2,972	2,907	2,876	2,972	3,176	3,149	2,788	2,673	2,533
Euro equity	3	1	2	2	2	2	3	3	3	3	3
International equity	0	0	1	1	2	2	1	1	5	5	5
Absolute return	0	2	3	3	3	3	3	2	2	1	1

Source: CNMV.

With regard to representativeness, as shown in Figure 1, the assets of the CIS in the study sample represent between 93% and 98% of the total assets of these CIS on average for the period, so representativeness is high in all fund categories.

Representativeness of the sample[1]

FIGURE 1



Source: CNMV.

1 Measured as the average assets of the sample for the whole period as a percentage of total average assets of the CIS of each category.

M: money market, AR: absolute return, FI: fixed income, MFI: mixed fixed income, EE: euro equity, IE: International equity and ME: mixed equity.

Table 2 shows total assets, expressed in millions of euros, of the CIS analysed in each year, broken down by investment category. As we can see, total assets of the group of entities analysed increased considerably during the study period, from €183,842 million in 2009 to €278,157 million in 2019. In the first few years of the series, assets fell, reaching a low of €140,338 million in 2012 before starting to grow in the following years, with increases of up to 30% from 2013 to 2014 (to €216,612 million), remaining firmly above €275,000 million in the last three years.

Asset trends by investment category TABLE 2

Millions of euros

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Money market	12,586	8,135	8,028	5,855	8,421	7,296	8,320	9,722	7,108	6,804	3,787
Fixed income	83,647	68,541	67,076	65,743	72,578	81,680	65,547	71,875	63,178	60,692	62,177
Mixed fixed income	33,187	28,750	22,822	19,706	19,547	35,216	53,337	48,709	55,672	52,924	52,494
Mixed equity	35,094	34,535	31,560	32,603	45,088	65,565	80,829	82,935	104,499	105,843	112,892
Euro equity	6,359	5,449	4,919	5,287	8,411	8,238	8,368	8,701	10,016	11,994	10,020
International equity	5,899	8,024	6,168	6,578	8,645	12,125	16,200	17,200	20,068	23,610	26,491
Absolute return	7,071	7,861	5,856	4,617	4,608	6,491	11,010	11,844	15,366	13,978	10,297

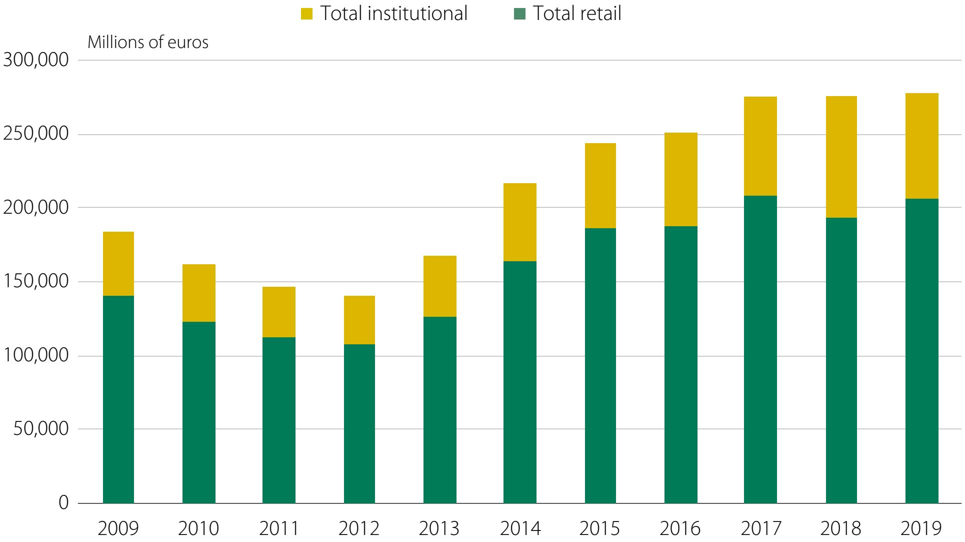
Source: CNMV.

By investment category, the general trend unfolded against a backdrop of increasingly lower interest rates, which progressively made the fixed income categories less attractive and, in general, made the more conservative categories less appealing than riskier ones. Therefore, the largest increases in assets were in the international and mixed equity categories. The former, with assets of €5,899 million at the beginning of the period, reported a fourfold increase to €26,491 million in 2019. Mixed equity fund assets tripled, from €35,094 million in 2009 to €112,892 million in 2019. It should be noted that the last category includes global funds, which despite falling as a percentage of total mixed equity assets from 80% in 2009, still accounted for almost 65% of the total at year-end 2019 (€70,596 million).

In contrast, assets of fixed income CIS decreased significantly during the period both in money market funds and in long-term fixed income. Total assets of money market funds fell by 70%, from €12,566 million in 2009 to €3,787 million in 2019. Similarly, assets of fixed income funds decreased by 26%, from €83,647 million at the beginning of the 11 years to €62,177 million in the last year analysed.

If we look at the assets by type of investor, CIS assets marketed to the retail sector went from €140,890 million in 2009 to €205,911 million in 2019 (+46%), while CIS assets held by institutional investors almost doubled, from €42,951 million in 2009 to €72,246 million in 2019. As a result of this trend, as shown in Figure 2, the percentage of assets held by retail investors went from 76% of the total to 74%, while that of assets held by institutional investors increased from 24% to 26%.

Trends in CIS assets by institutional sector FIGURE 2

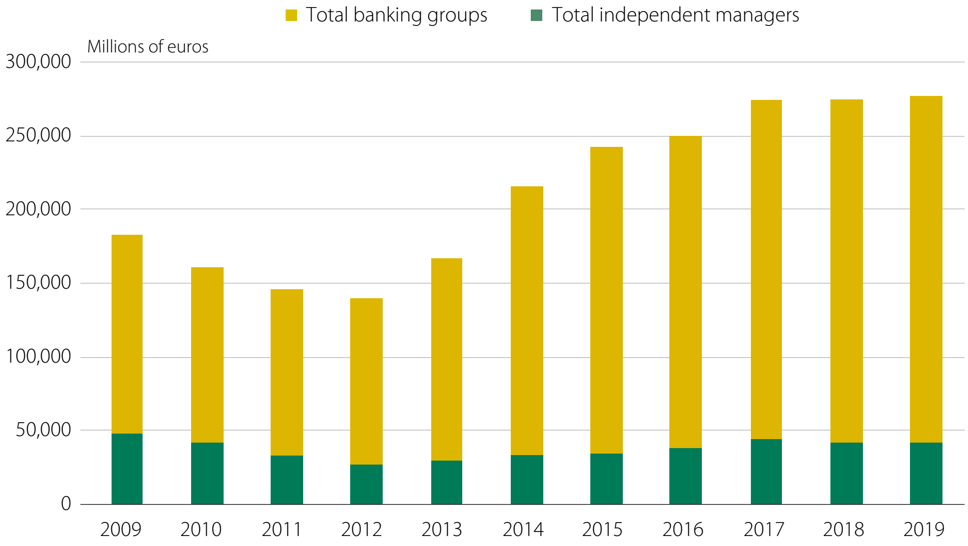


Source: CNMV.

It is worth noting the high concentration of CIS marketed to institutional investors in the mixed equity category, since most SICAV are institutional and globally oriented according to CNMV Circular 1/2009, and this type of investment is considered under the mixed equity category in our study. The second investment category with a certain weight in institutional CIS is fixed income. The rest of the investment categories are marketed to a lesser extent among institutional investors. However, the equity and absolute return investment categories, which had been insignificant among institutional CIS throughout the period, received a significant volume of subscriptions in 2018.

Asset trends by type of manager reveal that funds managed by managers linked to banking groups gained importance throughout the period. In absolute terms, the value of assets managed by bank management companies went from €135,216 million in 2009 to €235,837 million 2019 (74% more), in contrast with assets managed by independent managers, which fell by 13%, from €48,626 million at the beginning of the study to €42,321 million 11 years later (see Figure 3). Consequently, the assets of the former went from representing 74% of the total in 2009 to 85% in 2019, while those of the latter decreased from 26% to 15% in the same period.

Trends in CIS assets by type of manager FIGURE 3



Source: CNMV.

In this comparison, the high concentration of CIS marketed by banking group managers in the fixed income investment categories stands out, accounting on average over the period for 82% of the total fixed income category and 93% of the money market category, while for equity funds this percentage was lower, occasionally falling below 50%, as in 2011, but remaining on average above 60% of the total, in both international and euro equity funds. In this last investment category, assets of CIS managed by non-banking group managers represented 45% of the total in 2009, but their weight progressively decreased to end the study period representing just 29% of the assets in this category.

4 Main findings of the study

This section describes the main findings of the study of the returns and expenses of Spanish CIS, as well as the comparison between CNMV and ESMA calculations. A detailed analysis of trends in returns and costs of Spanish CIS by investment category and year, type of investor and type of manager is included in the last section of this report, under the headings "A. Analysis of returns" and "B. Analysis of costs".

4.1 Returns

The analysis of returns was carried out in gross and net terms, the former in order to observe the trend over time and how it compares with the performance of some benchmark assets, and the latter because it is more suitable for making comparisons between CIS segmented by type of investor or type of manager. Table 3 shows the gross returns that the CIS obtained in each year of the study period for each of the investment categories. Logically, categories that invest in debt have the lowest and least variable returns and, as riskier assets increase, we see returns that can reach double digits in growth years and show correspondingly sharp falls in years of market contraction.

In the case of fixed income funds, as well as highlighting the intrinsically lower variability of the returns, it is worth noting the extent of the fall in interest rates in recent years, which has affected the returns of these institutions across the board. Neither money market nor fixed income funds were able to avoid negative returns in 2018, the only year in the study period in which this occurred. Gross returns on money market funds fluctuated between -0.3% and 2.8% and returns on fixed income funds between -0.7% and 5.1%. For both types of funds, the lowest rate was recorded in 2018, in line with the historically low level of returns on most debt assets, and the highest was reached in 2012 coinciding with the moments of greatest uncertainty in the European sovereign debt crisis. In general, returns on these assets were in line with the various benchmark assets considered (public and private debt at various terms).

Gross return TABLE 3

%

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Money market	1.5	1.8	2.5	2.8	2.0	1.1	0.4	0.3	0.0	-0.3	0.2
Fixed income	3.6	1.0	3.1	5.1	4.4	4.1	1.1	1.3	0.9	-0.7	2.5
Mixed fixed income	5.9	-0.3	1.1	5.7	7.0	4.9	1.7	1.6	2.5	-2.4	5.8
Mixed equity	13.6	2.8	-3.1	7.5	10.9	6.9	2.8	3.5	5.3	-4.6	11.0
Euro equity	35.3	-0.1	-9.7	13.5	30.8	5.0	5.5	4.7	13.8	-11.2	16.8
International equity	42.7	17.9	-7.8	14.8	24.5	10.3	10.0	7.4	11.5	-10.2	24.1
Absolute return	6.0	3.6	-0.3	5.6	4.4	3.7	1.5	1.8	2.9	-3.4	5.5

Source: CNMV.

Gross returns in the pure equity categories were high on average: 13.2% in international equity and 9.5% in euro equity funds, with large variations. At moments of stock market gains, these CIS presented annual returns of over 20% and in falling markets losses reached 10% or even more. It should be noted that the average return of these institutions was higher than that of some equity indices such as the Ibex 35, the Eurostoxx 50 or the MSCI World index. The difference, which is estimated at between 4 pp and 6.2 pp depending on the benchmark, could be explained by a selection of assets in the portfolio which made gains that were higher than the market average, as well as the effect of dividends received and not included in the calculation of returns on the benchmark indices. It is estimated that 63% of euro equity CIS (73% of the assets of this category) outperformed a benchmark index based on the Ibex 35 and the Eurostoxx 50[9] on average over the period, and that 43% of international equity CIS (49% of assets) outperformed the MSCI World index. These percentages fall to 35% of euro equity CIS (43% of assets) and 30% of international equity CIS (38% of assets) if an estimate of the dividend yield is factored in.[10]

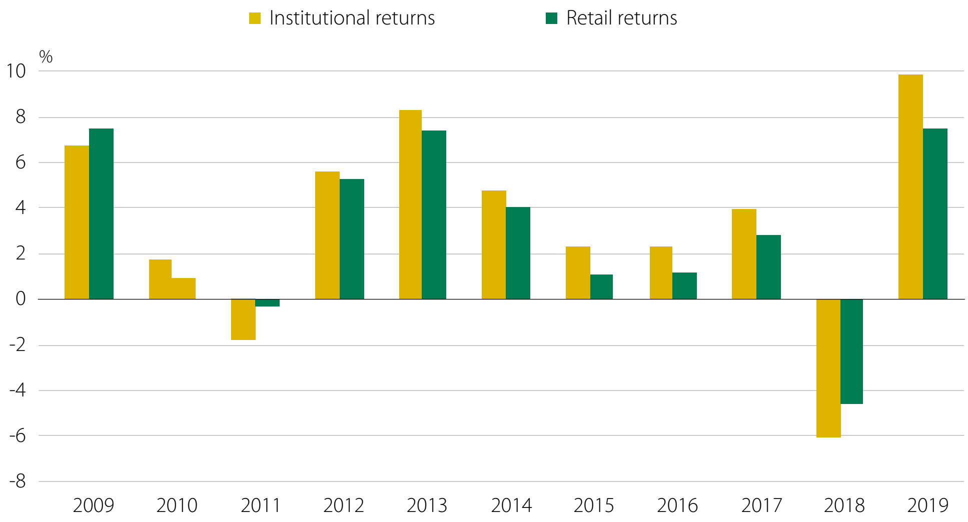
9 See Appendix A.1 (euro equity) for further details on the construction of this benchmark.

10 See Appendix A.1 (international equity) for further details of this estimate.

The returns of mixed CIS in the period were in line with the proportion of fixed income and equity assets in their portfolios. On average, the gross return of mixed fixed income CIS was 3.0% and that of mixed equity CIS was 5.1%. Absolute return CIS, which seek a positive return at an intermediate term, keeping volatility at relatively low levels, had an average return of 2.8%, similar to that of mixed fixed income funds.

An analysis of the net returns of institutional and retail funds shows relatively harmonised results during the period studied and across investment categories. Overall, CIS held by institutional investors outperformed those of retail investors in most periods. However, the performance of institutional CIS was more variable, being higher than that of retail CIS in periods of rising markets and lower in times of declines. When institutional CIS fare worse, the scale of the difference is noticeable, so on average the difference in returns between the two types of CIS stands at 0.4 pp (3.4% for institutional and 3.0% for retail investors).

Net return by type of investor FIGURE 4

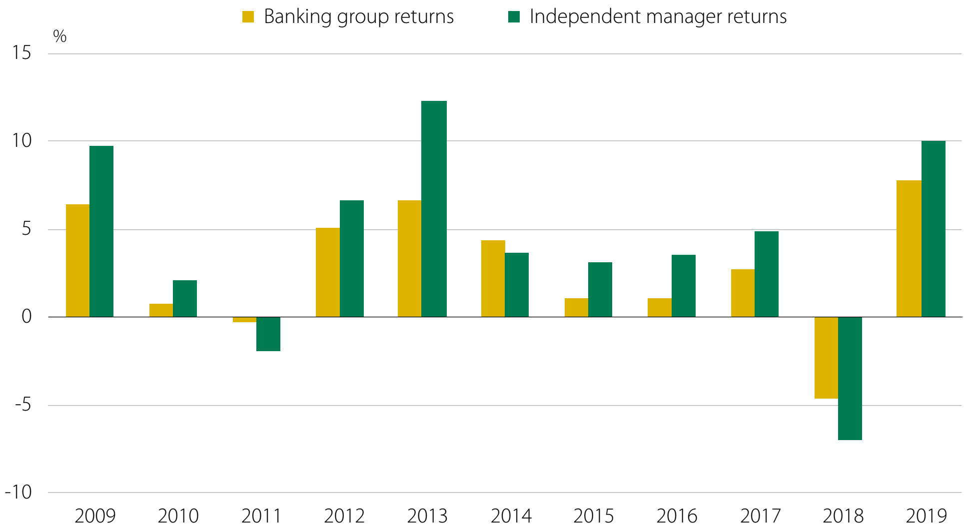


Source: CNMV

An analysis of the net returns of CIS by type of manager reveals that results obtained by independent managers were higher than those of managers belonging to banking groups on average (4.3% vs. 2.8%), mainly associated with a better performance by the equity investment categories or those with a high proportion of equities. In these investment categories, the difference in returns in some years was close to or greater than 10 pp. In fixed income investment categories, these differences were not so pronounced. The average for the period was very close to zero.

Net return by type of manager

FIGURE 5



Source: CNMV.

In addition to the classic segmentation of management companies according to the legal form of their dominant group (banking or independent group), a complementary analysis was carried out to segment managers in a slightly different way. Instead of being guided strictly by the legal form of the group to which the CISMC belongs, we took account of their business models, so that the banks that appear in the registry as credit institutions are considered specialised investment services firms if most (more than two thirds) of their income comes from the provision of investment services (in a broad sense and also including marketing of CIS) and not from the usual commercial banking services. This alternative analysis therefore divides managers into three groups: those that belong to commercial banking groups; those that, while belonging to groups that are legally banks, specialise in investment services, and independents.[11]

The low weight of the assets managed by managers belonging to non-commercial banking groups within the total for banks (between 2.6% and 4.5% in the period 2016-2019) implies that the figures for managers belonging to commercial banking groups barely change with respect to total assets managed by banks; in fact, in 2016-2019, the net return of CIS managed by commercial banking entities was 1.7%, the same figure as that for managers belonging to banking groups as a whole, with no significant differences by investment category. On the other hand, the net return of management companies belonging to non-commercial banks was somewhat higher than that of management companies owned by commercial banks (which was 1.7%, see above), standing at 1.9%, around 1 pp below the net return of independent managers (2.9%).[12] However, as detailed in Appendix C to this report, the net returns of non-commercial banking group management companies were higher than those of both management companies belonging to commercial banking groups and

11 Some examples of banks that are primarily dedicated to providing investment services are Allfunds, Renta 4, Cecabank and Banco Inversis.

12 Although it should be noted that this improved performance is due entirely to one particular management company, without which the net return of this group would be less than for both the other groups.

independent managers in all investment categories except for mixed funds, which have a very significant weight in the total.

4.2 Costs

The calculations made in relation to the costs borne by CIS reveal significantly different levels depending on the investment category. Table 4 shows how money market and fixed income funds bear the lowest costs, while equity funds have much higher costs, as much as three times higher than those of the fixed income categories in 2019. It should be noted that management fees represent a very high percentage of the total current expense ratio – generally between 80% and 90% –, therefore, the higher level of costs is explained by the higher management fees in the investment categories with a higher equity weighting.

Weighted average expense ratio by investment category TABLE 4

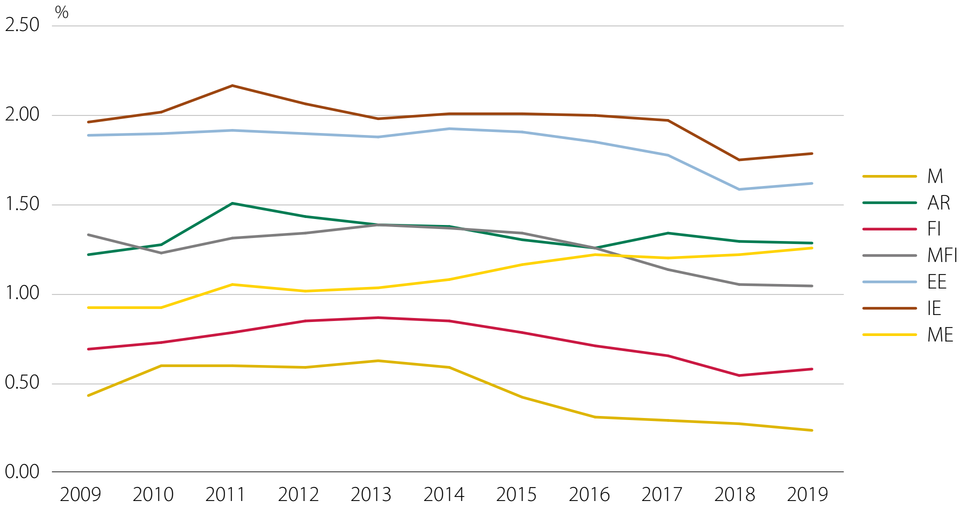
% of assets

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Investment category											
Money market	0.43	0.60	0.60	0.59	0.63	0.59	0.42	0.31	0.29	0.28	0.23
Fixed income	0.69	0.73	0.78	0.84	0.87	0.85	0.78	0.71	0.66	0.54	0.58
Mixed fixed income	1.33	1.23	1.31	1.34	1.39	1.37	1.34	1.26	1.14	1.05	1.04
Mixed equity	0.92	0.92	1.05	1.02	1.03	1.08	1.16	1.22	1.20	1.22	1.26
Euro equity	1.88	1.90	1.92	1.90	1.87	1.93	1.90	1.85	1.78	1.58	1.62
International equity	1.96	2.02	2.17	2.06	1.98	2.00	2.01	2.00	1.97	1.75	1.79
Absolute return	1.22	1.28	1.51	1.43	1.39	1.38	1.30	1.25	1.34	1.29	1.29
Average	**0.98**	**1.00**	**1.04**	**1.06**	**1.09**	**1.12**	**1.17**	**1.12**	**1.12**	**1.08**	**1.12**

Source: CNMV.

The expense ratio in the period analysed declined in all investment categories, except for mixed equity and absolute return. This trend may be partly explained by increased competition among banks in recent years and the environment of low interest rates, which has put downward pressure on fees charged by funds that mainly invest in fixed income. The money market investment category saw the biggest fall in costs in relative terms, from 0.43% in 2009 to 0.23% in 2019 (-46%), followed by the mixed fixed income and fixed income categories, in which average costs fell by 22% and 16% respectively over the same period. In contrast, costs in the mixed equity category, which went from 0.92% to 1.26%, increased by 36% in the period. Pure equity investment categories experienced more significant decreases in absolute terms: for example, the average expense ratio of euro equity CIS decreased from 1.88% to 1.62% (-0.26 pp) and that of international equity CIS fell from 1.96% to 1.79% (-0.18 pp).

Weighted average expense ratio by investment category FIGURE 6



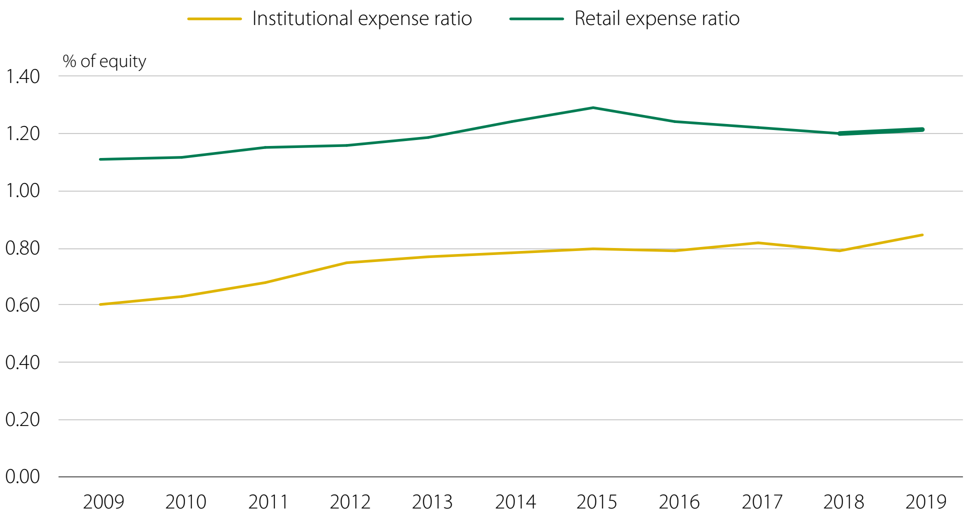
Source: CNMV.

Although the expense ratio declined in most investment categories, the average expense ratio of the CIS analysed increased slightly in the period, from 0.98% in 2009 to 1.12% in 2019. This is explained by the redistribution of assets among investment categories during the period in favour of categories with higher associated costs (especially equities), to the detriment of those with lower costs (fixed income). Therefore, in 2009, the fixed income and money market investment categories accounted for 52% of assets, a percentage that fell to 24% in 2019.

The analysis of costs by investor category reveals that in all the years of the sample the costs borne by CIS marketed to retail investors were substantially higher than those of CIS marketed to institutional investors (1.19% on average vs. 0.75%). This difference of 0.44 pp on average for the period, has decreased slightly in recent years due to the greater relative increase in the expense ratio of institutional CIS caused by the rise in riskier investment categories (see Figure 7).

Weighted average expense ratio by type of investor

FIGURE 7

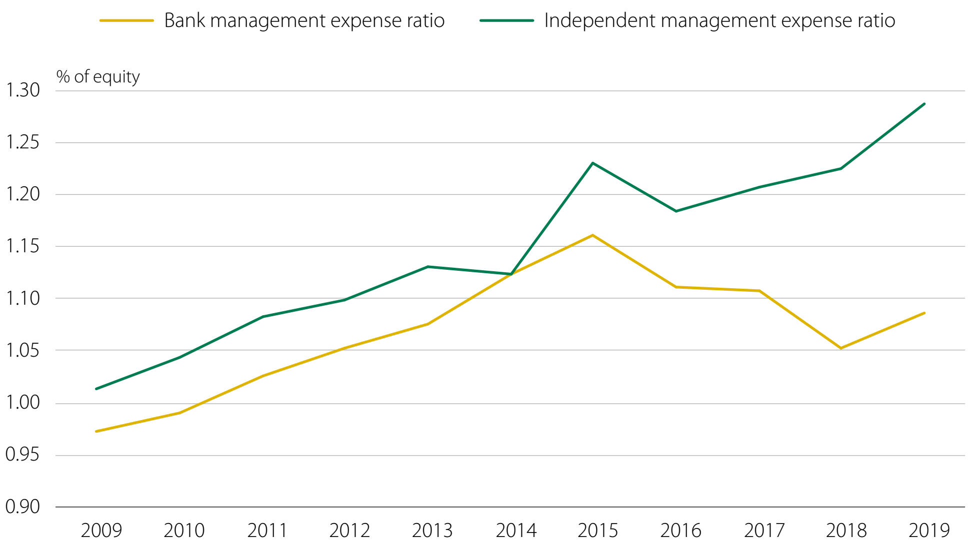


Source: CNMV.

The analysis of costs of CIS managed by management companies belonging to banking groups versus independent managers shows differences that are smaller than in the comparison by type of investor and also less persistent over time. On average, the expense ratio of CIS of managers belonging to banking groups stood at 1.07% compared with 1.15% for CIS managed by independent entities (see Figure 8). However, the apparent lower costs for managers belonging to banking groups is explained by the greater weight of more conservative CIS categories (which also have lower expenses). The breakdown by investment category reveals that managers belonging to banking groups bear higher costs, but this is not always the case, since in some investment categories – mainly mixed funds – and in some years, the opposite is true.

Weighted average expense ratio by type of manager

FIGURE 8



Source: CNMV.

4.3 A comparison with the ESMA study

As mentioned above, this study came about as a result of a report published by ESMA in 2019, which assessed the performance and costs of EU investment funds in 2017 and for the average of the last 3, 7 and 10 years. This report was recently updated with data from 2018. To do this, UCITS funds data from the Lipper commercial database were used. The ESMA study may have limitations of three types:

i) **Coverage of the sample**. The ESMA study is based, as indicated, on UCITS data provided by a commercial database, which covered 67% of assets in 2017 and 74% in 2018. The CNMV study, however, is based on all Spanish CIS (UCITS and non-UCITS).

ii) **Methodology**. There are specific differences in the way certain figures are calculated, notably the method for annualising returns, the use of assumptions to allocate expenses when TER is not available, or the distortion caused by disparities in the data available in the ESMA study. Among these methodological differences, the most significant relates to the method of annualising returns: ESMA uses year-on-year returns with a quarterly frequency, which it averages in a certain way to produce a figure for the whole year (or the period considered), whereas the calculations made by the CNMV are more direct, since they do not require any assumptions: the returns are calculated as the variation in NAV at the beginning and end of the year and the expense ratio is calculated taking the expenses actually accrued by the CIS for the whole year. ESMA smooths out the returns offered by a given category of funds by incorporating into the calculation of the one-year return the returns obtained from March of the previous year. By proceeding in this way, calculation periods for returns overlap and information on moments that do not correspond to the calculation reference period is incorporated. Therefore, this approach creates some confusion since: i) it does not allow the performance of funds to be compared with any market benchmark, ii) it does not allow investors in funds to compare the performance of their fund with the figure published by ESMA, and iii) appropriate comparisons cannot be made with the calculations made by the CNMV.

iii) **Data quality**. The quality of the data of the commercial database is unknown, as is that of the controls and debugging carried out by ESMA.

There is one last factor that impedes comparisons among countries. This relates partly to the methodology and partly to the fund distribution models used in each country and consequently to how marketing costs are charged to unitholders. In some countries these costs are explicit and are paid by the unitholder on acquiring the fund units, while in others, such as Spain,[13] these costs are implicit, so that the distributor receives the payment from the management company which passes it on to the unitholder in the form of higher management fees. Therefore, a reasonable comparison between countries should subtract these marketing costs for

13 This is also the case in Italy, Finland, Greece, Norway and Slovenia. Other jurisdictions also have explicit entry fees (Austria and Portugal) and some have introduced bans on incentive setting (United Kingdom, Netherlands and Finland).

countries where they are implicit. In Spain, this would imply a significant decrease in costs, since the average retrocession rate for management fees to distributors stood at 50% in mid-2019. It is not known whether ESMA has information on marketing costs for those economies in which they are explicit, although it seems unlikely.

With all the limitations described above, the performance and cost estimates made by ESMA are presented in the rest of this section, together with the calculations made by the CNMV. According to ESMA calculations, Spanish CIS present, in general terms, levels of returns and costs that are both lower than the European average. However, this does not occur in all investment categories or periods and the following distinctions are made by investment category:

– **Equity**. Spanish CIS show lower returns and higher costs than the EU average for all the periods considered. Consequently, the net return is also always lower.

– **Fixed income**. Spanish fixed income CIS have both lower returns and lower average costs than those of the EU in all the periods analysed except in 2018, when the gross return was less negative. In net terms, the balance is uneven among periods, the most recent being more favourable for Spanish CIS.

– **Mixed**. The trend marked by these funds is similar to that of fixed income funds: gross returns are lower than the EU average for longer terms and somewhat higher in shorter-dated periods, while costs are always lower. The net return is lower for longer terms and somewhat higher in the shorter ones (3 and 1 year).

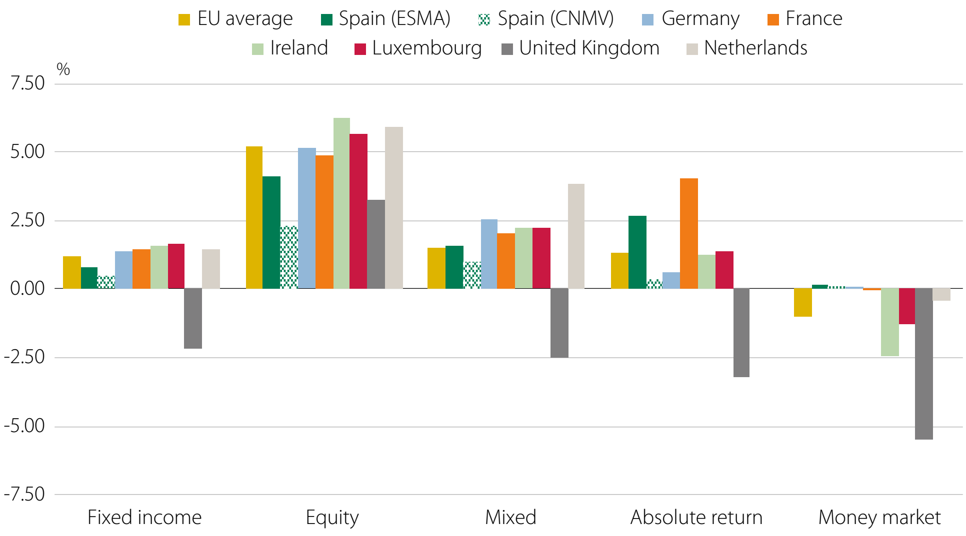
– **Money market**. In contrast, these funds have higher average returns and costs than EU money market CIS. In net terms, the balance is also more favourable for Spanish CIS.

– **Absolute return**. These CIS have a higher return than the EU average, but the balance in terms of costs is not conclusive, as it varies according to the period considered. In relation to net return, Spanish CIS show higher figures in all the periods considered.

Figures 9, 10 and 11 present ESMA's estimate for the gross returns, costs and net returns for the EU average and for several countries in the area, together with the CNMV's calculations for Spain, all of which refer to the period 2016-2018. As seen in Figure 9, which shows the estimated gross return, the levels calculated by the CNMV for Spanish CIS in the period are lower than those established by ESMA in all categories, the biggest difference being in the absolute return (2.3 pp) and equity (1.8 pp) categories, and the smallest in the fixed income category (0.29 pp). However, the aforementioned difficulties in comparing these figures must be considered.

Gross return in 2016-2018

FIGURE 9

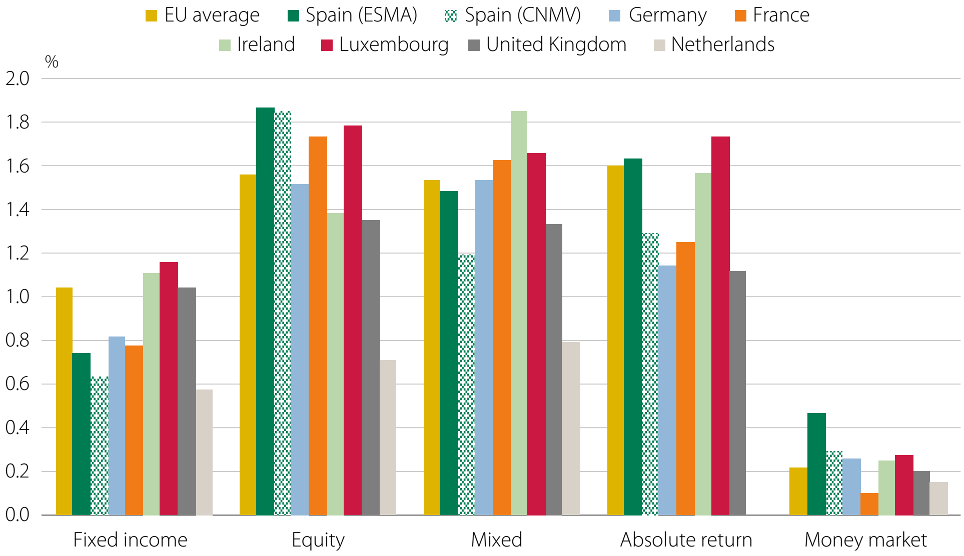


Source: ESMA and CNMV.

The comparison with other EU countries reveals that Spanish CIS (according to ESMA calculations) obtained lower returns than those of the main jurisdictions in most investment categories for the period 2016-2018. The largest differences are observed in equity funds and mixed funds, reaching close to 2 pp in some cases, while they are somewhat smaller for fixed income funds. In the case of absolute return funds there is a great deal of disparity between countries, and in the case of money market funds the performance of Spanish CIS is better than that of all the countries covered, although it should be noted that this investment category is not significant in terms of assets. The poor performance of UK CIS in all categories should also be noted, posting the lowest values of all countries in the sample and negative figures in all investment categories, with the sole exception of pure equity funds.

Regarding expenses (Figure 10), the estimates made by the CNMV also place the costs of Spanish CIS at lower than those calculated by ESMA for all investment categories. The biggest differences are observed in absolute return CIS (-0.34 pp) and mixed CIS (-0.30 pp) and the smallest in equity funds (-0.02). In relation to the average costs calculated for the EU, Spanish CIS have higher costs than the European average for equity and money market funds, and lower costs for fixed income, mixed and absolute return CIS. In these last three categories, the difference in costs compared with the EU is significant: standing at 0.40 pp for fixed income (1.04% EU average compared with 0.64% for the Spanish CIS), 0.35 pp for mixed funds (1.56% vs. 1.19%) and in 0.30 pp for absolute funds (1.6% vs. 1.3%).

Expense ratio in 2016-2018 FIGURE 10



Source: ESMA and CNMV.

The comparison with other economies reveals relatively harmonised behaviour in the sense that the investment categories in which Spanish CIS show higher costs than the EU average also do so in all (or most) of the jurisdictions considered. The opposite is also true – in the investment categories where Spanish CIS have lower costs than the EU average, these costs are also lower in most countries. The only category in which this pattern is not observed is absolute return funds, where, as we have already seen in terms of return, the trends marked by AR funds are very uneven between countries.

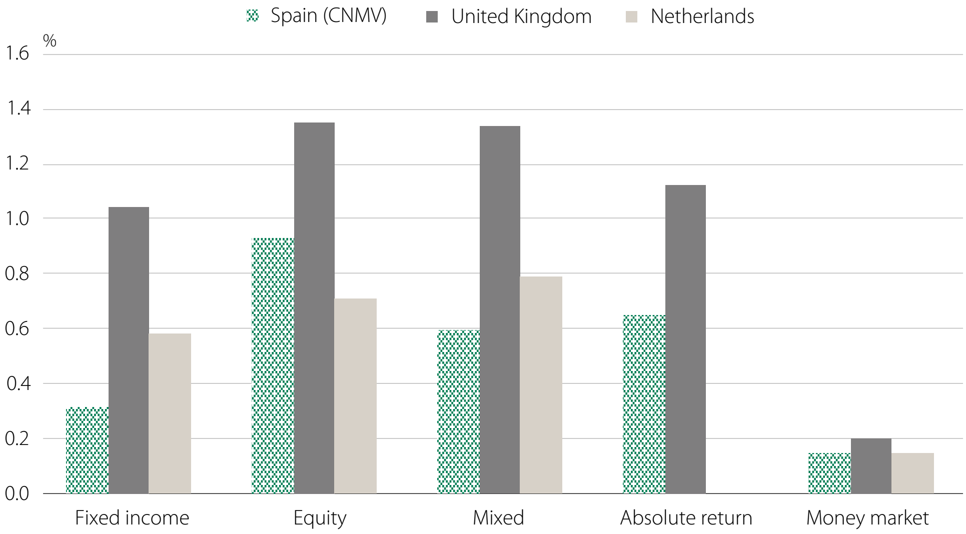
As seen above, when making comparisons between the costs borne by CIS investors in different jurisdictions, it should be noted that in Spain, as in other European countries, distributors are habitually remunerated through payment from managers of a significant percentage of their management fees, as a result of which these are generally higher. In the ESMA study, the management fee is factored in, but not the fees paid directly by the investor to the distributor (since these are not borne by the fund), therefore, countries where the distributor is explicitly remunerated by the investor appear in the study to have lower costs for the investor.

Figure 11 shows an estimate of the costs of Spanish CIS discounting estimated marketing costs, which would make these figures comparable with those of countries such as the United Kingdom or the Netherlands where these expenses are paid explicitly. To do this, the average percentage of management fees as a part of total expenses (87.2%) was calculated and it is assumed that this ratio, as well as the average retrocession calculated for the period 2016-2018 (57.2%), is a standard rate for all investment categories.[14] Adjusting the management fees borne by Spanish CIS for this amount, those that were already more competitive (fixed income and mixed funds) would become even more so, while CIS that appeared to have higher costs,

14 In June 2019 this percentage was close to 50%.

such as equity funds, would have lower costs compared to those of most countries, except the Netherlands.

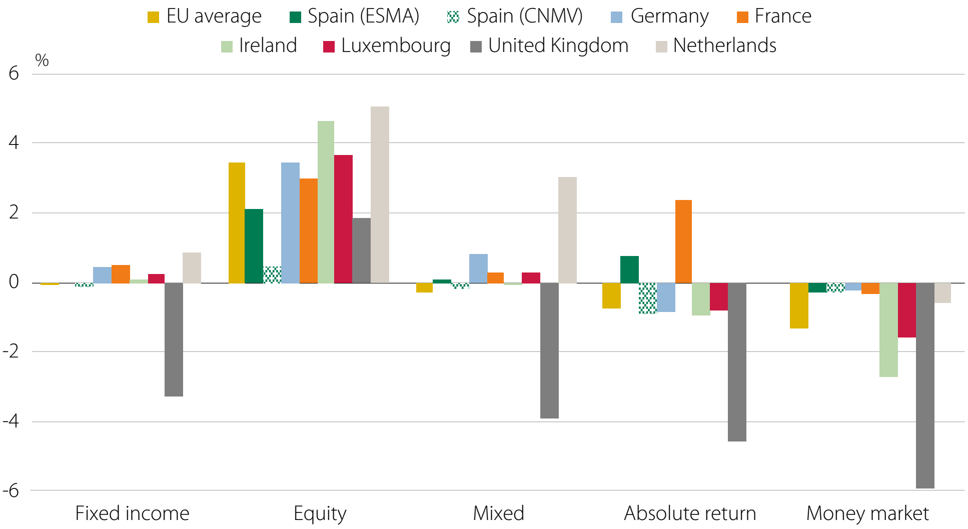
Adjusted expense ratio in 2016-2018 FIGURE 11



Source: ESMA and CNMV.

In terms of net returns, the most significant differences between Spanish CIS and those of the rest of the EU are observed in the equity category, since having lower gross returns and higher costs means that, in net terms, the performance of these institutions is 3 pp lower than the EU average and also lower than that of all the countries in the sample. In contrast, in the money market funds category, the performance of Spanish CIS is less negative compared to the EU as a whole, and some countries have very negative returns (United Kingdom, Ireland and Luxembourg). In the remaining three categories (fixed income, mixed and absolute return), the net return of Spanish CIS is not very different from the EU average since, in general terms, the lower costs of Spanish funds tend to offset their lower gross return. It should be noted that the net returns of the funds in these three investment categories were negative between 2016 and 2018.

Net return in 2016-2018 FIGURE 12



Source: ESMA and CNMV.

5 Conclusions

This report presents the most significant findings of a study carried out by the CNMV to quantify the returns and expenses of Spanish CIS over a substantial period, from 2009 to 2019. To this end, these institutions were segmented into different investment categories and we also evaluated the differences between the CIS that are mainly marketed to retail investors and those mainly marketed to institutional investors, as well as the differences observed between CIS of managers belonging to a banking group and those of managers that can be considered independent. The rationale for the study stems from the publication in 2019 of an ESMA study that assesses the same indicators for UCITS at a European level, in which specific figures were published for each jurisdiction and different periods. From the point of view of the authors of this article, the aforementioned study presents several limitations, and this prompted us to publish a more precise and comprehensive analysis. In addition to the limitations deriving from the use of information from a commercial database, which does not always have the desired level of quality, two other limitations were identified that could distort the calculation of some indicators (especially returns) or impede comparisons of figures between countries (due to differences in how the costs of marketing the funds are charged).

The results of the study of Spanish CIS carried out by the CNMV, which has high quality information and includes all CIS, reveals that the performance of fixed income institutions evolved in line with market benchmarks over the years of the study and for equity institutions the average return was higher than several benchmarks. Money market CIS tracked the trend in short-term interest rates in the euro area, peaking in 2102 at 2.8% and ending the study period at 0.24%, so avoiding the current context of negative interest rates (average of 1.07%). A similar trend, albeit with higher values, can be seen in fixed income funds, which recorded highs (above 5%) in the period of the sovereign debt crisis and which, after a negative performance in 2018, achieved a return of 2.5% in the last year of the study (average 2.4%). On the other hand, the pure equity categories presented higher average returns (13.2% in international equity and 9.5% in euro equity), evidencing higher variability due to their nature.

The analysis of net returns of institutional and retail funds produced relatively uniform results during the period analysed and among investment categories. Overall, CIS held by institutional investors outperformed those held by retail investors in most periods. However, the performance of the former was more variable, offering higher returns than retail CIS in periods of market gains and lower returns during falls. An analysis of the net returns of CIS by type of manager reveals that results obtained by independent managers were higher than those of managers belonging to banking groups on average (4.3% vs. 2.8%), mainly associated with a better performance by the equity investment categories or those with a high proportion of equities. The performance obtained by managers belonging to commercial banking groups was very similar to that of managers belonging to banking groups as a whole. However, a specific analysis of managers belonging to non-commercial banking groups evidenced higher returns than those obtained by other managers in most of the investment categories, although their weight in the total management companies belonging to banking groups is low.[15]

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

According to ESMA calculations, Spanish CIS present, in general terms, levels of performance and costs that are lower than the European average. However, according to that study this is not the case in all investment categories and for all periods. This can be observed especially in fixed income and mixed funds while equity funds, in addition to showing lower returns, have higher costs. The calculations made by CNMV place returns and costs of Spanish CIS below the estimates made by ESMA. These comparisons must be viewed with great caution, in terms of both performance and cost, taking into account the methodological and data limitations

15 Although it should be noted, as previously indicated, that this better performance is due exclusively to one entity, without which the net returns of this group of entities would be less than that of the independent managers as well as that of those belonging to commercial bank groups.

mentioned above. In relation to returns, the methodology used by ESMA is different from that used in this study since ESMA seeks to smooth out the time series in a way that impedes not only this comparison, but also those that use market benchmarks. As regards costs, the ESMA study does not distinguish between jurisdictions in which marketing costs are included in management fees and those in which they are explicit for the investor, as a result of which the former, Spain and Italy among them, show a systematic upward bias in the estimated cost ratio.

With these considerations, the gross return of Spanish CIS, which was already lower than the European average according to ESMA calculations, becomes somewhat lower, especially in the equity and absolute return categories. The CNMV's calculations place average costs for Spanish CIS lower than ESMA's estimates for Spain and below the average of EU countries, with the exception of equity funds, where costs are still notably higher. In the analysis of net returns, which is the return that the unitholder actually receives, we can see that Spanish equity CIS had the worst relative performance (due to their poor returns and high costs), while in the fixed income, mixed and absolute return categories figures are practically in line with the EU average for the period 2016-2018. If the costs of Spanish CIS were adjusted downwards for the portion of marketing costs not taken into account in other jurisdictions, the more competitive Spanish CIS would be even more so, while costs on equity CIS would be at the same level as or lower than those of all other EU jurisdictions except the Netherlands.

Detailed analysis of returns and costs

A. Analysis of returns

A.1 Comparative analysis with respect to the market: return obtained by each investment category vs its benchmark assets

In order to analyse the trends in returns (gross)[16] obtained by the CIS studied over the period, reference assets or indices were used to compare them with market returns. Funds in a given investment category may not track or outperform the benchmark, since portfolios may be composed of different assets which, while having a similar nature, may perform different ways for many reasons. Nonetheless, these benchmarks are useful as points of reference for comparing both the performance of the category and that of its components. The following table shows the benchmarks used for each investment category:

Description of the study sample TABLE A.1

Investment category	Benchmark
Money market	1-year treasury bills Promissory notes of private sector companies maturing in 12 months[1]
Fixed income	Spanish 5-year bond Spanish private sector fixed income with a maturity of 5 years[2]
Euro equity	Ibex 35 Eurostoxx 50
International equity	MSCI World
Mixed fixed income	Eurostoxx 50 Spanish 5-year bond
Mixed equity	Eurostoxx 50 Spanish 5-year bond
Absolute return	Eurostoxx Spanish 5-year bond

Source: CNMV, Thomson Reuters and Thomson Datastream.

1 Return at the time of issuance.

2 Average return calculated based on a sample of representative bonds.

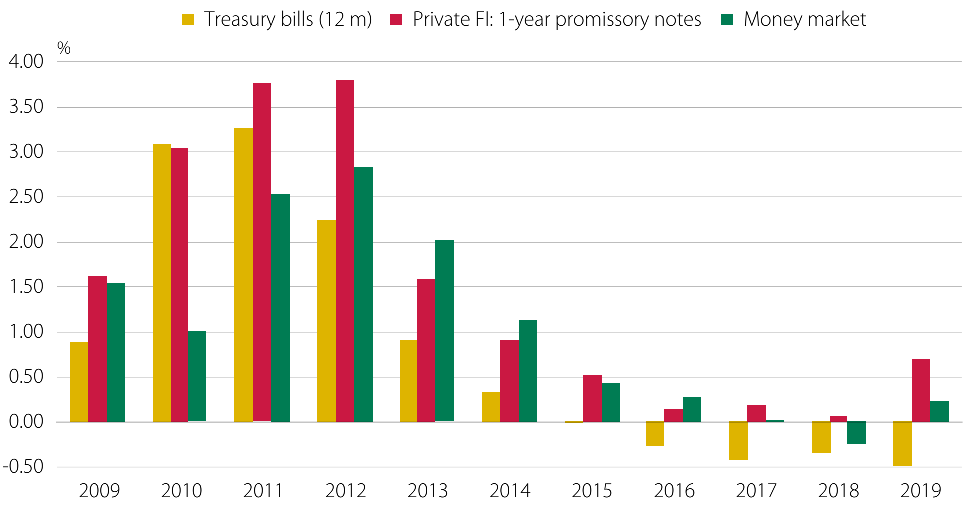
16 The gross return of each investment category is calculated as the net return plus the current expense ratio.

The results of this comparison are shown below.

Money market funds

Trends in gross returns of money market funds during the period were influenced by the decisions of the European Central Bank (ECB), which reflected a move to an ultra-expansive monetary policy following the financial crisis, leading to numerous interest rate cuts and the launch of various debt purchasing programmes. Thus, following repeated cuts,[17] the official interest rate, which started the study period at 2.5%, reached 0% in early 2016. Likewise, the ECB's marginal lending facility and deposit facility rates varied from 3% to 0.25% and from 2% to -0.50% respectively. In this context, short-term returns on public and private debt assets declined during the period except in the first few years, when significant upticks were seen due to the European sovereign debt crisis. Trends in returns of money market funds were similar to those of short-term debt assets, albeit consistently lower, suggesting the presence of investments with a term of less than 12 months.

Trends in returns:[1] Money market FIGURE A.1



Source: CNMV and Thomson Datastream.

1 Gross return.

The decline in returns on these funds was such that, in net terms, they have been in negative territory since 2016, making them much less attractive to investors, who saw their equity slashed by nearly two thirds (from €12,586 million in 2009 to €3,787 million in 2019).

Fixed income

In the case of fixed income schemes, the interest rate context of the period analysed is marked, in general terms, by two stages: the first (2010-2012) was influenced by

17 Except in 2011, when they increased twofold.

the European sovereign debt crisis, with significant increases in returns on debt assets, and the second, from 2013 onwards, by economic expansion, the above mentioned ultra-expansive policy adopted by the ECB and falling inflation, which pushed long-term interest rates down to low record levels. For Spanish fixed income, the yield on the 10-year sovereign bond went from 3.9% at the beginning of the period to 0.45% in 2019,[18] peaking at 6.8% in mid-2012. In parallel, corporate bonds also saw lower yields from 2008 onwards. According to data prepared by the CNMV based on information obtained from Reuters, returns on long-term private sector fixed income decreased from 6.1% in December 2008 to 0.8% at the end of 2019. The following table shows the performance of Spanish private sector fixed income at 3, 5 and 10 years for the study period.

Return on Spanish private sector medium- and long-term fixed income TABLE A.2

%

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Private fixed income											
3 year	2.60	4.39	5.43	4.19	2.63	0.84	0.66	0.69	0.42	0.65	0.20
5 year	3.65	4.96	5.91	4.66	2.84	1.88	1.95	1.43	0.49	0.50	0.23
10 year	4.46	6.28	8.06	6.79	4.46	2.32	2.40	2.14	1.10	1.53	0.79

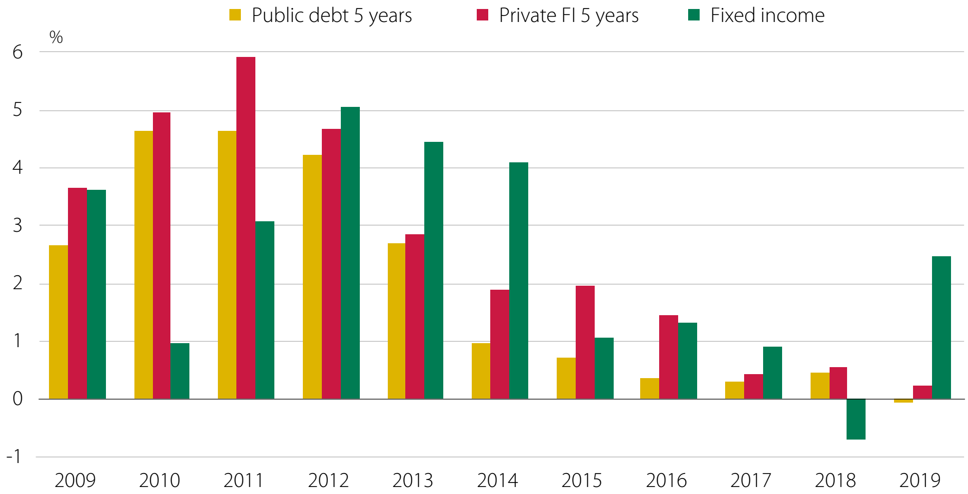
Source: CNMV and Thomson Reuters.

As seen in Figure A.2, the return obtained on fixed income CIS followed the pattern set by returns on debt assets, reaching a high of 5.1% in 2012. From then until 2018, returns on these schemes showed a downward trend, entering negative territory in 2018 (-0.7% in international fixed income and -0.8% in euro fixed income). In 2019, a positive performance of 2.5% was again observed for all CIS in this category.

It should be noted that in 2010 and 2011 some fixed income issuances made by Spanish financial institutions were restructured, causing losses in the CIS that were exposed to them. This restructuring helps explain the deterioration in the performance of these CIS, especially in 2010. In 2018, when fixed income CIS also obtained lower returns compared to the benchmark assets, this difference could be explained by the lower duration of the assets in the CIS portfolio compared to these assets (5 years). Spanish public debt instruments with shorter durations registered negative returns. Lastly, in the final year of the study, the returns obtained on international fixed income CIS (5.7%) boosted overall returns in this category, which outperformed the Spanish benchmark assets.

18 In December 2019, 10-year sovereign debt yields in euro area countries hit record lows, with several economies in negative territory (including Germany, France, Belgium, the Netherlands, and Austria).

Trends in returns:[1] Fixed income FIGURE A.2



Source: CNMV and Thomson Datastream.

1 Gross return.

International equity

Since 2009, the assets of international equity funds and SICAV have increased by 300%, from just under €6 billion to almost €26.5 billion, in a context of significant stock market gains. Gains made by the main international equity indices even exceeded 20% in some years (usually after episodes of crisis or uncertainty) and were negative in only three years (in general terms). Thus, for example, the representative international equity index, MSCI World, presented an average annual gain of 9.7% in the period analysed, with peaks of 27%, 24% and 25% in 2009, 2013 and 2019 respectively. These high returns (see Table A.3), which were greater than those of Spanish equities in a context of declining interest rates, fuelled the interest of Spanish investors in these external references.

The beginning of the series coincides with the start of the recovery of activity on a global scale, which is why there were high rates of growth in the prices of the main stock exchanges. This is reflected in the returns obtained by Spanish CIS that invest in this asset class, for example 42.7% in 2009 and 24.5% in 2013 compared with 27% and 24% respectively for the MSCI World index. In 2015, these types of funds and SICAV significantly outperformed the global benchmark, which may be due to their investing more in stocks that performed relatively better, as well as to the appreciation of the dollar against the euro, which provided an extra return for entities with dollar positions.

Returns of the main international stock market indices

TABLE A.3

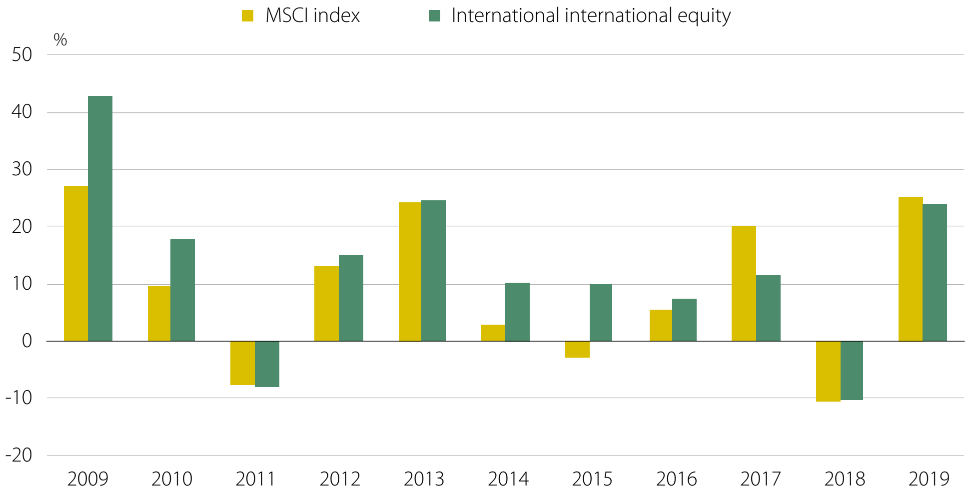
%

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
MSCI World	**27.0**	**9.6**	**-7.6**	**13.2**	**24.1**	**3.0**	**-2.7**	**5.3**	**20.1**	**-10.4**	**25.2**
Euro area											
Eurostoxx 50	21.1	-5.8	-17.1	13.8	17.9	1.2	3.8	0.7	6.5	-14.3	24.8
Euronext 100	25.5	1.0	-14.2	14.8	19.0	3.6	8.0	3.0	10.6	-11.2	24.9
DAX 30	23.8	16.1	-14.7	29.1	25.5	2.7	9.6	6.9	12.5	-18.3	25.5
CAC 40	22.3	-3.3	-17.0	15.2	18.0	-0.5	8.5	4.9	9.3	-11.0	26.4
MIB 30	19.5	-13.2	-25.2	7.8	16.6	0.2	12.7	-10.2	13.6	-16.1	28.3
Ibex 35	29.8	-17.4	-13.1	-4.7	21.4	3.7	-7.2	-2.0	7.4	-15.0	11.8
United Kingdom											
FTSE 100	22.1	9.0	-5.6	5.8	14.4	-2.7	-4.9	14.4	7.6	-12.5	12.1
USA											
Dow Jones	18.8	11.0	5.5	7.3	26.5	7.5	-2.2	13.4	25.1	-5.6	22.3
S&P 500	23.5	12.8	0.0	13.4	29.6	11.4	-0.7	9.5	19.4	-6.2	28.9
Nasdaq-Cpte	43.9	16.9	-1.8	15.9	38.3	13.4	5.7	7.5	28.2	-3.9	35.2
Japan											
Nikkei 225	19.0	-3.0	-17.3	22.9	56.7	7.1	9.1	0.4	19.1	-12.1	18.2
Topix	5.6	-1.0	-18.9	18.0	51.5	8.1	9.9	-1.9	19.7	-17.8	15.2

Source: Thomson Datastream.

Trends in returns:[1] International equity

FIGURE A.3



Source: CNMV.

1 Gross return.

Since 2009, funds and SICAV that invest in international equity have posted negative returns in only two years. In 2011, the gross return of these CIS stood at -7.8% (MSCI index at -7.6%), affected by the bout of turbulence in the euro area triggered by Portugal's request for financial aid and the growing uncertainty surrounding the sustainability of Greek public debt, together with the notable worsening of the global macroeconomic outlook. In 2018, these funds and SICAV posted losses of 10.19%, similar to those of the MSCI index (10.44%), caused by the perception of an economic slowdown of some intensity in the major economies, persistent trade tensions and doubts concerning Brexit. Lastly, for full-year 2019, returns of this type of fund and SICAV (24.1%) replicated the increases marked by the main global stock market indices (MSCI index +25.2%). Annual returns of international equity CIS in the study period averaged 13.2%, outpacing the 9.7% posted by the MSCI.

We estimate that on average during the period 43% of the CIS in this category (which account for 49% of total assets) outperformed the MSCI benchmark. Factoring in the effect of dividends,[19] which are received by the CIS but not included in the benchmark index, these percentages would still be high, albeit less so (30% of GE CIS, accounting for 38% of total assets).

Euro equity

The Ibex 35 underperformed the rest of the European benchmark indices in the study period. It ended 2008 at 9,125 points and 11 years later, on 31 December 2019, it stood at 9,549 points, representing an increase of just 3.8%, which contrasts with the gains marked by other indices such as the German DAX 30 (175%) and the French CAC 40 (86%). One of the factors underlying this is the difference in the composition of the indices, with the banking sector weighing heavily in the Spanish index, which was therefore affected more by falls in banks' share prices, and also by domestic uncertainties.

Analysing the movements in the Spanish index year by year, we can see that the largest gains occurred in 2008 and 2013 following crisis periods, with increases of 29.8% and 21.4% respectively, in line with movements seen in other financial venues. The European sovereign debt crisis had a particularly harsh impact on the Spanish index, as losses extended until 2012, when the request for financial assistance for the Spanish banking system was filed. Subsequently, the highest losses were recorded in 2018 and were of a similar amount to those of other European indices.

As indicated in the introduction to this section, to be able to compare the gross return of this category of CIS, we calculated a benchmark index as the average of the returns of the Ibex 35 and the Eurostoxx 50 weighted by the equity instruments included in the domestic and foreign portfolios of these institutions. The following table shows the composition of these portfolios in the past 10 years.

19 For this analysis, an equal weight dividend yield was calculated for four benchmark international equity indices pertaining to the United States, United Kingdom, euro area and Japan.

Euro equity IF and SICAV
Financial investment portfolio: Own equity instruments

TABLE A.4

%

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019[1]
Total portfolio	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Domestic portfolio	54.2	50.1	45.8	45.0	50.1	73.9	66.2	65.2	61.5	61.9	62.2
Foreign portfolio	45.8	49.8	54.1	54.9	49.8	26.0	33.7	34.7	38.4	38.0	37.8

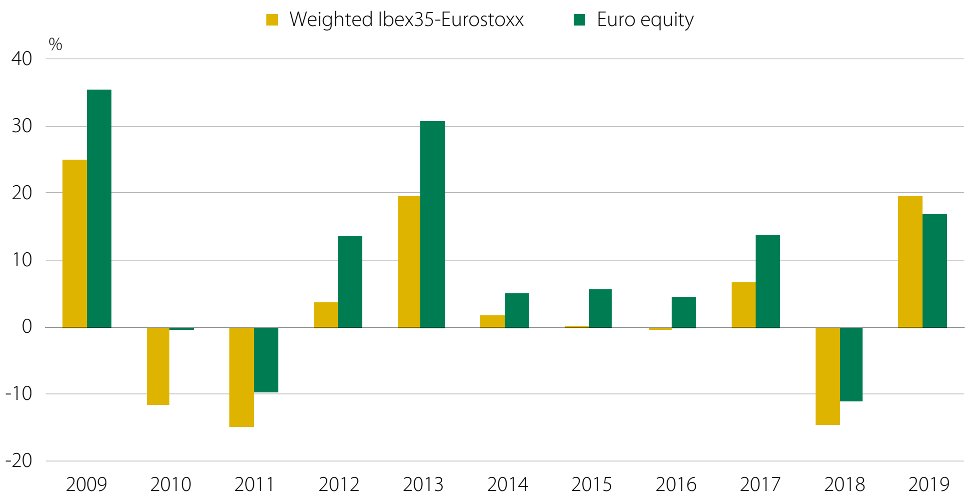
Source: CNMV.

1 Data corresponding to the third quarter of the year.

As seen in Figure A.4, trends in returns of this investment category are closely correlated with those of the benchmark throughout the period, although it outperformed the latter in every year of the study period. Thus, in times of rising stock markets, these schemes showed higher gains than the market average (more than 30% higher in 2009 and 2013), while in falling markets the losses were lower (see 2010, 2011 and 2018). On average over the period considered, the annual return of this investment category was 9.5%, compared with 3.2% for the benchmark, which suggests a selection of Spanish and other European securities that posted higher gains than the average of the indices. This extra return can also be partly explained by the dividends received by the fund, the effect of which is not included in the benchmark calculation methodology. The percentage of euro equity CIS with returns in excess of this benchmark, which is estimated at 63% of the total number of CIS for this category (and 73% of assets), falls to 35% (and 43% of assets) when the dividend effect is included.

Trends in returns:[1] Euro equity

FIGURE A.4



Source: CNMV and Thomson Datastream.

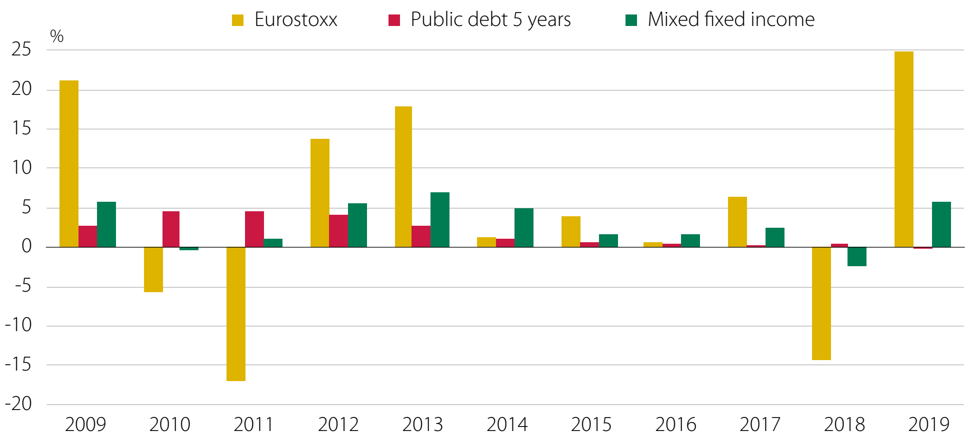
1 Gross return.

Mixed investment categories (fixed income and equity) and absolute return

Trends in returns of mixed CIS were in line with the proportion of fixed income and equity assets in the portfolios and although neither category was able to avoid negative returns in 2018, they once again obtained positive returns in the last year of the study. Mixed fixed income schemes (see Figure A.5) posted returns in a narrower band than those of mixed equity funds, ranging from -2.4% in 2018 to 7% in 2013, since the greater weight of debt assets tends to stabilise returns on their portfolios. They posted a negative performance of any significance (-2.4%) in only one year, 2018, as in 2010 it was only -0.3%. On average these institutions recorded an annual return of 3.0%. Mixed fixed income schemes, with a higher average return (5.1%), saw returns ranging from -4.6% in 2018 to 11.0% in 2019. Their performance was better in the period as a whole, favoured by the high returns offered by equity assets in most years.

Trends in returns:[1] Mixed fixed income

FIGURE A.5

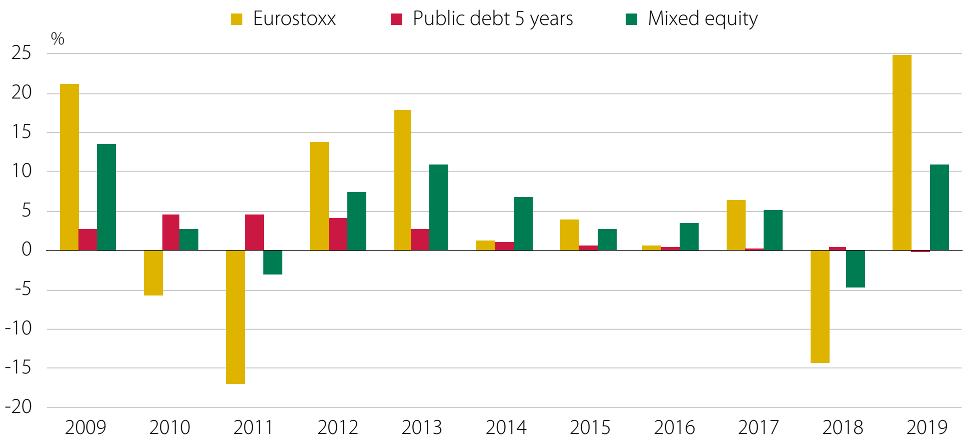


Source: CNMV and Thomson Datastream.

1 Gross return.

Trends in returns:[1] Mixed equity

FIGURE A.6

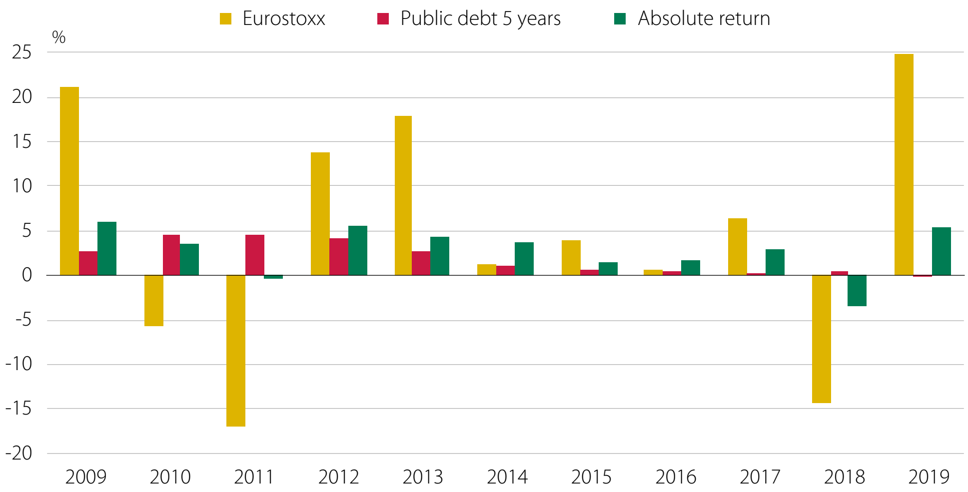


Source: CNMV and Thomson Datastream.

1 Gross return.

Absolute return CIS showed average annual returns of 2.8% in the study period, with a low of -3.4% in 2018 and a high of 6% in 2009. These institutions seek, in general terms, a positive return at an intermediate term, while keeping volatility at relatively low levels. Therefore, they pursue a specific target return (not guaranteed) and also a specific risk target, which explains why returns fluctuate in a relatively narrow range, like those of mixed fixed income funds (see Figure A.7).

Trends in returns:[1] Absolute return FIGURE A.7



Source: CNMV and Thomson Datastream.

1 Gross return.

A.2 Comparative analysis by type of investor: Returns obtained by CIS marketed to institutional investors compared to retail investors

The analysis of net returns of CIS by type of investor they are sold to shows relatively even results over the study period and among investment categories. In general terms, the calculations indicate that CIS held by institutional investors obtain higher net returns in boom years and also sustain higher losses when markets show negative returns. However, this is not the case in every year, and hence, on an average annual basis, the returns of the two groups are not greatly different (0.5 pp in favour of those held by institutional investors).

Net return by type of investor

TABLE A.5

%

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Institutional sector	**6.8**	**1.7**	**-1.8**	**5.6**	**8.3**	**4.7**	**2.3**	**2.3**	**4.0**	**-6.0**	**9.8**
Money market	1.2	0.5	2.4	2.6	1.7	0.8	0.1	0.0	-0.2	-0.4	0.1
Fixed income	2.4	0.8	2.0	3.4	2.7	2.2	0.3	0.8	0.2	-1.0	1.6
Mixed fixed income	6.1	-1.0	-0.1	6.7	6.0	5.1	1.2	1.0	0.9	-4.5	4.6
Mixed equity	10.0	2.3	-3.5	6.3	10.3	6.0	3.0	3.1	5.2	-7.6	12.0
Euro equity	17.8	-9.5	-8.6	14.7	30.3	4.3	9.5	7.3	12.6	-13.2	18.5
International equity	-	3.0	-4.6	13.7	22.7	3.2	9.9	6.8	11.7	-11.6	23.9
Absolute return	1.6	1.1	-2.2	3.6	4.5	3.5	1.3	-0.7	2.3	-3.9	2.5
Retail sector	**7.5**	**0.9**	**-0.3**	**5.3**	**7.4**	**4.1**	**1.1**	**1.2**	**2.8**	**-4.6**	**7.5**
Money market	1.1	0.4	1.8	2.1	1.3	0.4	0.0	-0.1	-0.3	-0.6	0.0
Fixed income	3.0	0.2	2.3	4.3	3.7	3.4	0.3	0.5	0.2	-1.3	2.0
Mixed fixed income	4.5	-1.5	-0.2	4.3	5.6	3.4	0.2	0.3	1.4	-3.3	4.7
Mixed equity	19.1	0.5	-5.6	6.9	9.4	5.6	0.5	1.6	3.4	-4.8	8.6
Euro equity	33.7	-1.8	-11.9	11.4	28.8	3.0	3.0	1.9	11.8	-12.4	13.0
International equity	40.7	15.8	-10.0	12.8	22.6	8.5	7.9	5.3	9.3	-12.1	21.9
Absolute return	4.8	2.4	-1.8	4.2	2.9	2.2	0.2	0.6	1.5	-5.0	4.4

Source: CNMV.

The breakdown of returns by investment category and type of investor reveals some interesting patterns. The pattern observed for money market CIS is relatively stable over the time considered and the funds marketed to the institutional sector show slightly higher returns than those marketed to retail CIS. The difference is greater in the years of the sovereign debt crisis, when the returns on CIS sold to the institutional sector reached highs of 2.4% and 2.6% in 2011 and 2012 respectively, compared with 1.8% and 2.1% for the retail sector. This difference (0.5 to 0.6 pp) was reduced in subsequent years to values below 0.2 pp.

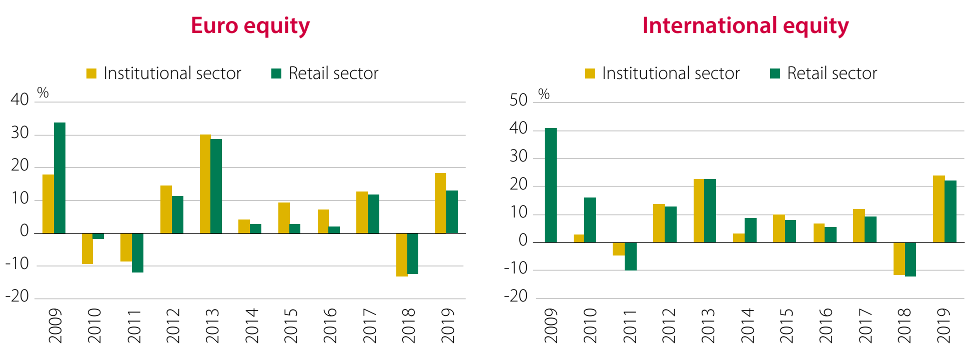
Conversely, in the fixed income categories, returns over the study period were generally higher in the retail sector. This was the case in every year except for 2010 and 2016, in which institutional CIS performed better (0.8% vs. 0.2% in 2010 and 0.8% vs. 0.6% in 2016). The largest differences (close to 1 pp) occurred in 2013 and 2014, at the beginning of the downward trend in interest rates. In recent years, the returns of these institutions, as well as the differences between the institutional and retail segments, have decreased significantly. In addition, it should be noted that both ended in negative territory in 2018 (see Figure A.8).

Net return of FI CIS by type of investor FIGURE A.8

Source: CNMV.

In the pure equity categories we can see that on average over the period considered the performance of CIS held by institutional investors was slightly better than that of CIS held by retail investors. This was not observed in the first years of the sample, in which the lack of information, as explained in the section on the methodology of the study, meant that many of the CIS in these investment categories were classified by default as retail. In subsequent years, however, the performance of institutional CIS was, generally speaking, better than that of CIS held by retail investors, gaining more in rising markets and losing less in falling ones (see Figure A.9). Average returns obtained by both types in the international equity investment category for the period 2012-2019 reached values close to 10%. In euro equity CIS this figure is significantly higher in the institutional sector (10.5%) than in the retail sector (7.6%), mainly due to the higher returns achieved by the former in 2015 and 2016 (9% vs. 3% and 7% vs. 2% respectively).

Net return of equity CIS by type of investor FIGURE A.9

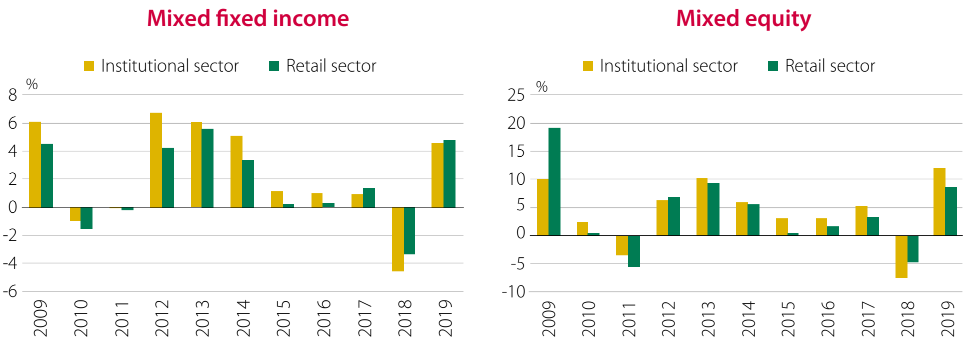


Source: CNMV.

With the exception of specific moments in the study period, the returns obtained in the mixed CIS categories were higher in the institutional sector. In the case of mixed equity CIS (see right-hand panel of Figure A.10), the returns of institutional funds were higher than those of retail funds in all years except the following: 2009, when it was 10.0% for the institutional sector and 19.1% for the retail sector; 2012, when it was 6.3% for the institutional sector and 6.9% for the retail sector, and 2018, with -7.5% for the institutional sector and -4.8% for the retail sector. In the rest of the period the average difference was between 0.3 pp and 3.3 pp (the last figure corresponds to 2019: 8.6% compared with 12.0%).

In the mixed fixed income category, the difference between the returns achieved by both types of CIS was more stable, in favour of institutional CIS in the first years of analysis and higher in retail CIS over the last three years of the study. The highest return was achieved in the years 2012 to 2014 (as in the fixed income category), with values above 6% in the institutional sector and 5% in the retail sector. The greatest difference between the two was recorded in 2012, when the retail sector in this investment category obtained a return of 4.2% compared with 6.7% for the institutional sector. The return obtained by institutional CIS was lower only in the last three years of analysis (2017-2019), and the greatest difference was in 2018 (-4.5% vs. -3.3%) (see left-hand panel of Figure A.10).

Net returns of mixed CIS by type of investor FIGURE A.10



Source: CNMV.

Lastly, absolute return funds showed very similar annual average returns for both types of CIS. These institutions, which have a specific return target (not guaranteed), posted an average return of 1.2% for institutional and 1.5% for retail CIS. Although their performance fluctuated within a relatively narrow range over the period, they were affected by the generalised losses in 2018 (the retail sector suffered losses of 5.0%, more than the institutional sector's 3.9%) and by the positive results obtained in 2019 (the retail sector obtained a return of 4.4%, higher than the 2.5% of the institutional sector).

A.3 Comparative analysis by CISMC: Returns obtained by CIS managed by CISMC belonging to banking and non-banking groups

An analysis of the net returns of CIS by type of manager reveals that results obtained by independent managers were higher than those of managers belonging to banking groups on average (4.3% vs. 2.8%), mainly associated with a better performance by the equity investment categories or those with a high proportion of equities. In these investment categories, the difference in return in some years was close to or greater than 10 pp. In fixed income investment categories, these differences were not so pronounced. The average for the period was very close to zero. Table A.6 details the returns obtained by investment category and type of manager during the 11 years of the study.

Net return by type of CISMC TABLE A.6

%

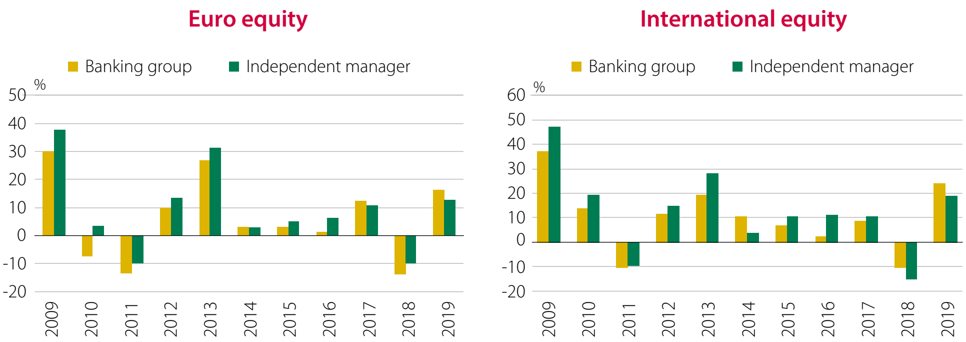
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Banking group	**6.4**	**0.7**	**-0.3**	**5.0**	**6.6**	**4.3**	**1.1**	**1.1**	**2.7**	**-4.6**	**7.7**
Money market	1.1	0.4	1.9	2.3	1.4	0.5	0.0	0.0	-0.3	-0.5	0.0
Fixed income	3.0	0.2	2.4	4.2	3.6	3.4	0.3	0.5	0.1	-1.2	1.8
Mixed fixed income	4.4	-1.4	-0.2	4.4	5.7	3.6	0.2	0.3	1.2	-3.4	4.6
Mixed equity	12.1	1.7	-3.9	6.2	9.3	5.8	1.4	2.0	3.8	-5.6	9.4
Euro equity	30.0	-7.5	-13.4	9.9	26.8	3.2	3.1	1.1	12.6	-13.7	16.1
International equity	37.1	14.0	-10.3	11.7	19.3	10.6	7.0	2.3	8.9	-10.3	24.0
Absolute return	3.2	2.2	-1.3	4.2	2.3	1.9	-0.1	0.5	1.3	-4.6	4.4
Non-banking group	**9.7**	**2.1**	**-1.9**	**6.6**	**12.3**	**3.7**	**3.1**	**3.6**	**4.9**	**-7.0**	**10.0**
Money market	1.3	0.5	1.9	2.0	1.4	0.6	0.1	0.0	-0.2	-0.4	-0.5
Fixed income	2.8	0.5	1.8	4.1	3.5	2.7	0.4	0.9	0.7	-1.6	2.1
Mixed fixed income	5.0	-1.9	-0.4	3.9	5.5	2.8	0.8	0.8	2.0	-3.9	5.1
Mixed equity	14.3	2.2	-4.9	7.6	13.9	5.8	3.7	4.0	5.9	-8.0	12.5
Euro equity	37.7	3.6	-10.0	13.5	31.3	2.9	5.0	6.5	10.9	-10.0	12.7
International equity	47.2	19.2	-9.6	14.8	28.0	4.0	10.4	11.4	10.6	-15.0	19.0
Absolute return	8.7	2.7	-2.7	4.1	4.8	3.5	2.0	0.9	3.2	-5.4	3.2

Source: CNMV.

By investment categories, the greatest differences in returns are found in the categories in which non-banking managers have a greater weight in total assets managed (euro equity and international equity, with an average of 40% of the total over the period). Thus, in the initial years of the study, in which assets managed by independent managers were close to 50% in euro equity (out of a total of €6.36 billion in 2009 and €5.45 billion in 2010), the return obtained exceeded that made by banking group managers by 7 pp in 2009 (37% vs. 30%) and by 11 pp in 2010 (3.6% vs. -7.5%). The same trend is observed in the international equity category, where assets managed by non-banking CISMC represented between 35% and 40% of the total[20] and the returns exceeded those of managers belonging to banking groups by 10 pp in 2009 (47% vs. 37%) and 5 pp in 2010 (19% vs. 14%). The independent managers performed better in subsequent years (2014, 2018 and 2019 were the only exceptions) and this difference was significant in 2013 and 2016 (see Figure A.11). On average, the returns obtained by independent managers was 3 pp higher than those of managers belonging to banking groups in the case of euro equity and 2 pp in the case of international equity.

20 Out of a total of €5,899 million in 2009 and €8,024 million in 2010.

Net returns of equity CIS by type of manager FIGURE A.11



Source: CNMV.

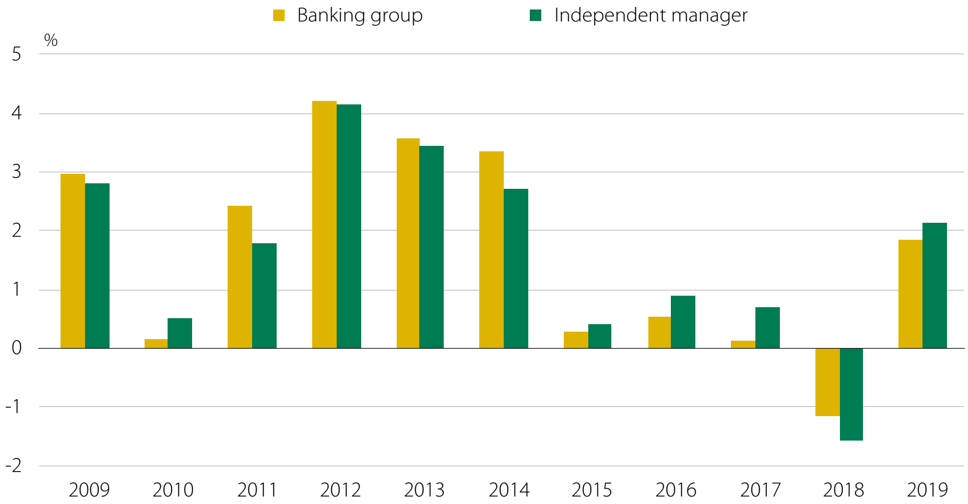
The breakdown of money market CIS by type of manager also reflects higher gains in the entire period analysed for those marketed by managers that do not belong to banking groups. Before the decline in returns on debt assets seen in recent years, money market funds sold by independent managers obtained returns of 2.02% (2012), compared with 2.27% for those belonging to managers forming part of banking groups. From 2016,[21] returns of these funds entered negative ground, with those of independent managers continuing to perform somewhat better, with the exception of 2019 when managers belonging to banking groups obtained higher returns. On average in the period, both types of managers showed a return of 0.6%.

For the fixed income investment category, the differences over the study period were not uniform, because, depending on the year of the study, the return obtained was higher for one or other group of managers. In the years of the sovereign debt crisis, coinciding with the peaks in returns (except for 2010, when they were conditioned by the valuation adjustments of certain assets), the returns obtained by CIS of managers belonging to banking groups were slightly higher than those obtained by independent managers. In 2016 and 2017, when returns on debt assets decreased significantly due to the low interest rate environment and the ECB's purchasing programme, this trend was reversed. Non-banking group managers achieved returns 0.5 pp and 0.7 pp higher than those of managers belonging to banking groups. During the last two years of the study, returns of fixed income CIS were not immune to the uncertainties in the markets and ended 2018 in negative territory (-1.2% for CIS managed by banking groups and -1.6% for those of independent managers), although they turned positive again in 2019, supported by improved returns on international fixed income (1.8% in CIS managed by banking groups and 2.1% in those of independent managers).

21 In 2019, the net return of managers belonging to banking groups was practically nil, although positive.

Net return of fixed income CIS by type of manager

FIGURE A.12



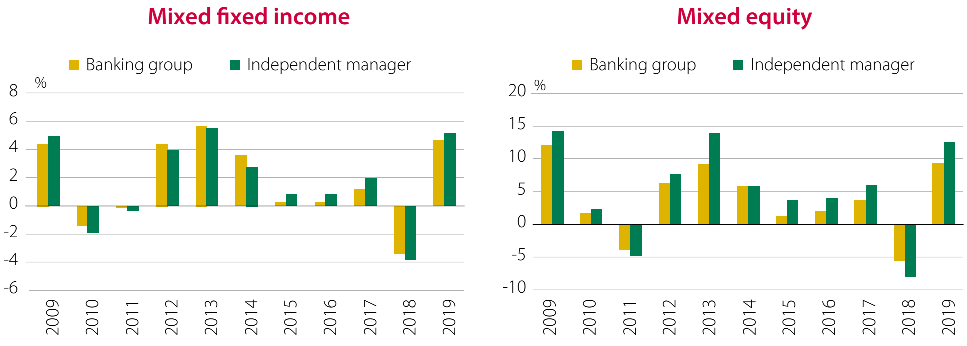
Source: CNMV.

Mixed investment categories behaved similarly to the pure investment categories with the greatest weight in their portfolios. Therefore, mixed equity CIS managed by independent CISMC, as was the case with the euro and international equity categories, obtained higher returns over the period than those of managers belonging to banking groups (see Figure A.13). In years of gains, the average difference in favour of independent managers was 2 pp (the greatest difference in returns occurred in 2013, with 4.6 pp). Conversely, in years in which negative returns were recorded (2011 and 2018), losses were more pronounced in CIS managed by non-banking entities (-5% vs. -4% in 2011 and -8% vs. -6% in 2018). In the last year of analysis, returns obtained by CIS in this category were also favoured by the good results of the global markets, standing at 9.4% for CIS managed by banking groups and 12.5% for those managed by independent managers.

In the mixed fixed income category, as with the fixed income category, the difference between the results achieved by the different types of manager are uneven, with signs changing according to the year of analysis. In the same way as in the fixed income category, in the central years of the study – coinciding with the sovereign debt crisis, in which yields on fixed income were higher – banking group managers achieved better results than independent managers, with differences ranging between 0.2 pp in 2011 and 0.8 pp in 2014 (for returns of -0.2% and -0.4% in 2011 and 3.6% and 2.8% in 2014).

Lastly, for absolute return CIS, the performance obtained by independent managers was significantly better over the period, despite suffering greater losses in the two years in which the category posted negative results (2011 and 2019). The average return for non-banking group managers in this category reached 2.3%, compared with 1.3% for managers belonging to banking groups.

Net returns of mixed CIS by type of manager FIGURE A.13



Source: CNMV.

B. Analysis of expenses

B.1 Comparative analysis of expenses by investment categories

The following table shows, for each of the 11 years analysed, the average expense ratio borne by each of the seven investment categories in which the CIS were classified. This ratio was obtained from the individual expense ratio borne by each class of IF units and by each SICAV, weighted in accordance with the proportion that its assets represent of the total assets of the investment category in that year. The weighted average expense ratio was also calculated for the total of all CIS analysed each year.

Weighted average expense ratio by investment category TABLE B.1

%

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Investment category											
Money market	0.43	0.60	0.60	0.59	0.63	0.59	0.42	0.31	0.29	0.28	0.23
Fixed income	0.69	0.73	0.78	0.84	0.87	0.85	0.78	0.71	0.66	0.54	0.58
Mixed fixed income	1.33	1.23	1.31	1.34	1.39	1.37	1.34	1.26	1.14	1.05	1.04
Mixed equity	0.92	0.92	1.05	1.02	1.03	1.08	1.16	1.22	1.20	1.22	1.79
Euro equity	1.88	1.90	1.92	1.90	1.87	1.93	1.90	1.85	1.78	1.58	1.26
International equity	1.96	2.02	2.17	2.06	1.98	2.00	2.01	2.00	1.97	1.75	1.62
Absolute return	1.22	1.28	1.51	1.43	1.39	1.38	1.30	1.25	1.34	1.29	1.29
Total	**0.98**	**1.00**	**1.04**	**1.06**	**1.09**	**1.12**	**1.17**	**1.12**	**1.12**	**1.08**	**1.12**

Source: CNMV.

As seen in the table above, there are substantial differences in the expense ratios borne by CIS belonging to the various categories, with money market and fixed income funds bearing lower levels of expenses, while in equity funds these are much higher, tripling those of the fixed income categories in 2019. It should be remembered that management fees represent a very high percentage of the total current expense ratio – generally between 80% and 90% –, therefore, the higher expense ratio is explained by the higher management fees borne by the investment categories in which equities have more weight.

The trend of the expense ratio in the study period declined in all investment categories, except for mixed equity and absolute return. This trend may be partly explained by a certain increase in competition among banks in recent years and the environment of low interest rates, which has put downward pressure on fees charged by funds that mainly invest in fixed income. The money market category registered the largest decrease in expenses in relative terms (46%), followed by the fixed income and mixed fixed income categories, in which the average level of expenses fell by 16% and 22% respectively between 2009 and 2019. Meanwhile, expenses in the mixed equity investment category increased by 36% in the period.

Although, as we have seen, the expense ratio declined in most investment categories, the weighted average expense ratio of the CIS analysed increased slightly in the period, from 0.98% in 2009 to 1.12% in 2019. This is explained by the redistribution of assets among investment categories during those years in favour of categories with higher associated costs (especially equity), to the detriment of those with lower costs (fixed income). Thus, in 2009, the fixed income and money market categories accounted for 52% of assets, a percentage that fell to 24% of assets in 2019 (see Table 2).

B.2 Comparative analysis of expenses borne by institutional and retail investors

As in the section on returns, a comparative analysis was made of the average expense ratio borne by CIS in the same investment category and marketed to institutional investors compared with those marketed to retail investors. To do this, the CIS were grouped according to the criteria described in the Methodology section and the weighted average expense ratio of each subcategory was calculated.

The share of CIS aimed at institutional investors remained fairly stable during the 11 years analysed, fluctuating at around 23-24%, before increasing their weight in the total of CIS to a maximum of 29.8% in 2018 and ending the study period at 26.0%. It is worth noting the high concentration of CIS marketed to institutional investors in the mixed equity category, since most SICAV are institutional and globally oriented according to CNMV Circular 1/2009, and this type of investment is considered under the mixed equity category in the study. The second investment category with a certain weight in institutional CIS was fixed income, while the remaining categories were sold to only a limited extent to institutional investors. However, the equity and absolute return investment categories, which had been insignificant among institutional CIS throughout the period, received a significant volume of subscriptions in 2018, although in 2019 they lost part of the ground gained (see Section 3 and Tables A.1 and A.2 of the appendix).

Tables B.2 and B.3 show the expense ratios borne by each category of investors in each of the investment categories. We can see that in all the years analysed, expenses borne by CIS marketed to retail investors are substantially higher than those of CIS marketed to institutional investors. This difference of 0.44 pp on average for the period has decreased slightly in recent years due to the greater relative increase in the expense ratio of institutional CIS.

Expense ratio: CIS marketed to institutional investors TABLE B.2

%

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Investment category											
Money market	0.25	0.24	0.25	0.23	0.30	0.30	0.25	0.21	0.20	0.17	0.16
Fixed income	0.31	0.33	0.38	0.47	0.54	0.57	0.50	0.45	0.40	0.34	0.37
Mixed fixed income	0.64	0.63	0.59	0.87	0.91	0.90	0.87	0.85	0.92	0.84	0.95
Mixed equity	0.79	0.76	0.82	0.84	0.86	0.84	0.89	0.92	0.94	0.92	0.97
Euro equity	0.48	0.73	1.51	1.76	1.71	1.43	1.13	1.14	1.10	1.04	1.12
International equity	0.00	0.00	0.59	1.19	1.27	1.68	1.66	1.62	1.64	1.25	1.33
Absolute return	0.49	0.48	0.87	0.82	0.75	0.90	1.01	1.02	1.11	1.06	1.01
Average	**0.60**	**0.63**	**0.68**	**0.75**	**0.77**	**0.78**	**0.80**	**0.79**	**0.82**	**0.79**	**0.85**

Source: CNMV.

Expense ratio: CIS marketed to retail investors TABLE B.3

%

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Investment category											
Money market	0.49	0.69	0.69	0.71	0.75	0.72	0.50	0.35	0.33	0.33	0.25
Fixed income	0.77	0.80	0.84	0.89	0.92	0.90	0.83	0.78	0.74	0.64	0.66
Mixed fixed income	1.34	1.25	1.33	1.35	1.42	1.42	1.40	1.31	1.16	1.08	1.05
Mixed equity	1.23	1.36	1.65	1.47	1.31	1.33	1.39	1.45	1.35	1.39	1.40
Euro equity	1.91	1.92	1.95	1.91	1.89	1.96	1.99	1.99	1.98	1.98	1.94
International equity	1.96	2.02	2.17	2.07	1.99	2.02	2.02	2.03	2.01	1.95	1.91
Absolute return	1.23	1.29	1.53	1.47	1.43	1.41	1.31	1.27	1.37	1.37	1.32
Average	**1.11**	**1.12**	**1.15**	**1.16**	**1.19**	**1.24**	**1.29**	**1.24**	**1.22**	**1.20**	**1.21**

Source: CNMV.

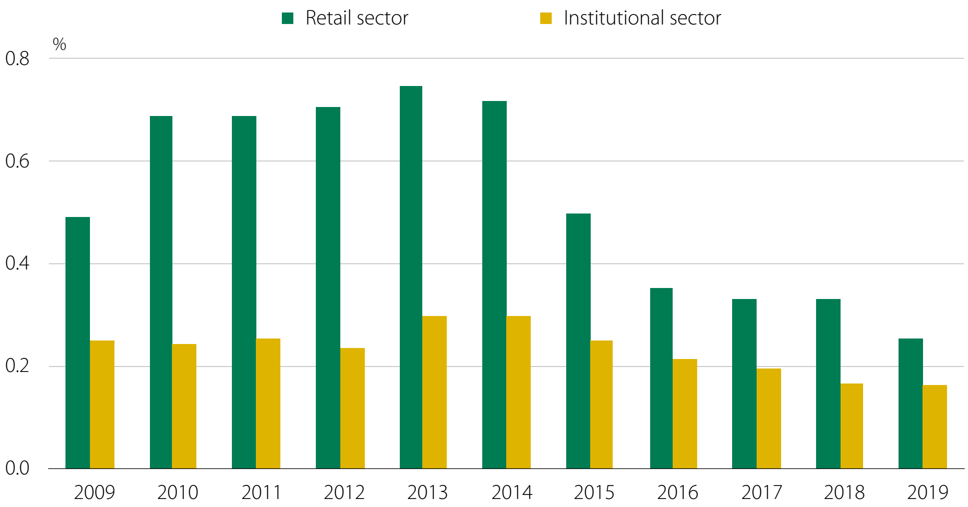
The expense ratio increased slightly over time for both retail and institutional CIS, and the increase in the latter was somewhat more pronounced. However, as mentioned previously, the increase in the weighted average expense ratio of CIS as a whole is explained by the growth in assets of categories that have higher expenses. Therefore, an analysis should be made of the comparative trends in expenses of each investment category and type of investor in order to draw a clearer conclusion.

Fixed income CIS: Money market and fixed income

The year-on-year changes in the expense ratios of the two fixed income categories are shown below, comparing in each case the expenses of CIS directed at institutional investors and of those aimed at retail investors.

The expense ratio of money market CIS aimed at retail investors increased in 2010 to values close to 0.70%, remaining unchanged in the following five years and decreasing from 2015 to end the period at 0.25%. In the case of CIS aimed at institutional investors, the expense ratio remained fairly stable throughout the period, although it registered a slight increase in 2013 and 2014 and decreased from 2015 to 0.17%. Consequently, as shown in Figure B.1, the expense ratio of these funds was greater for retail investors than for institutional investors, but the difference – which came close to half a point – reduced over time to stand at 0.09 pp in 2019 (0.29 pp on average).

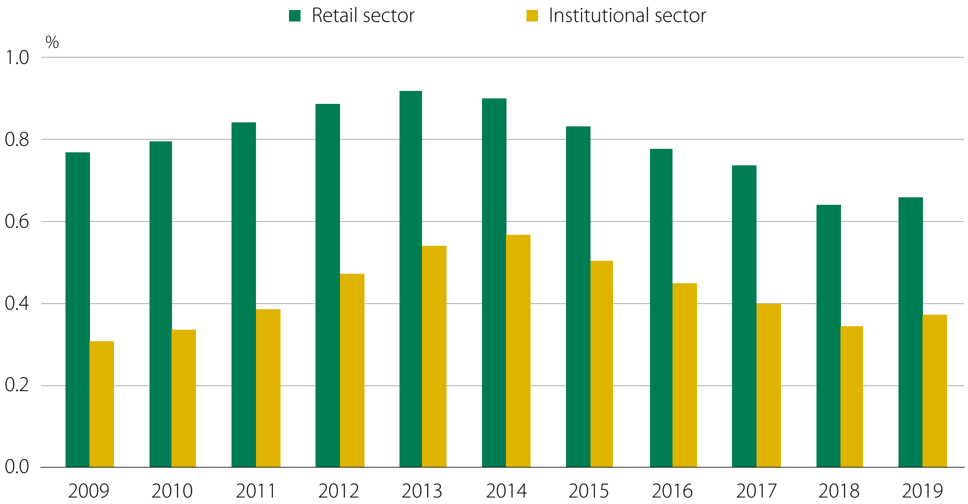
Expense ratio: Money market CIS FIGURE B.1



Source: CNMV.

In the fixed income category, the expense ratio performed in almost the same way as in the money market category, for both retail and institutional CIS, increasing in the first half of the period and decreasing in the second, ending below the initial level in the case of retail CIS (0.66% in 2019 compared with 0.77% in 2009) and slightly above for institutional CIS (0.37% compared with 0.31%). Consequently, the difference between the expense ratio borne by institutional and retail investors, as for money market CIS, decreased in the last few years of the period, going from 0.46 pp in 2009 to 0.29 pp in 2019 (0.37 pp on average).

Expense ratio: Fixed income CIS FIGURE B.2



Source: CNMV.

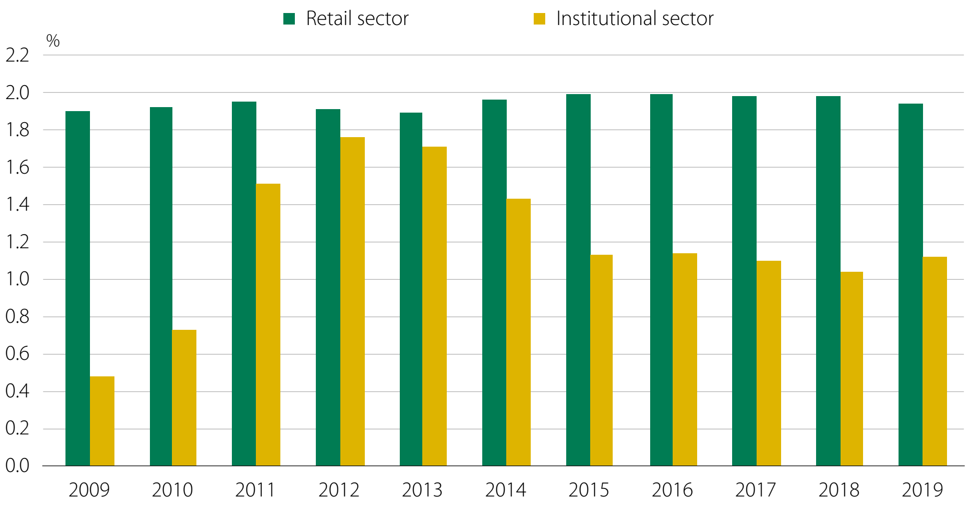
Equity CIS: EE and GE

The euro equity category also showed a higher level of expenses borne by retail investors, although trends over time for the two types of investor were different. As shown in Figure B.3, the expense ratio remained very stable throughout the period for retail CIS, at values slightly below 2%, while for institutional CIS it increased significantly, from 0.48% to 1.12% (reaching a maximum of 1.76% in 2012). Thus, the difference between the ratios of the two types of CIS showed some variations, standing on average at 0.75 pp.

The weighted average expense ratio of all euro equity CIS decreased in the period, from 1.88% to 1.62%. This decrease occurred simultaneously with the increase in the expense ratio considered for each investor category (institutional and retail) separately. This was due to the increase in the weight of institutional CIS in euro equity CIS as a whole, as institutional CIS incur considerably lower expenses than retail CIS despite the increase during the period.[22]

22 In the euro equity category, assets were highly concentrated in retail CIS at the beginning of the period, with institutional CIS representing 1.6% of the total in 2009. However, the last two years of the period saw strong growth in the assets of institutional CIS, which came to account for 39% of total euro equity CIS in 2019.

Expense ratio: Euro equity CIS FIGURE B.3



Source: CNMV.

Trends in the expense ratio in the international equity category were very similar to those of the euro equity segment. For retail CIS, the ratio varied little over the period (1.96% in 2009 compared with 1.91% in 2019), while for institutional CIS it increased considerably, from 0.59% to 1.33%. The difference between the expense ratios of the two types of CIS also showed some variations and ended the study period at 0.58 pp. As for euro equity, the increase in the weight of institutional CIS – with lower expenses – in this investment category[23] explains the decrease in the weighted average expense ratio in the international equity category in the period from 1.96% to 1.79%.

Expense ratio: International equity CIS FIGURE B.4

Source: CNMV.

23 The international equity category was barely marketed to institutional investors at the beginning of the study period, but at the end of the period institutional investors accounted for a significant 21% of the total assets of this category.

Mixed CIS: Mixed fixed income and mixed equity

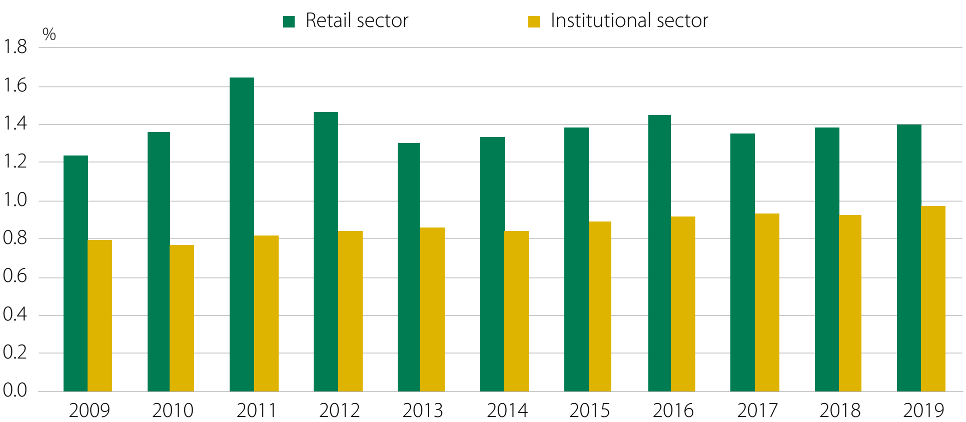
In the two mixed CIS categories, fixed income and equity, the difference between the expenses borne by CIS marketed to retail investors and those marketed to institutional investors is smaller in relative terms than in the case of fixed income investment categories, in which the ratio of expenses borne by retail investors is almost double that borne by institutional investors. As seen in Figure B.5, the expense ratio of mixed fixed income CIS performed differently for retail CIS, where it decreased in the period from 1.34% to 1.05%, than for institutional CIS, in which it increased from 0.64% to 0.95%. Consequently, the difference between the two decreased from 0.7 pp to 0.10 pp (0.47 pp on average).

In the case of mixed equity (Figure B.6), the expense ratio increased both for institutional CIS (from 0.79% to 0.97%) and retail CIS (from 1.23% to 1.40%). The difference between the two fluctuated between 0.42 pp and 0.83 pp, averaging 0.52 pp. This investment category accounts for the highest percentage of institutional CIS, since it includes the assets of most SICAV.

Expense ratio: Mixed fixed income CIS FIGURE B.5

Source: CNMV.

Expense ratio: Mixed equity CIS FIGURE B.6

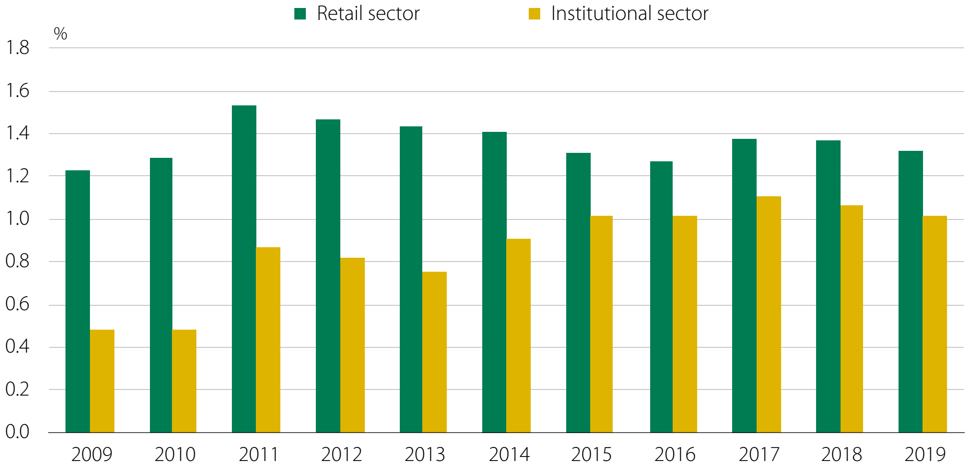


Source: CNMV.

Absolute return CIS

In this investment category, the expense ratio marked an upward trend for both types of CIS: for retail CIS it went from 1.23% to 1.32% and for institutional CIS from 0.49% to 1.01%. The greater increase in the second ratio explains the decrease in the difference between the two, which went from 0.74 pp in 2009 to 0.31 pp in 2019. In this investment category a similar trend to the equity category can be observed in relation to the relative importance of the assets of institutional CIS. This was very small in the first years analysed and increased considerably in the last few years, coming to represent 12% of the total in 2019.

Expense ratio: Absolute return CIS FIGURE B.7



Source: CNMV.

B.3 Comparative analysis of expenses borne by CIS managed by managers belonging to banking groups versus independent managers

Tables B.4 and B.5 show the expense ratios borne by CIS managed by CISMC belonging to banking groups compared with CIS managed by managers that are not part of banking groups, which we refer to as independent managers. While in the comparison of expenses by investor profile it was evident that institutional CIS systematically bore much lower expenses than retail CIS (although with a decreasing difference) over the period, the comparison of expenses by type of management company (banking group vs. independent) shows smaller and less persistent differences. In general, CIS managed by managers belonging to banking groups bear higher expenses, but this is not always the case, since in some investment categories (mainly mixed), and in some years, expenses are higher for CIS managed by independent managers. The fact that managers belonging to banking groups generally have higher expenses is not observed in the aggregate for each type of manager due to the greater relevance of the fixed income categories (once again due to the composition of the assets under management). On average, the expense ratio of CIS of managers belonging to banking groups stood at 1.07% compared with 1.15% for CIS managed by independent entities.

Expense ratio: CIS managed by CISMC belonging to banking groups

TABLE B.4

%

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Investment category											
Money market	0.44	0.59	0.58	0.60	0.64	0.60	0.43	0.31	0.29	0.28	0.24
Fixed income	0.69	0.74	0.81	0.87	0.91	0.88	0.80	0.73	0.65	0.52	0.55
Mixed fixed income	1.41	1.28	1.35	1.36	1.39	1.37	1.31	1.23	1.13	1.04	1.03
Mixed equity	0.87	0.85	1.01	1.00	1.01	1.07	1.16	1.22	1.20	1.21	1.25
Euro equity	1.95	2.01	2.07	2.05	2.01	2.05	2.01	1.98	1.90	1.62	1.68
International equity	2.12	2.18	2.38	2.28	2.21	2.17	2.10	2.09	2.09	1.71	1.76
Absolute return	1.25	1.34	1.60	1.44	1.39	1.37	1.29	1.25	1.36	1.30	1.29
Average	**0.97**	**0.99**	**1.03**	**1.05**	**1.08**	**1.12**	**1.16**	**1.11**	**1.11**	**1.05**	**1.09**

Source: CNMV.

Expense ratio: CIS managed by independent CISMC

TABLE B.5

%

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Investment category											
Money market	0.41	0.63	0.69	0.46	0.36	0.38	0.26	0.25	0.22	0.21	0.08
Fixed income	0.69	0.70	0.67	0.71	0.68	0.71	0.63	0.62	0.68	0.66	0.75
Mixed fixed income	1.12	1.07	1.18	1.29	1.38	1.37	1.56	1.40	1.18	1.12	1.13
Mixed equity	1.08	1.13	1.19	1.13	1.15	1.18	1.22	1.23	1.24	1.30	1.30
Euro equity	1.81	1.78	1.78	1.74	1.72	1.61	1.62	1.58	1.52	1.48	1.47
International equity	1.69	1.72	1.85	1.66	1.61	1.70	1.78	1.83	1.79	1.82	1.84
Absolute return	1.13	1.12	1.34	1.40	1.40	1.42	1.35	1.26	1.23	1.28	1.25
Average	**1.01**	**1.04**	**1.08**	**1.10**	**1.13**	**1.12**	**1.23**	**1.18**	**1.21**	**1.22**	**1.29**

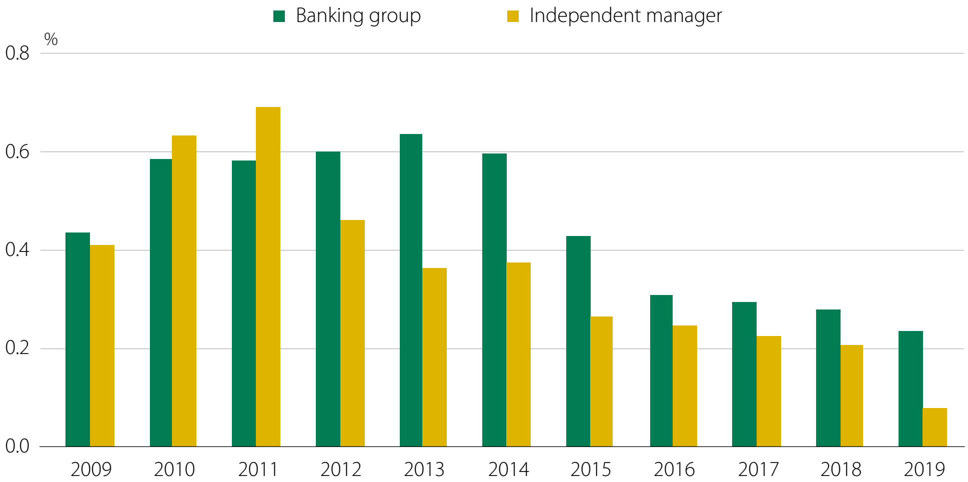
Source: CNMV.

The following sections show the differences in expenses by investment strategy.

Fixed income CIS: Money market and fixed income

For money market CIS, in two of the years of the period (2010 and 2011) the average expense ratio was higher for CIS managed by independent managers, while in the other nine it was higher for those managed by banking group companies. In the period between 2016 and 2018 the ratios for the two types of CIS were practically identical, the difference being less than 0.30%. However, in the last year of the study, while the expense ratio of managers belonging to banking groups remained close to these levels (0.24%), that of independent managers decreased to 0.08%, bringing the difference to 0.16 pp. It should be noted that assets in this category account for a very small portion of the CIS held by independent managers.

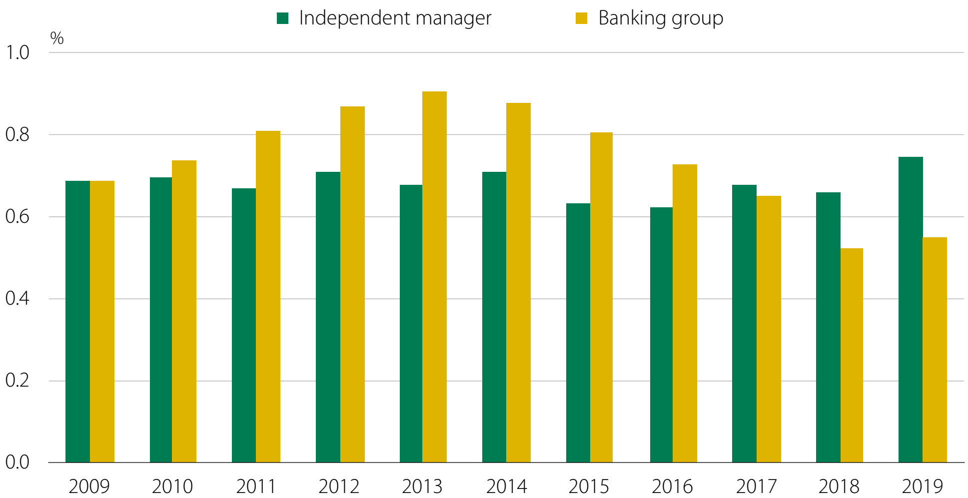
Expense ratio: Money market CIS FIGURE B.8



Source: CNMV.

In the fixed income category, CIS managed by managers belonging to banking groups bore a higher expense ratio in most of the years, reaching a maximum difference of 0.23 pp in 2013, when the ratio was 0.91% for CIS of managers belonging to banking groups compared with 0.68% for those of independent managers. However, after seven consecutive years of higher expenses for CIS of managers belonging to banking groups, the trend seems to have reversed in the last three years, in which independently managed CIS bore higher expenses (0.75% compared with 0.55% for managers belonging to banking groups in 2019). On average, the expense ratio of managers belonging to banking groups in this investment category was 0.74% and that of independent managers was 0.68%.

Expense ratio: Fixed income CIS FIGURE B.9



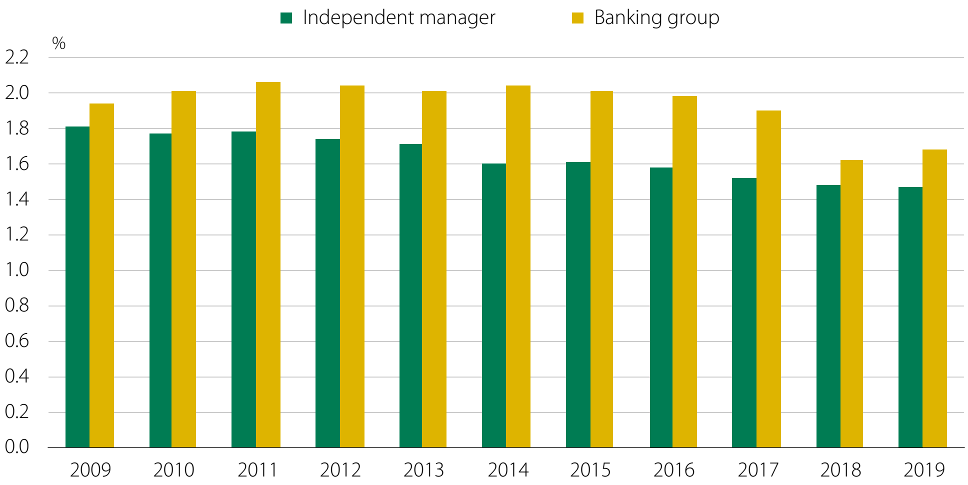
Source: CNMV.

Equity CIS: Euro equity and international equity

The two equity investment categories can be analysed in parallel, since they show a very similar performance. In both cases, the expense ratio of CIS managed by managers belonging to banking groups was higher than that of CIS of independent managers in all years, the only exceptions being 2018 and 2019 for international equity, when the expenses borne by CIS of independent managers were slightly higher. In the rest of the years and in the two categories, the CIS of managers belonging to banking groups had considerably higher expenses, with the largest differences in international equity CIS (0.62 pp, in 2012) and euro equity CIS (0.44 pp in 2014). On average, the difference between the two ratios was 0.29 pp in the case of euro equity and 0.34 pp for international equity.

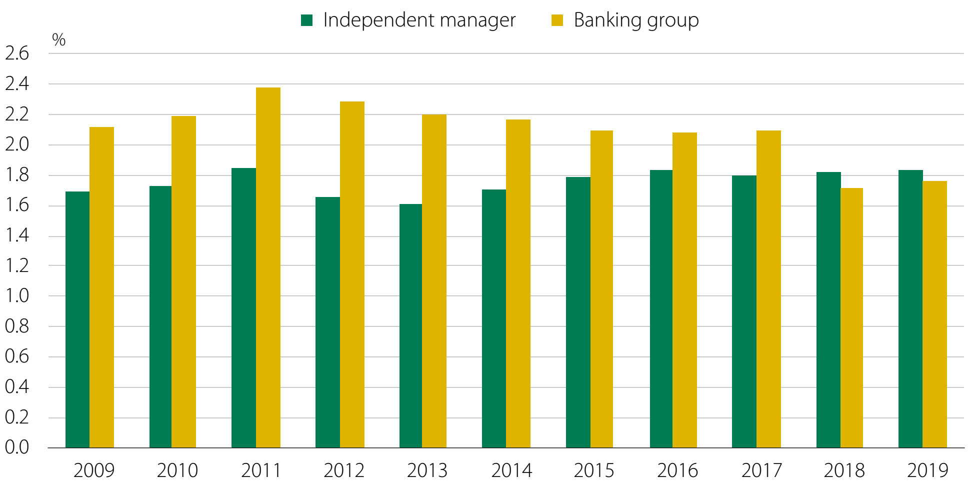
The fact that independent managers attach lower expenses to equity CIS, in order to be more competitive, may explain the increase in the market share of these fund categories, which in 2019 stood at 29% of assets in the case of euro equity and 35% for international equity.

Expense ratio: Euro equity CIS FIGURE B.10



Source: CNMV.

Expense ratio: International equity CIS FIGURE B.11

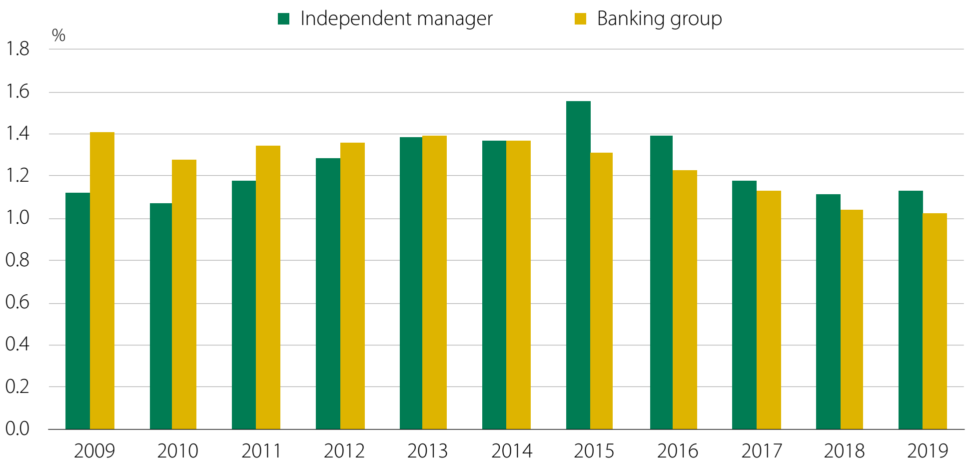


Source: CNMV.

Mixed CIS: Mixed fixed income and mixed equity

In the mixed fixed income type of investment, the difference in expenses between the two groups of CIS changed sign towards the middle of the period analysed: thus, in the first four years, CIS managed by banking groups had higher expenses, in the two central years (2013 and 2014) expenses were similar and in the last five years the expenses borne by independent managers exceeded those of schemes managed by banks. On average, the expense ratio for banking group managers was 1.26% and that of independent managers was 1.25%, so the difference is not insignificant.

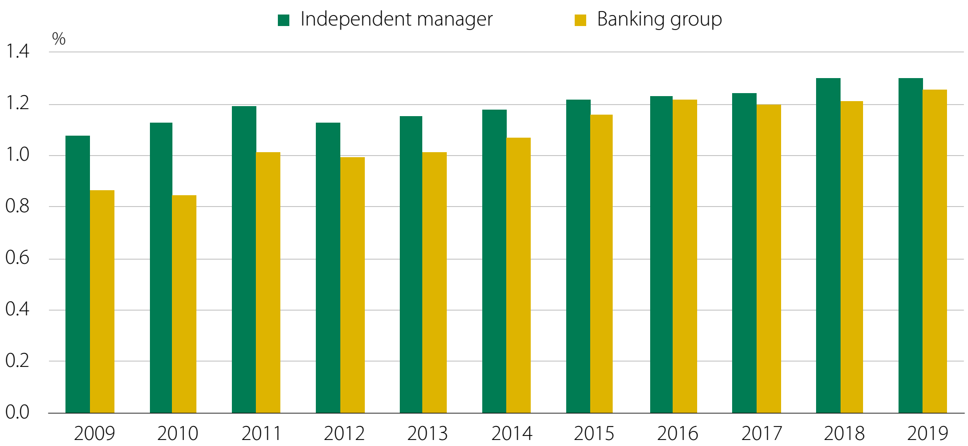
Expense ratio: Mixed fixed income CIS FIGURE B.12



Source: CNMV.

In the mixed equity investment category, the expenses borne by CIS of independent managers were higher in all the years than those of CIS of managers belonging to banking groups, although in the last three years this difference was minimal, and average expenses were practically identical in both categories. On average, the expense ratio of managers belonging to banking groups was 1.08% and that of independent managers was 1.20%, making a difference of -0.12 pp.

Expense ratio: Mixed equity CIS FIGURE B.13

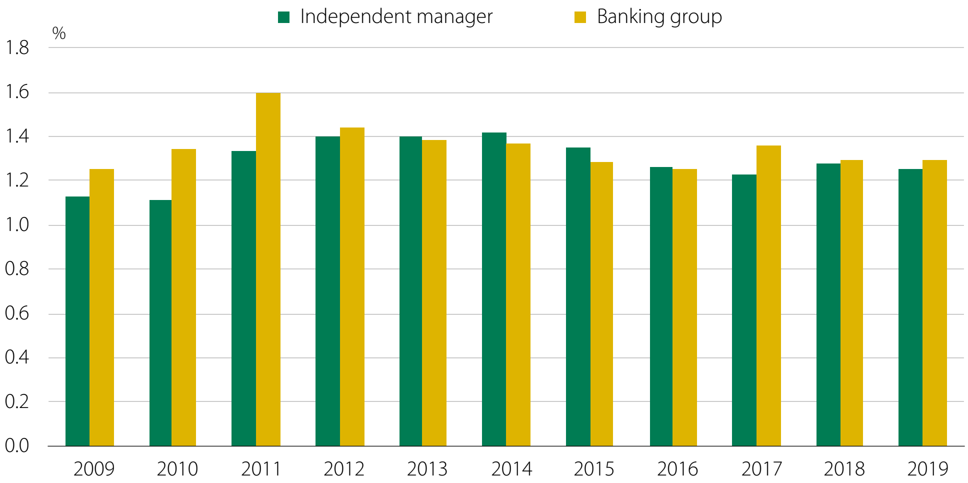


Source: CNMV.

Absolute return CIS

Lastly, in the absolute return investment category, the expense ratio of CIS managed by managers belonging to banking groups was generally higher than that of those managed by independent managers, except for the period between 2013 and 2016, when the ratios were very similar, although the latter was slightly higher. The differences were less significant than in other categories, ranging from -0.06 pp to 0.26 pp. The average difference during the period was 0.06 pp.

Expense ratio: Absolute return CIS FIGURE B.14



Source: CNMV.

C Specific analysis of managers belonging to non-commercial banks

This section presents a specific analysis of managers that belong to credit institutions that do not mainly engage in commercial banking activity. The reason for this analysis is that there are a certain number of credit institutions whose activity is mainly related to the provision of investment services and not to the typical banking business (deposit taking and lending), which could be classified as commercial banking.

This analysis was made for the years 2016-2019 and includes managers belonging to 11 credit institutions, which, as already mentioned, are considered non-commercial banks. In this regard, a non-commercial bank is defined as a bank for which income from the provision of investment services represents more than 2/3 of its total income. The assets affected by this analysis range from 2.6% to 4.5%.

Table C.1 and Figures C.1, C.2 and C.3 present an estimate of the gross and net return and of the costs of CIS managed by CISMC belonging to non-commercial banks compared with other managers, distinguishing those that belong to commercial banks and those that can be considered independent. As seen in the table, between 2016 and 2019 the average gross return of managers belonging to non-commercial banks was 3%, slightly higher than that of managers belonging to commercial banking groups (2.8%) and considerably lower than that of independent managers (4%). Expenses of managers belonging to non-commercial banks fell between those of managers belonging to commercial banks and those of independent managers, and net returns were similar to gross returns, standing at 1.9%, 2 tenths of a point above the net return of managers belonging to commercial banks and about 1 point below the net returns of independent managers (2.9%).

However, these figures, which seem to show similar performances by managers belonging to non-commercial banks and those belonging to commercial banks, reflect the composition of the assets in the funds that they manage. In reality, their results are much more similar to those of independent managers, as reflected in figures C.1 and C.3. The gross and net returns obtained by managers belonging to non-commercial banks are higher than those of both managers belonging to banking groups and independent managers in all investment categories, except mixed funds. In mixed equity they are also higher than the returns of managers belonging to banking groups, but lower than those of independent managers. The mixed fixed income category shows the worst results. With regard to expenses, there is no uniform trend, since managers belonging to non-commercial banks have higher expenses in the fixed income and mixed funds categories, while they are more competitive in equity and absolute return funds, categories in which they show expense ratios relatively similar to those of independent managers.

Analysis of return and expenses by type of manager in 2016-2019

TABLE C.1

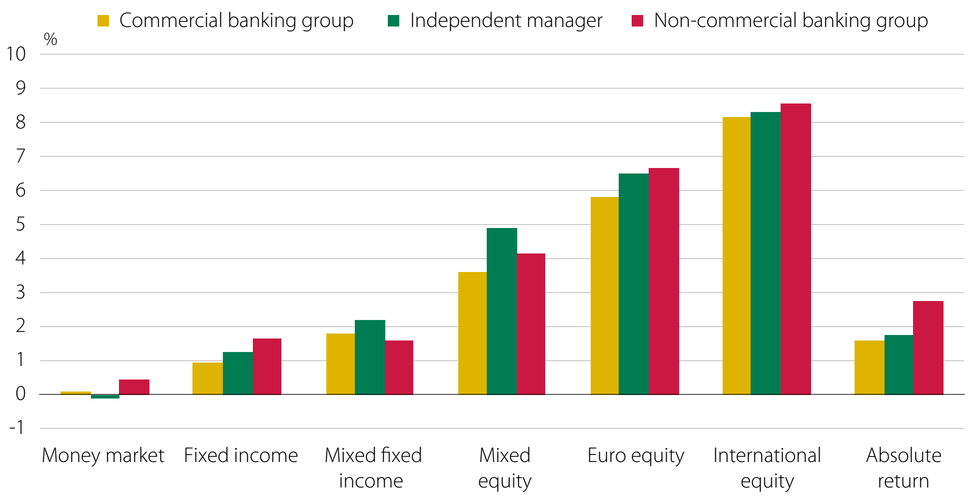
%

Type of manager	Gross return	Expenses	Net return
Commercial banking group	2.81	1.09	1.72
Non-commercial banking group	3.01	1.12	1.89
Independent	4.09	1.23	2.86

Source: CNMV.

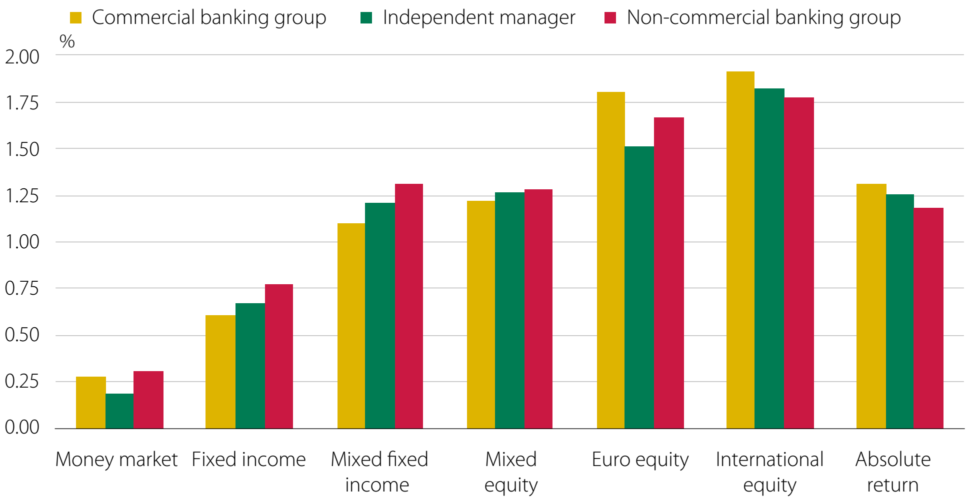
Gross return by type of manager in 2016-2019

FIGURE C.1



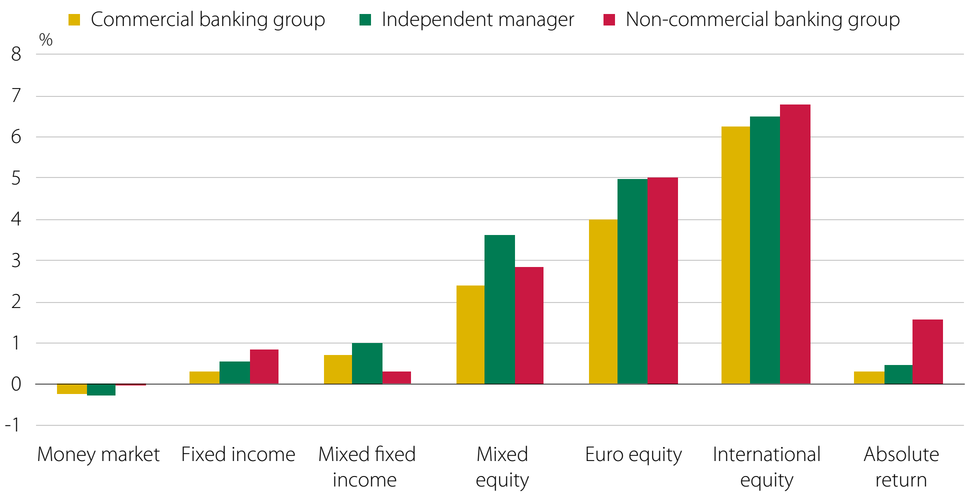
Source: CNMV.

Expense ratio by type of manager in 2016-2019 FIGURE C.2



Source: CNMV.

Net return by type of manager in 2016-2019 FIGURE C.3



Source: CNMV.

Effectiveness of gender regulations on boards of directors: The role of the institutional environment

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1 Executive summary

This article analyses the effectiveness of the different regulations promoting gender diversity on boards of directors and how formal and informal institutional factors influence the relationship between regulations and the presence of female directors on boards. It describes the gender diversity regulations implemented in Europe, and goes on to analyse, for a group of companies forming part of the STOXX Europe 600 index and for the period 2004-2018: i) how the presence of women on boards of directors has evolved in each of the countries represented in the sample; ii) the impact of Corporate Governance Codes with recommendations on gender diversity and gender quotas, with and without sanctions, on the presence of women on boards of directors and board committees, and iii) how formal and informal institutional factors, such as the quality and transparency of governance and cultural aspects, influence the effectiveness of regulations. Lastly, we look at the regulations and institutional environment in Spain.

The results show the importance of formal and informal institutions as key instruments to the effectiveness of gender diversity regulations and suggest a number of factors that should be considered when designing future actions and policies in this area. Specifically, the main evidence thrown up by the analysis is the following:

– The presence of women on boards of directors and committees is greater when there is gender regulation, both recommendations in corporate governance codes and gender quotas.

– When differentiating between “hard” and “soft” gender quotas (subject to and not subject to sanctions, respectively), we see that soft quotas do not have a significant effect and do not lead to significant increases in the presence of women on boards of directors and their committees.

– As expected, hard gender quotas are the most effective for increasing the presence of female directors. However, in regard to the presence of women on committees, the gender recommendations in corporate governance codes are more effective than hard quotas.

– The institutional context affects the relationship between gender diversity regulation and the presence of women in corporate governance, specifically:

  • Regulation is less effective in countries with high-quality governance[1] and a relatively large presence of women in decision-making bodies.

  • The effectiveness of regulation increases in countries with high levels of power distance, individualism, uncertainty avoidance and short-term orientation.

1 The quality of governance is assessed using the World Bank Worldwide Governance Indicators. Available at: https://info.worldbank.org/governance/wgi/

- Differences are observed in the influence of the institutional environment as a moderator of the relationship between regulation and the presence of female directors and between regulation and the presence of women on committees.

– Spain was one of the first countries to introduce gender diversity regulations on boards of directors and these regulations are continuously revised and updated. However, the presence of women on Spanish boards of directors is still below the thresholds established by the regulations.

– In general, the institutional context in Spain seems to enhance the impact of the more binding gender diversity regulations (hard quotas), increasing the presence of women on boards of directors.

2 Regulations on gender diversity on boards of directors in Europe

On an international scale, the presence of women on boards of directors is still limited and this has given rise to profound academic, political and social debate on different strategies that would allow there to be a balance between men and women in corporate governance bodies and specifically on boards of directors.

Among the strategies adopted to achieve this objective are recommendations on gender diversity based on the "comply or explain" principle as contemplated in corporate governance codes, known as soft regulations, and the implementation of quota legislation, also referred to as hard regulations. Further, quota legislation distinguishes between two types of quotas: soft quotas, which do not entail sanctions in the event of non-compliance, and hard quotas, which do establish sanctions in the event that companies do not comply with the gender percentage thresholds established.

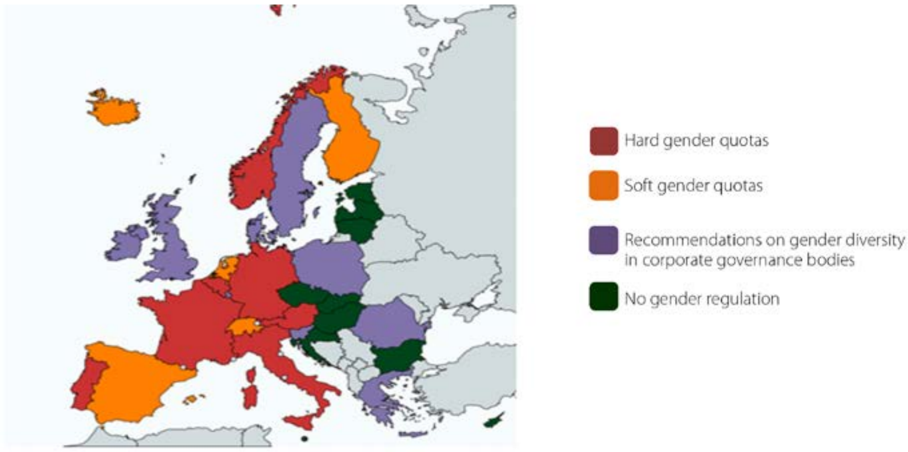
Starting with Norway, which in 2003 established a hard quota of 40% of women on boards of directors, 21 European countries[2] (Europe is the continent where these kinds of regulations are most widespread) have introduced various initiatives to promote gender diversity in the corporate governance of companies, as shown in Figure 1. Alongside Norway, six other European countries have established quota laws with a varied range of sanctions in the event of non-compliance: France (2011; 40%), Belgium (2011; 33%), Italy (2011; 33%), Germany (2015; 30%), Austria (2017; 30%) and Portugal (2017; 33%). Countries that have implemented quotas, but without establishing penalties are Finland (2005; 40%), Spain (2007; 40%), Iceland (2010; 40%), The Netherlands (2013; 30%) and Switzerland (30% on supervisory boards and 20% on executive boards).[3]

2 EU 27, United Kingdom, Iceland, Norway and Switzerland.

3 Mensi-Klarbach, H. and Seierstad, C. (2020). "Gender quotas on corporate boards: Similarities and differences in quota scenarios". *European Management Review*. Available at: https://doi.org/10.1111/emre.12374; Swissinfo (2019). *Parliament approves quotas for women on company boards.* Available at:

Nine European countries that have not approved quotas have established recommendations on gender diversity on boards of directors in their corporate governance codes:[4] Sweden (2004), Denmark (2008), Luxembourg (2009), Poland (2010), Ireland (2012), United Kingdom (2012), Greece (2013), Romania (2015) and Slovenia (2016).

Regulation of gender diversity on boards of directors in Europe[1] FIGURE 1



Source: In-house research based on European Corporate Governance Institute (ECGI),[5] Mensi-Klarbach and Seierstad (2020),[6] Swissinfo.ch (2019)[7] and Terjesen, Aguilera and Lorenz (2015).[8]

In addition, all countries that have established quotas, with or without sanctions, have included recommendations on gender diversity in their corporate governance codes.[9] In the vast majority of countries that combine both types of regulation, the recommendations preceded the quotas: Spain (2006 versus 2007), Belgium (2009 versus 2011), Germany (2010 versus 2016), France (2010 versus 2011), Iceland (2009 versus 2011), The Netherlands (2008 versus 2013), Austria (2009 versus 2017), Portugal (2016 versus 2017) and Switzerland (2014 versus 2019). However, in Norway, Finland and Italy, quotas (in 2003, 2005 and 2011 respectively) preceded the code recommendations (2009, 2008 and 2018 respectively).

This article analyses the effectiveness of regulation on gender diversity on boards of directors for companies in the STOXX Europe 600 index, which in 2018 comprised

https://www.swissinfo.ch/eng/minimum-representation_parliament-approves-quotas-for-women-on-company-boards/45042736; Terjesen, S., Aguilera, RV and Lorenz, R. (2015). "Legislating a woman's seat on the board: Institutional factors driving gender quotas for boards of directors". *Journal of Business Ethics*, Vol. 128, no. 2, pp. 233-251.

4 European Corporate Governance Institute (ECGI) (2020). *Governance codes*. Available at: https://ecgi.global/content/codes

5 European Corporate Governance Institute (ECGI) (2020) (*op. cit.*).

6 Mensi-Klarbach and Seierstad (2020) (*op. cit.*).

7 Swissinfo (2019) *Parliament approves quotas for women on company boards*, 19 June 2019 Available at: https://www.swissinfo.ch/eng/minimum-representation_parliament-approves-quotas-for-women-on-company-boards/45042736

8 Terjesen, Aguilera and Lorenz (2015) (*op. cit.*).

9 European Corporate Governance Institute (ECGI) (2020) (*op. cit.*).

companies from 17 European countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Norway, The Netherlands, Portugal, United Kingdom, Czech Republic, Sweden and Switzerland. Therefore, the regulations analysed in the article are those of these 17 countries and described in detail in Table 1.

Regulation on gender diversity on boards of directors in STOXX Europe 600 (2018) countries TABLE 1

	Gender quotas			Corporate governance codes with recommendations on gender diversity	
Country	**Year**	**%**	**Hard vs. Soft**	**Year**	**Code**
Germany	2016	30%	Hard	2010	German Corporate Governance Code
Austria	2017	30%	Hard	2009	Austrian Code of Corporate Governance
Belgium	2011	33%	Hard	2009	The 2009 Belgian Code on Corporate Governance
Denmark		No		2008	Recommendations on Corporate Governance
Spain	2007	40%	Soft	2006	Unified Good Governance Code
Finland	2005	40%	Soft	2008	Finnish Corporate Governance Code
France	2011	40%	Hard	2010	Recommendations on Corporate Governance
Ireland		No		2012	The UK Corporate Governance Code and the Irish Corporate Governance Annex
Italy	2011	33%	Hard	2018	Corporate Governance Code
Luxembourg		No		2009	The Ten Principles of Corporate Governance of the Luxembourg Stock Exchange
Norway	2003	40%	Hard	2009	The Norwegian Code of Practice for Corporate Governance
The Netherlands	2013	30%	Soft	2008	Dutch Corporate Governance Code
Portugal	2017	33.3%	Hard	2016	Corporate Governance Code
United Kingdom		No		2012	The UK Corporate Governance Code
Czech R.		No			No
Sweden		No		2004	Swedish Code of Corporate Governance: A Proposal by the Code Group
Switzerland	2019	30/20%	Soft	2014	Swiss code of best practice for corporate governance

Source: In-house research based on ECGI,[10] Mensi-Klarbach and Seierstad (2020),[11] Swissinfo.ch (2019),[12] and Terjesen, Aguilera and Lorenz (2015).[13]

10 European Corporate Governance Institute (ECGI) (2020) (*op. cit.*).
11 Mensi-Klarbach and Seierstad (2020) (*op. cit.*).
12 Swissinfo (2019) (*op. cit.*).
13 Terjesen, Aguilera and Lorenz (2015) (*op. cit.*).

3 Trends in the presence of women on boards of directors

This section describes trends in the presence of women on boards of directors by country for companies in the STOXX Europe 600 (2018) during the period 2004-2018.[14]

3.1 Countries with hard gender quotas

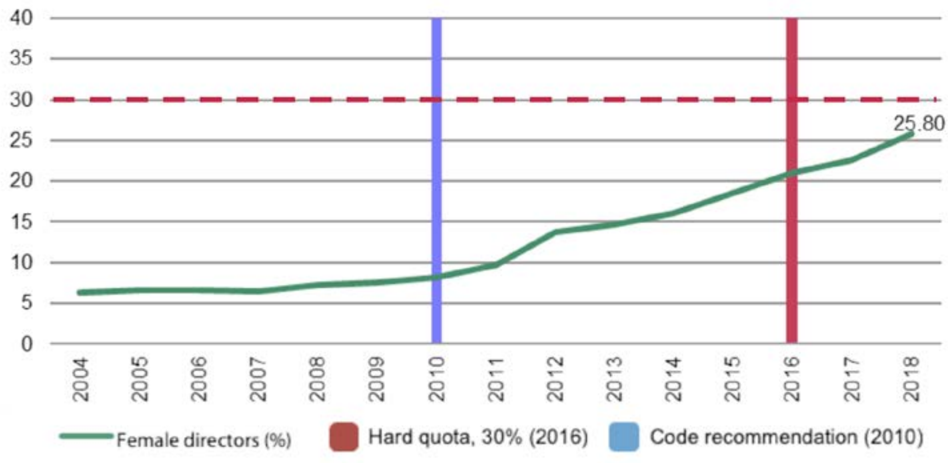
Figures 2 to 7 show the trends in the presence of female directors in STOXX Europe 600 companies in countries that have implemented gender quotas for boards of directors with sanctions for non-compliance.

Figure 2 shows the trend in the percentage of female directors in Germany, where a gender quota of 30% for the supervisory board came into force in 2016. The sanction is the obligation to declare the appointment void and keep the position vacant, and failure to do so results in an administrative fine. The presence of female directors in Germany remained practically constant at around 7% until 2010 when the German corporate governance code introduced a gender recommendation for boards of directors. Since 2011, the percentage of female directors has exceeded 10% and continued to grow through to 2018, when female directors accounted for 25.80% of directors of German companies in the STOXX Europe 600.

14 Corporate governance systems vary among the countries considered in the study, the main difference being the structure of the board of directors. Therefore, there are countries where boards have a one-tier structure combining the functions of management and supervision – i.e., a single board with executive and non-executive directors – and others have a two-tier structure – i.e., a board of directors containing executive directors and a supervisory board containing non-executive directors. Countries with one-tier boards include: Spain, Denmark, Ireland, Italy, Norway, United Kingdom and Sweden, while Germany and Austria have a two-tier structure. In addition, in other countries considered in the study: Belgium, Finland, France, Luxembourg, The Netherlands, Portugal, Czech Republic and Switzerland, companies can choose between a one-tier or two-tier board structure. In this analysis, to obtain consistency in the boards of countries or companies with a two-tier board structure, the executive board and the supervisory board have been considered as a single body.

Presence of female directors in Germany: % of female directors

FIGURE 2

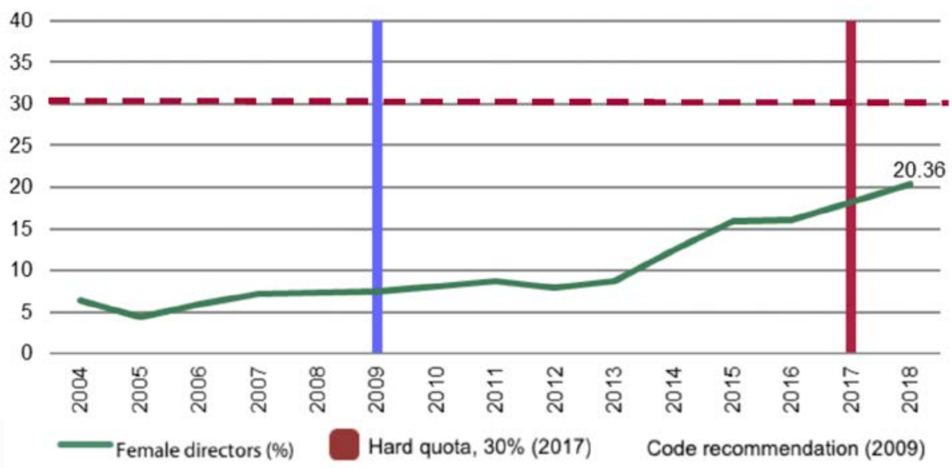


Source: In-house research based on BoardEx, annual corporate governance reports (CGRs) of companies, ECGI (https://ecgi.global/content/codes) and Terjesen, Aguilera and Lorenz (2015).[15]

Figure 3 refers to the trend in the percentage of female directors in Austria, which approved a 30% gender quota for supervisory boards in July 2017, establishing as a sanction the invalidation of appointments that do not comply with the legislation. Between 2004 and 2013, a constant trend is observed, with small increases of 5-10% in the number of female directors. Although Austria included a recommendation for gender diversity on boards in its 2009 Corporate Governance Code, no significant increase in the proportion of female directors was noted until 2013 and 2014, when it rose above 10%. In 2018, one year after the quota was approved, women held 20.36% of seats on the boards of directors of Austrian STOXX Europe 600 companies.

Presence of female directors in Austria: % of female directors

FIGURE 3



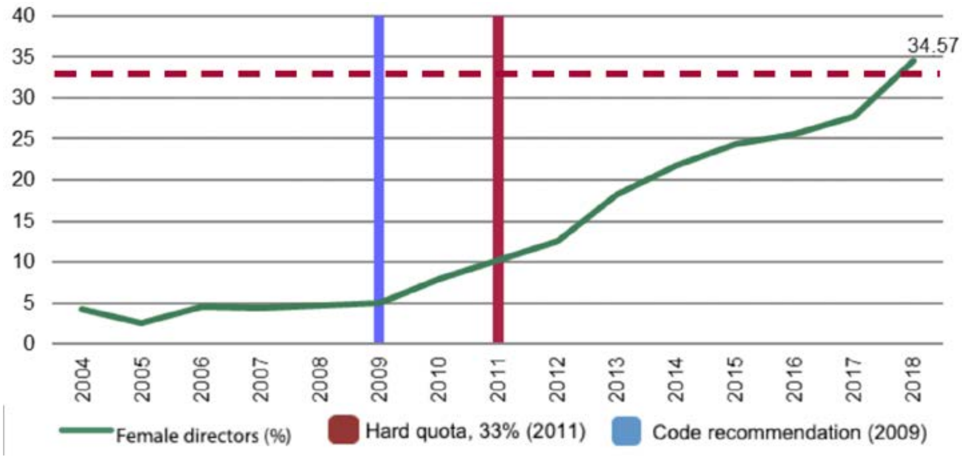
Source: In-house research based on BoardEx, annual CGRs of companies, ECGI (https://ecgi.global/content/codes) and Mensi-Klarbach and Seierstad (2020).[16]

15 Terjesen, Aguilera and Lorenz (2015) (*op. cit.*).

16 Mensi-Klarbach and Seierstad (2020) (*op. cit.*).

Belgium (Figure 4) approved a gender quota of 33% for boards of directors in 2011. The sanctions established for non-compliance include the invalidation of appointments that do not comply with the quota and a reduction in the remuneration received by all directors in office while the period of non-compliance lasts. In Belgium, the percentage of female directors stood at around 5% until 2009. From 2009, following the inclusion of a gender diversity recommendation in the corporate governance code, the proportion of female directors began to increase and doubled in two years. With the approval of the law governing quotas, women went from holding approximately 10% of the seats on boards of directors to 34.57% in 2018, with companies largely exceeding the quota of 33%.

Presence of female directors in Belgium: % of female directors FIGURE 4



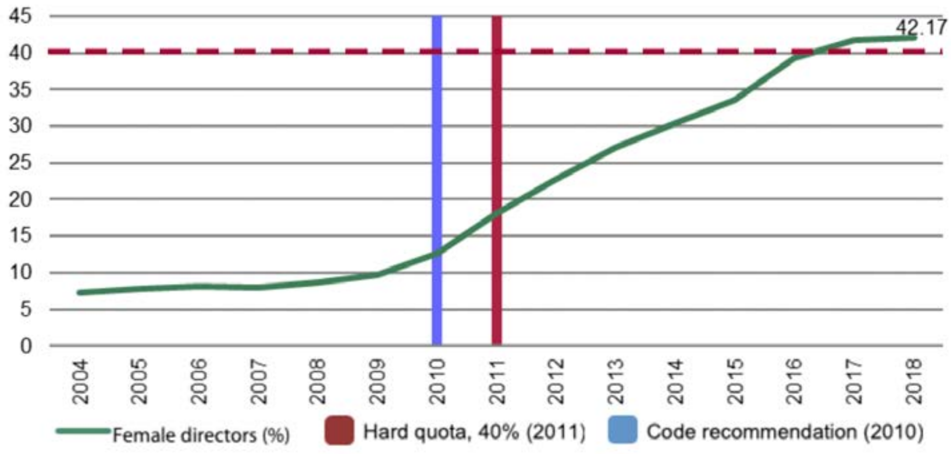
Source: In-house research based on BoardEx, annual CGRs of companies, ECGI (https://ecgi.global/content/codes) and Terjesen, Aguilera and Lorenz (2015).[17]

In 2011, like Belgium, France (Figure 5) approved a gender quota for non-executive directors with penalties very similar to those of Belgium (invalidation of appointments that do not comply with the quota and suspension of directors' attendance fees), but with a threshold of 40%. The percentage of women on the boards of French companies has been rising since 2004, although no significant increases were seen until 2010 when the number of female directors surpassed 10%. In that year, a gender recommendation was introduced in the corporate governance code, and a year later (2011) a gender quota was approved. Since then, the percentage of female directors has continued to increase, passing the 40% threshold in 2016.

17 Terjesen, Aguilera and Lorenz (2015) (*op. cit.*).

Presence of female directors in France: % of female directors

FIGURE 5

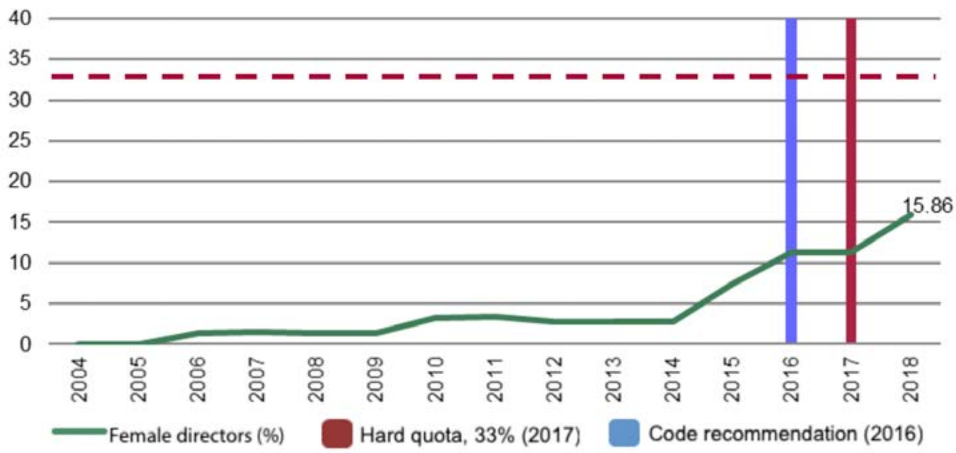


Source: In-house research based on BoardEx, annual CGRs of companies, ECGI (https://ecgi.global/content/codes) and Terjesen, Aguilera and Lorenz (2015).[18]

In Portugal (Figure 6), the percentage of female directors was below 5% until 2015, although it went from 2.8% in 2014 to 7.5% in 2015. In 2016, Portugal included a recommendation on gender diversity on boards of directors in its corporate governance code and a year later, in 2017, it approved a gender quota of 33.3%. This quota establishes a threshold of 20% for female directors until 2020 and 33.3% from then on, and appointments that do not comply with these regulations will be considered provisional. In 2018, the percentage of female directors stood at 15.86%.

Presence of female directors in Portugal: % of female directors

FIGURE 6



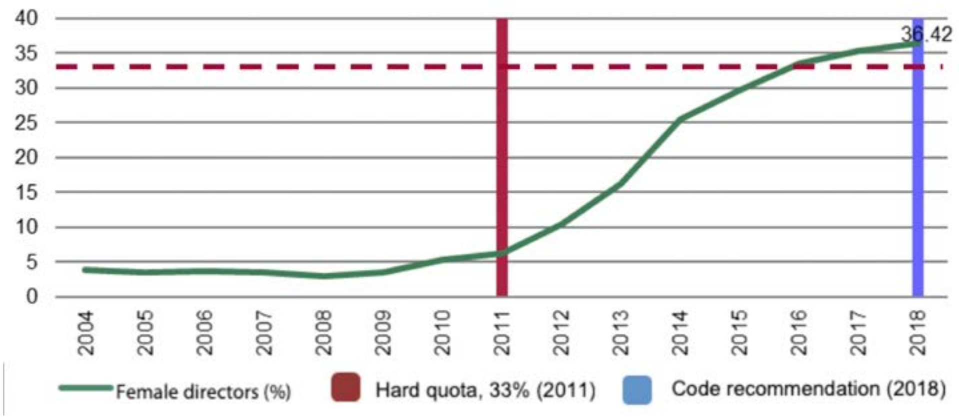
Source: In-house research based on BoardEx, annual CGRs of companies, ECGI (https://ecgi.global/content/codes) and Mensi-Klarbach and Seierstad (2020).[19]

18 Terjesen, Aguilera and Lorenz (2015) (*op. cit.*).

19 Mensi-Klarbach and Seierstad (2020) (*op. cit.*).

While in Germany, Austria, Belgium, France and Portugal recommendations in corporate governance codes came before the approval of gender quotas, in other countries such as Italy and Norway, the quotas preceded the soft regulation. In Italy (Figure 7), a gender quota of 33% was approved in 2011, with fines established for non-compliance, and a recommendation was not included in the corporate governance code until 2018. The percentage of female directors in Italy was very low until the quota was approved, standing at around 6% in 2011. With the implementation of the gender quota, the percentage of women on boards began to increase, reaching the threshold established in the legislation in 2016 and standing at 36.42% in 2018.

Presence of female directors in Italy: % of female directors FIGURE 7



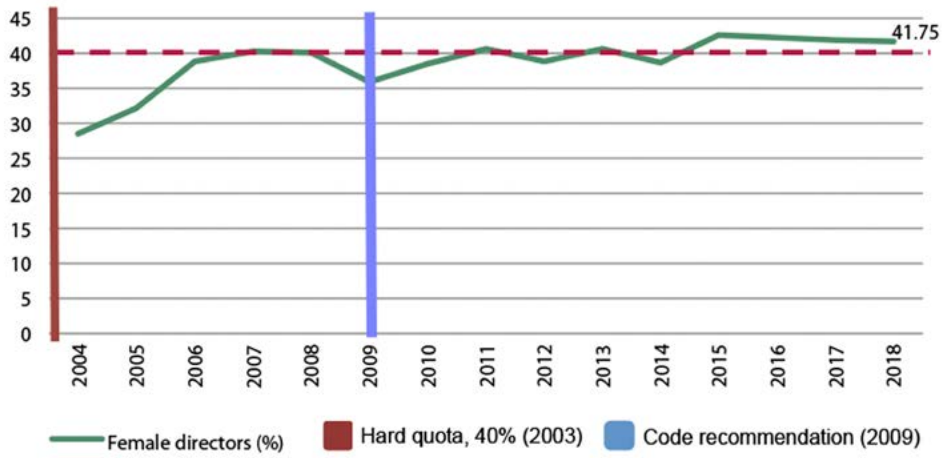
Source: In-house research based on BoardEx, annual CGRs of companies, ECGI (https://ecgi.global/content/codes) and Terjesen, Aguilera and Lorenz (2015).[20]

Lastly, Figure 8 shows the trend in the presence of female directors in Norway, a pioneer in the introduction of quota legislation. In 2003, Norway was the first country to implement a 40% gender quota, sanctioning companies that did not comply with the regulations with exclusion from the securities market. In 2004, the percentage of female directors was practically 30% and from 2016 on it has been around the 40% established by law.

20 Terjesen, Aguilera and Lorenz (2015) (*op. cit.*).

Presence of female directors in Norway: % of female directors

FIGURE 8



Source: In-house research based on BoardEx, annual AGCRs of companies, European Corporate Governance Institute (ECGI):https://ecgi.global/content/codes and Terjesen, Aguilera and Lorenz (2015).[21]

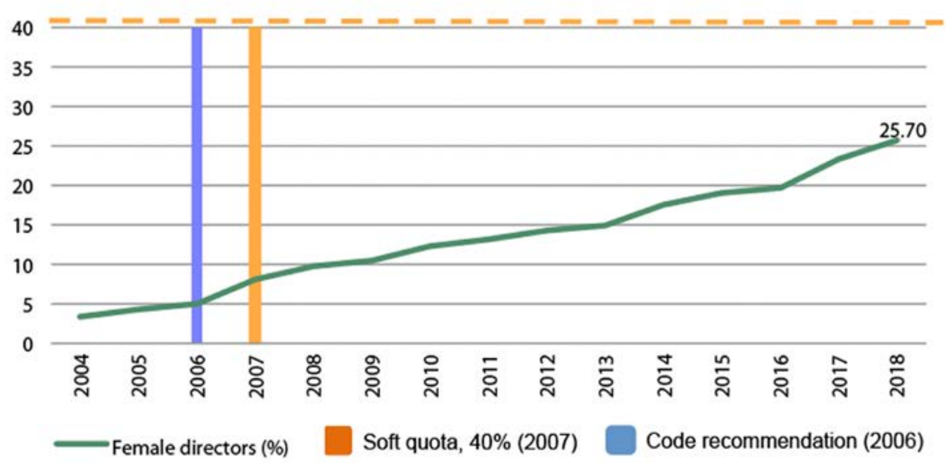
3.2 Countries with soft gender quotas

Figures 9 to 11 show the trend in the presence of female directors in STOXX Europe 600 companies (2004/2018) in countries that have implemented gender quotas for boards of directors but do not impose sanctions for non-compliance.

Spain (Figure 9) was one of the first European countries to introduce regulations on gender diversity on boards of directors through a recommendation in its 2006 Unified Good Governance Code and, one year later, introducing a quota in the Equality Act. Following the approval of the Equality Act of 2007, a gender quota of 40% was established for boards of directors, and although it does not provide for sanctions in the event of non-compliance, it does introduce an incentive giving preference in public procurements, where there is equal merit, to companies that comply with the quota. In Spain, the percentage of female directors rose steadily from 4% in 2004 to 25.70% in 2018. However, it remains approximately 15 percentage points below the 40% threshold for female directors established in the Equality Act for 2015.

21 Terjesen, Aguilera and Lorenz (2015) (*op. cit.*).

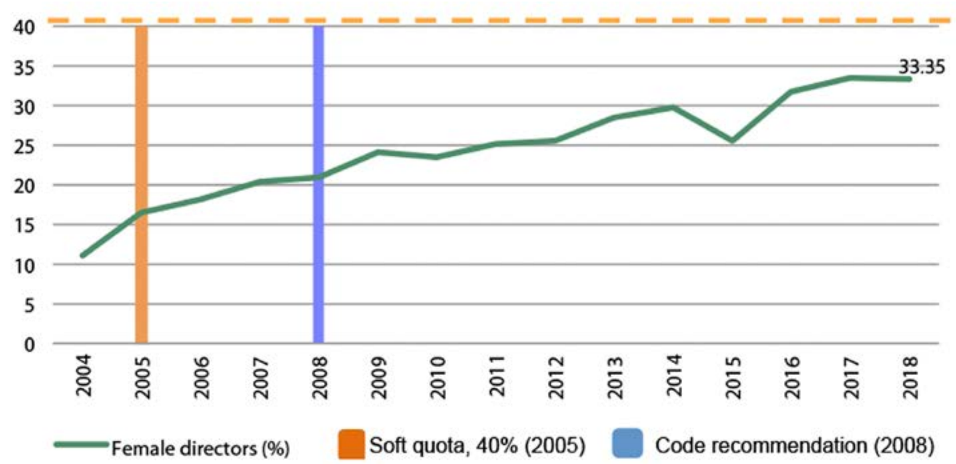
Presence of female directors in Spain: % of female directors FIGURE 9



Source: In-house research based on BoardEx, annual CGRs of companies, ECGI (https://ecgi.global/content/codes) and Terjesen, Aguilera and Lorenz (2015).[22]

Finland (Figure 10) was the first country to introduce a soft quota of 40% in 2005, although the companies directly affected by this regulation are public. Following Italy and Norway (countries with hard quotas), Finland was the third country to establish quota legislation – in this case, without sanctions – before including recommendations in its corporate governance code. The recommendations were implemented three years later, in 2008. In general terms, the presence of women on boards of directors in Finland has been continuously increasing, with the exception of a decrease of 5 percentage points in 2016, and stood at 33.35% in 2018.

Presence of female directors in Finland: % of female directors FIGURE 10



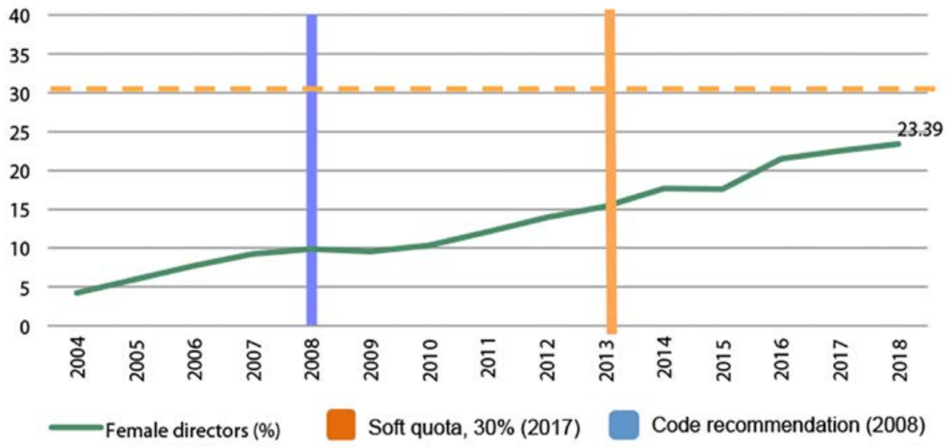
Source: In-house research based on BoardEx, annual CGRs of companies, ECGI (https://ecgi.global/content/codes) and Terjesen, Aguilera and Lorenz (2015).[23]

22 Terjesen, Aguilera and Lorenz (2015) (*op. cit.*).

23 Terjesen, Aguilera and Lorenz (2015) (*op. cit.*).

In The Netherlands (Figure 11), an increase in the presence of women on boards of directors was observed during the study period. The 2008 corporate governance code included a recommendation on gender diversity for boards of directors; however, there was no increase in the presence of female directors deriving from this regulation until 2011. In 2013, when a 30% sanction-free gender quota was introduced, women held 15% of seats on boards of directors. This percentage had increased to 23.39% by 2018.

Presence of female directors in The Netherlands: % of female directors FIGURE 11



Source: In-house research based on BoardEx, annual CGRs of companies, ECGI (https://ecgi.global/content/codes) and Mensi-Klarbach and Seierstad (2020).[24]

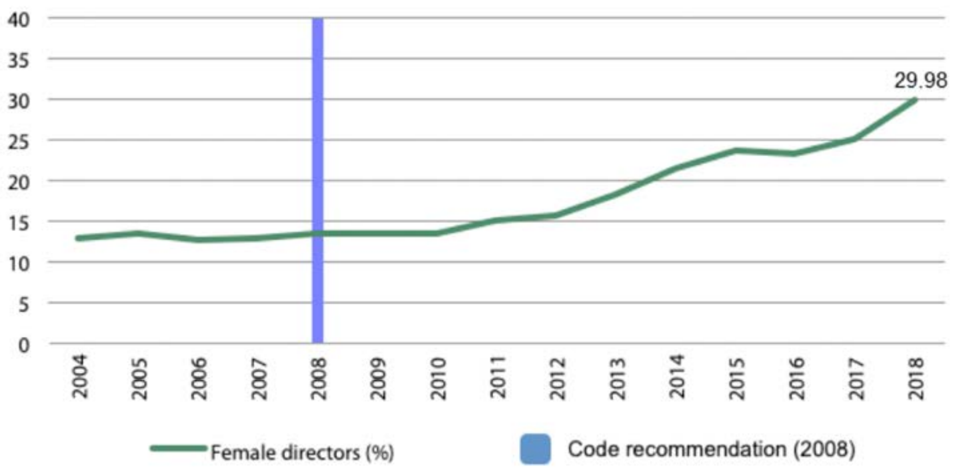
3.3 Countries that include gender recommendations in their corporate governance codes

Figures 12 to 17 show the trend in the presence of female directors in countries that have opted to include gender recommendations for boards of directors in their corporate governance codes only.

In Denmark (Figure 12), the gender recommendation was introduced in the 2008 corporate governance code. However, the percentage of female directors remained practically constant at close to 15% until 2012. The percentage of female directors in Denmark began to increase in 2012, following the proposal for a European Directive to establish a 40% gender quota within the European Union. Denmark's percentage was practically 30% in 2018.

24 Mensi-Klarbach and Seierstad (2020) (*op. cit.*).

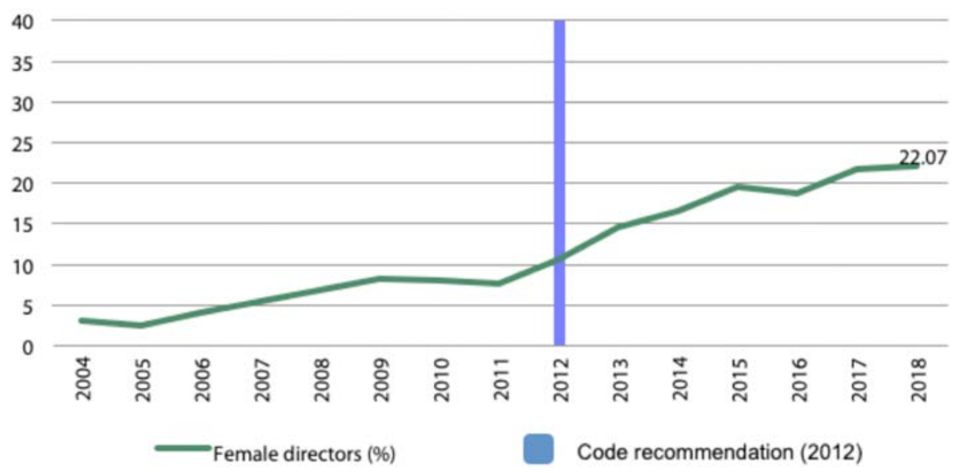
Presence of female directors in Denmark: % of female directors FIGURE 12



Source: In-house research based on BoardEx, annual CGRs of companies and ECGI (https://ecgi.global/content/codes).

In Ireland (Figure 13), the percentage of female directors exceeded the 10% threshold in 2012, coinciding with the introduction of a gender recommendation in the corporate governance code. From then until 2015 (over three years) the percentage of female directors increased by 10 percentage points. However, the increase observed between 2015 and 2018 is moderate, and in 2018 the figure was 22.07%.

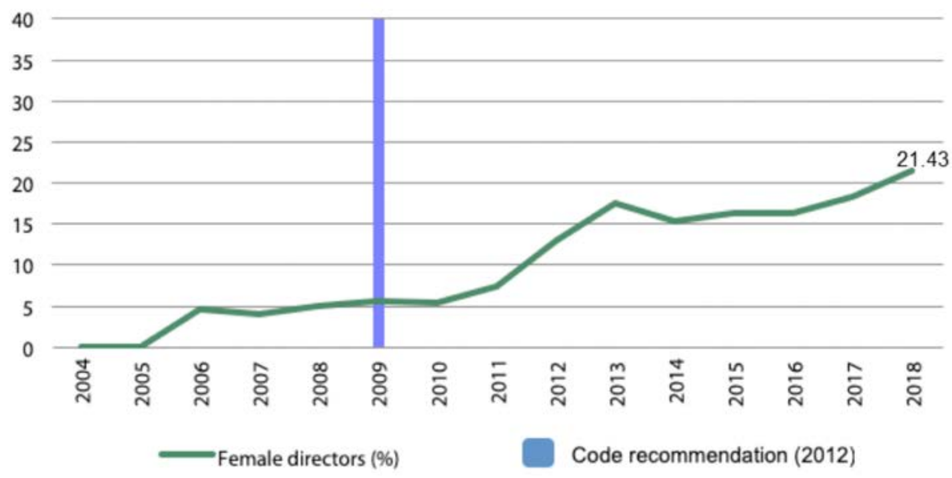
Presence of female directors in Ireland: % of female directors FIGURE 13



Source: In-house research based on BoardEx, annual CGRs of companies and ECGI (https://ecgi.global/content/codes).

In Luxembourg (Figure 14) two significant increases in the presence of female directors can be observed. The first occurred in 2006, when it increased from practically zero to 5%, a value that remained almost constant until 2010 (inclusive). It was not until 2011, two years after the inclusion of a gender recommendation in the corporate governance code, that the percentage of female directors exceeded the 5% threshold and started to rise, reaching 21.43% in 2018.

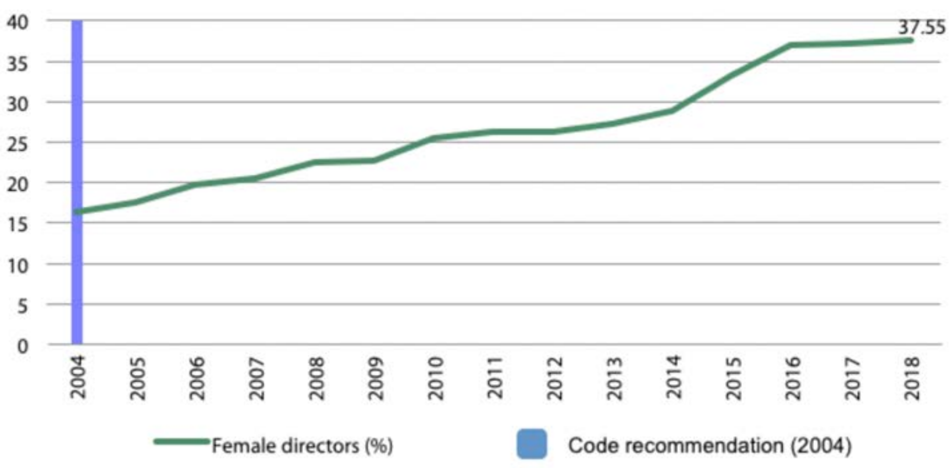
Presence of female directors in Luxembourg: % of female directors FIGURE 14



Source: In-house research based on BoardEx, annual CGRs of companies and ECGI (https://ecgi.global/content/codes).

Sweden (Figure 15) was the first country to establish a gender recommendation for boards of directors in its 2004 corporate governance code. Although in 2004 the percentage of female directors in Sweden (16.27%) was significantly higher than that observed in other countries, during the study period the presence of women on boards of directors continued to increase significantly. Hence, in 2018 the percentage of female directors stood at 37.55%, a value very close to the gender quotas established in other European countries such as Spain, France and Norway.

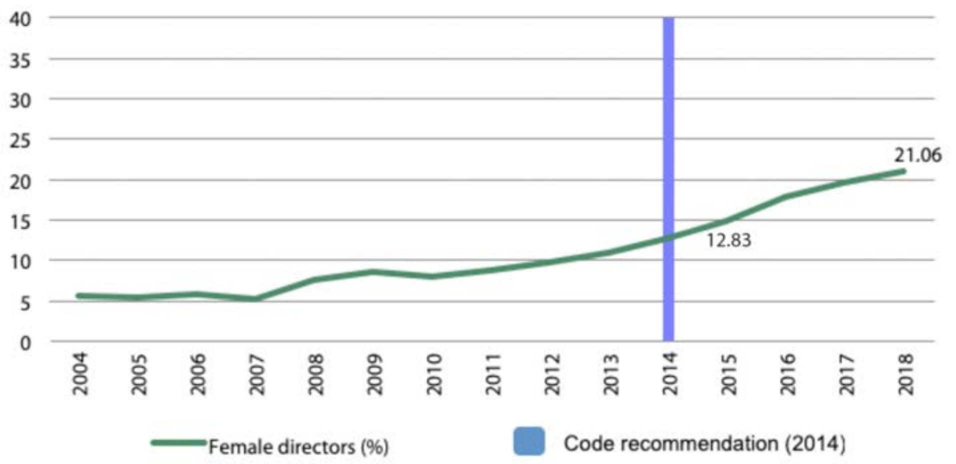
Presence of female directors in Sweden: % of female directors FIGURE 15



Source: In-house research based on BoardEx, annual CGRs of companies and ECGI (https://ecgi.global/content/codes).

Although in Switzerland (Figure 16) quota legislation without sanctions was introduced in 2019,[25] this quota is not considered in our study, which covers the period 2004-2018. The percentage of female directors in Switzerland began to rise above 5% from 2007 onwards. From then until 2018, continuous, moderate increases were observed over time, with the share reaching 21.06% that year. After the inclusion of a gender recommendation in the corporate governance code in 2014, no significant increases were observed. The growth rate observed in the four years before the regulation was introduced (from 2010 to 2014) was 61.59%, while the rate observed in the following four years (from 2014 to 2018) was only slightly higher (64.14%).

Presence of female directors in Switzerland: % of female directors FIGURE 16

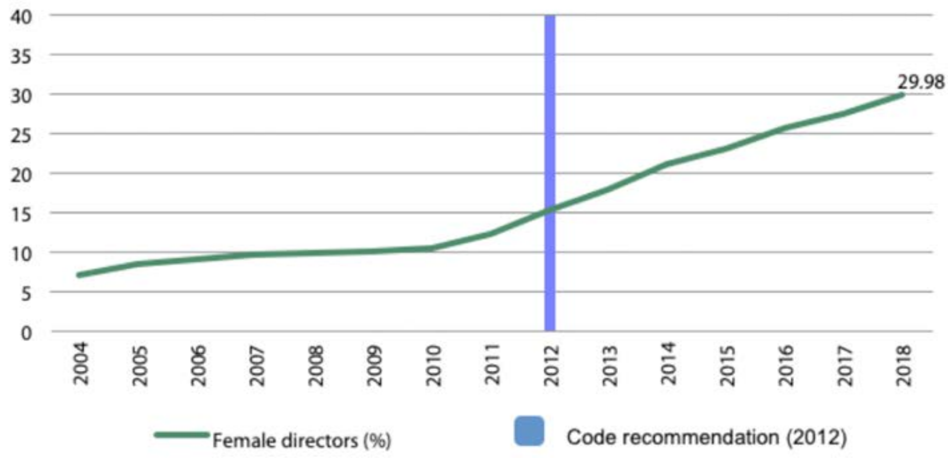


Source: In-house research based on BoardEx, annual CGRs of companies and ECGI (https://ecgi.global/content/codes).

The United Kingdom (Figure 17) is one of the countries where gender recommendations in the corporate governance codes have had a very significant effect in increasing the presence of women on the boards of directors. The percentage of female directors during the period 2004-2010 remained practically constant at around 10%, while in 2011, one year before the introduction of the recommendation in the code of corporate governance, it started to increase progressively, to reach nearly 30% in 2018. The percentage of female directors obtained in the United Kingdom in 2018 coincides with the threshold set by many of the quota regulations established in Europe, such as in Germany, Belgium and The Netherlands.

25 Swissinfo (2019) (*op. cit.*).

Presence of female directors in the UK: % of female directors FIGURE 17

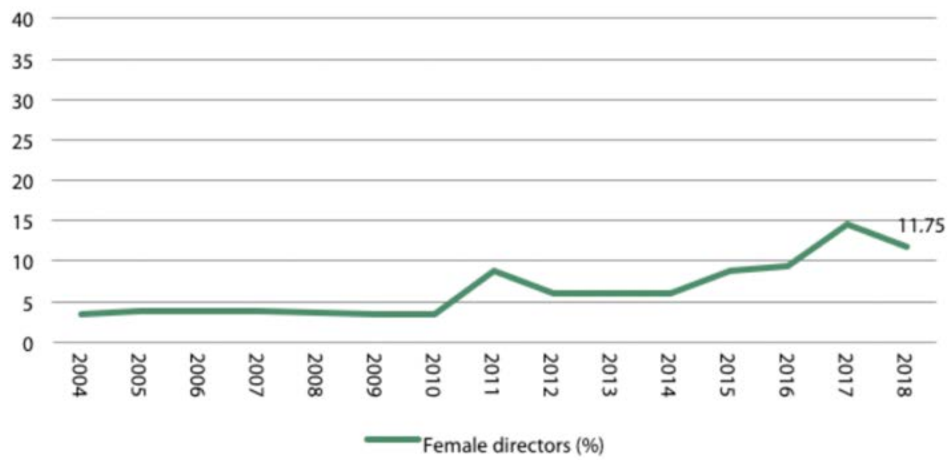


Source: In-house research based on BoardEx, annual CGRs of companies and ECGI (https://ecgi.global/content/codes).

3.4 Countries without gender regulations for boards of directors

Among the countries represented in the STOXX Europe 600, the Czech Republic is the only country that has not chosen to introduce gender regulations for boards of directors. As seen in Figure 18, the presence of female directors is very low, standing below 5% until 2011. Between 2010 and 2018, a moderate increase was observed in the percentage of female directors, which stood at 11.75% in general terms in 2018. The Czech Republic is the only country represented in the STOXX Europe 600 (alongside Portugal, which introduced regulations recently, in 2016 and 2017) that did not exceed the threshold of 20% of female directors in its large listed companies in 2018.

Presence of female directors in the Czech Republic: % of female directors FIGURE 18



Source: In-house research based on BoardEx, annual CGRs of companies and ECGI (https://ecgi.global/content/codes).

4 Effectiveness of gender regulations on boards of directors

This section describes the effectiveness of the different gender diversity regulations implemented in Europe between 2004 and 2018 in respect of boards of directors and committees of companies included in the STOXX Europe 600 in 2018.[26]

Although the different regulations aim to increase gender diversity on companies' boards of directors, we also look at whether the effect of gender regulation extends to the board committees. To do this, an index was constructed using a principal component analysis (PCA) that captures records diversity on audit, nomination and compensation committees.

Table 2 is a summary of the main effects discovered using a panel data analysis using the GMM estimator (Arellano and Bond, 1991),[27] which allows unobserved heterogeneity and endogeneity issues to be controlled.[28]

Effect of gender diversity regulations on the presence of women in corporate governance TABLE 2

	Female directors (%)	Gender diversity index in committees
Recommendation in the corporate governance code	✓	✓
Soft quota	No	No
Hard quota	✓	✓

Note: ✓ indicates that the coefficient of the variables relating to gender diversity regulations is significantly positive, with size reflecting the level of significance (the bigger it is, the more significant); "No" indicates that the coefficient of the variables relating to gender diversity regulations is not significant.

The analyses reveal that the most effective regulation for increasing the presence of female directors is quota legislation with sanctions for non-compliance. In addition, gender recommendations included in corporate governance codes contribute significantly to increasing the presence of women on boards. This outcome contradicts previous studies[29] which indicate that this gender recommendations fail to

26 Of the 600 companies that made up the index in 2018, those domiciled in Bermuda, Cyprus, the Isle of Man, Jersey, Mexico and South Africa and companies (or observations) for which information on corporate governance or financial characteristics could not be obtained have been excluded.

27 Arellano, M. and Bond, S. (1991). "Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations". *Review of Economic Studies*, No. 58, pp. 277–297.

28 The models include, in addition to the independent variables relating to gender regulations, a series of variables that allow controls to be made for the characteristics of the company, country and year. Specifically, these variables are: the logarithm of the book value of total assets as a measure of the size of the company, the debt ratio (book value of total debt/book value of total assets), the total number of directors as a measure of the size of the board, sectoral dummies and dummies by country and year.

29 Sojo, V. E., Wood, R. E., Wood, S. A. and Wheeler, M. A. (2016). "Reporting requirements, targets, and quotas for women in leadership". *The Leadership Quarterly*, No. 27, pp. 519-536.

significantly increase the percentage of female directors. In contrast, there is no significant increase in gender diversity on boards in the case of quotas without sanctions.

In analysing the effect of gender diversity regulations on board committees, as occurred with the percentage of female directors, it can be observed that quotas without sanctions do not significantly influence diversity on these corporate governance bodies. However, in this case, the gender diversity recommendations included in corporate governance codes have the greatest impact on increasing gender diversity in committees.

5 Formal and informal institutional factors and effectiveness of gender regulations on boards of directors

The descriptive analysis developed in Section 3 shows that trends in the presence of female directors do not always follow the same pattern, even for countries that have adopted gender regulations of the same type (hard quota, soft quota or code). This behaviour, together with the results put forward in recent literature, reflects the importance of institutional factors both in the adoption of legislation on gender diversity on boards and its impact. For example, Terjesen, Aguilera and Lorenz (2015)[30] propose that quota legislation is related to the existence of certain institutional aspects, and Iannotta, Gatti and Huse (2016)[31] suggest that quotas may not fully fulfil their function if institutional aspects are not considered in their design and implementation. This evidence indicates the importance of institutional factors when analysing regulations on gender diversity on boards. Studies examining these aspects from a comparative perspective are scarce. However, recent articles[32] point to the importance of considering both institutional factors and those relating to the characteristics of companies and their corporate governance when studying the impact of gender diversity regulations on boards.

This section summarises the main results of the analysis of the influence of institutional settings, both formal and informal, on the effectiveness of gender diversity regulations on the presence of women on boards of directors and audit, nomination and compensation committees in STOXX Europe 600 companies.[33]

Specifically, it analyses the influence of a number of institutional factors on the effectiveness of the regulation, also considering the characteristics of the companies

30 Terjesen, Aguilera and Lorenz (2015) (*op. cit.*).

31 Iannotta, M., Gatti, M. and Huse, M. (2016). "Institutional complementarities and gender diversity on boards: a configurational approach". *Corporate Governance: An International Review*, No. 24, pp. 406-427.

32 Grosvold, J., Rayton, B. and Brammer, S. (2016). "Women on Corporate Boards. A Comparative Institutional Analysis". *Business & Society*, No. 55, pp. 1157-1196; Iannotta, Gatti and Huse (2016) (*op. cit.*).

33 Martínez-García, I. and Gómez-Ansón, S. (2020). "Effectiveness of gender diversity regulation on boards in Europe: The role of the institutional context" (shortly to become a CNMV working document or unpublished work).

through a series of control variables included in the GMM models.[34] These institutional factors are:

- **Quality of government.** The quality of the government is measured according to six continuous variables:[35] i) the extent to which the exercise of public power for private gain is controlled (control of corruption); ii) the extent to which agents trust and abide by the rules of society (rule of law); iii) the Government's ability to implement programmes and regulations that promote the development of the private sector (regulatory quality); iv) the quality of public services, state employees, the formulation of policies and the application of these policies, as well as the credibility of the national Government's commitment to these policies (government effectiveness); v) the probability of political stability (political stability), and vi) the extent to which citizens are free to choose their public representatives and Government and to exercise freedom of expression and association (voice and accountability). These six variables have been summarised in an index constructed using principal component analysis (PCA): *Government quality index*.

- **Women in decision-making bodies.** The presence of women in decision-making bodies is measured by the percentage of *female parliamentarians* in both the upper and lower houses.[36]

- **Culture.** A country's culture is measured according to Hofstede's cultural dimensions:[37]

  i) *Power distance*: degree to which the least powerful members of a society accept and expect power to be distributed unequally (high values: acceptance; low values: rejection).

  ii) *Individualism*: degree to which members of a society identify themselves as individuals (high values: individualism) rather than as members of a group or collective (low values: collectivism).

  iii) *Masculinity*: preferences for values such as heroism, assertiveness, success and material rewards (high values: masculinity) versus preferences for cooperation, modesty, caring for the weak and quality of life (low values: femininity).

  iv) *Uncertainty avoidance*: degree to which members of a society are uncomfortable with uncertainty and ambiguity (high values: uncertainty avoidance; low values: tolerance of uncertainty).

34 The logarithm of the book value of total assets as a measure of the size of the company, the debt ratio (book value of total debt/book value of total assets), the total number of directors as a measure of the size of the board and sectoral dummies. The models also include dummy variables by country and year.

35 World Bank (2020). *Worldwide Governance Indicators*. Available at: info.worldbank.org/governance/wgi/

36 European Institute for Gender Equality (EIGE). (2020). *Gender statistics database*. Available at: https://eige.europa.eu/gender-statistics/dgs

37 Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Sage Publishing, Beverly Hills.

v) *Long-term orientation*: the extent to which society is oriented towards future rewards, more open to change and willing to make sacrifices in the present for the sake of future benefits (high values: long-term orientation) versus societies with high respect for traditions and disposed to maintain them (low values: short-term orientation).

vi) *Indulgence*: the extent to which societies are guided by their wishes and impulses (high values: indulgence) as opposed to being governed by strictly prescribed gender roles (at work and at home) or strict sexual norms and presenting greater concern to maintain order in the nation rather than freedom of expression (low values: restriction).

These variables are included in the models independently and interact with the *Regulation* variable, which takes the value 0 when the company is not affected by any type of gender regulation, 1 when it is exclusively affected by a recommendation on gender diversity contained in a corporate governance code, 2 if it is affected by quota legislation without sanctions (either in isolation or in addition to a recommendation in a code) and 3 if it is affected by a quota with sanctions (in isolation or in addition to a recommendation in a code). The *Regulation* variable allows all gender regulations to be collected in a single variable and also reflects how binding the regulations are.

Table 3 summarises the main findings, namely whether the coefficient of interactions between institutional variables and the *Regulation* variable is significantly positive (✓), negative (✗) or insignificant (No).

Influence of the formal and informal environment on the effectiveness of regulation TABLE 3

	Female directors (%)	Gender diversity index in committees
Regulation	✓	✓
Government quality index x Regulation	✗	✓
Female parliamentarians (%) x Regulation	✗	✗
Power distance x Regulation	✓	✓
Individualism x Regulation	✓	No
Masculinity x Regulation	No	✗
Uncertainty avoidance x Regulation	✓	✓
Long-term orientation x Regulation	✗	✗
Indulgence x Regulation	No	✓

Note: ✓ indicates that the coefficient of the interactions between the institutional variables and the *Regulation* variable is significantly positive; ✗ indicates that the coefficient of the interactions between the institutional variables and the *Regulation* variable is negative; "No" indicates that the coefficient of the interactions between the institutional variables and the *Regulation* variable is not significant.

The results show that the *government quality index* negatively moderates the positive influence of gender regulations on the presence of *female directors*. Countries with high quality of government have more female directors, but as the quality of government increases, so the effectiveness of regulations on this matter on boards of directors decreases. However, when analysing the role of quality of government in influencing gender diversity regulations for board committees (*gender diversity index in committees*), the results show the opposite effect: the quality of government enhances the effect of gender regulations, increasing the presence of women on audit, nomination and compensation committees.

Regarding the influence of the presence of women in national parliaments on the relationship between regulation and the presence of women on boards of directors and committees, the results show a negative moderating effect. In other words, the positive influence of the *regulation* of gender diversity on the presence of women on boards and committees decreases as the *presence of female parliamentarians* increases.

Findings relating to the moderating effect of culture are varied. They show that the effectiveness of regulation in increasing the presence of women on boards and committees is greater in countries that present high values in the *power distance* and *uncertainty avoidance* cultural dimensions and low values in the *long-term orientation* dimension. Additionally, the *individualism*, *masculinity* and *indulgence* dimensions are observed not to influence the relationship between regulation and female presence on boards and committees in the same way. For example, high levels of individualism enhance the positive effect of regulation on the presence of women on boards, but do not influence the relationship between regulation and gender diversity on committees. Conversely, masculinity and indulgence do not influence the impact of regulation on the presence of *female directors* but they do moderate the positive effect of regulation on the *gender diversity index in committees*. Therefore, in countries with low levels of masculinity and high levels of indulgence, the positive effect of regulation in increasing the presence of women on audit, appointments and remuneration committees is strengthened.

6 Gender regulations on boards of directors and the institutional environment in Spain

This section describes the institutional environment in Spain, comparing it with the observed mean values for the 17 countries analysed in this study[38] and the gender regulations introduced at the national level are described in greater detail. The objective of this analysis is to contextualise Spain in the analyses developed in the previous sections.

Spain was one of the first countries to introduce gender diversity regulations for boards of directors and to continuously revise and update them (Table 1). Therefore, Spain was the second country, after Sweden, to introduce a gender

38 Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom.

recommendation for boards of directors in its 2006 Unified Good Governance Code.[39] Recommendation 14 stated: "When the number of female directors is zero or low, the Board should explain the reasons and the initiatives taken to correct this situation; and in particular, the Nomination Committee should ensure when filling new vacancies: a) that the selection processes do not suffer from implicit biases that hinder the selection of female directors; b) that the company deliberately searches for, and includes among potential candidates, women who meet the professional profile sought". The Unified Good Governance Code was revised and updated in 2013,[40] although the gender recommendation was not amended. In 2015, the Good Governance Code for Listed Companies did amend the recommendation by introducing a threshold of female directors of at least 30% by 2020.[41] Currently, this code is in the amendment phase and, among other aspects, a proposal has been made to amend the recommendation on gender diversity, increasing the recommended threshold for women from 30% to 40%.[42]

Regarding quota legislation, Spain was the third country – behind only Norway and Finland – to introduce a gender quota, in the Equality Act of 2007.[43] This legislation established a gender quota of 40% to be met in 2015 for listed and unlisted companies that have to present unabridged income statements. Although this quota does not carry sanctions for non-compliance, the law established an incentive according to which, where there is equal merit, companies meeting the gender quota are given preference in public procurement contracts. In October 2018, the Vice President of the Government announced a new quota law that would establish quotas and sanctions,[44] after the bill was passed by the Congress of Deputies (lower house of Spain's parliament) in an urgent reading.[45] However, at the end of the 12th parliamentary term, this draft bill was put on hold.[46]

With respect to institutional settings, Figure 19 shows the average values recorded by the different quality of government indicators in Spain and in the other 16 countries analysed in this study during the period 2004-2018. These indicators take values between -2.5 and 2.5 and, as shown, in Spain government quality indicators have lower values than the European average, and the *political stability* indicator is

39 Unified Good Governance Code for Listed Companies (2006). Available at: https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/Codigo_unificado_Esp_04.pdf

40 Unified Good Governance Code for Listed Companies (2013). Available at: https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/CUBGrefundido_JUNIO2013.pdf

41 Good Governance Code for Listed Companies (2015). Available at: https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/Good_Governanceen.pdf

42 CNMV (2019). *CNMV submits to public consultation the amendment of certain recommendations of the Good Governance Code for Listed Companies*. Press release, 15 January 2020. Available at: http://www.cnmv.es/portal/verDoc.axd?t={8381aade-130b-413d-8e39-c157765d3abf}

43 Organic Law 3/2007 of 22 March for the effective equality of women and men. Available at: https://www.boe.es/buscar/act.php?id=BOE-A-2007-6115

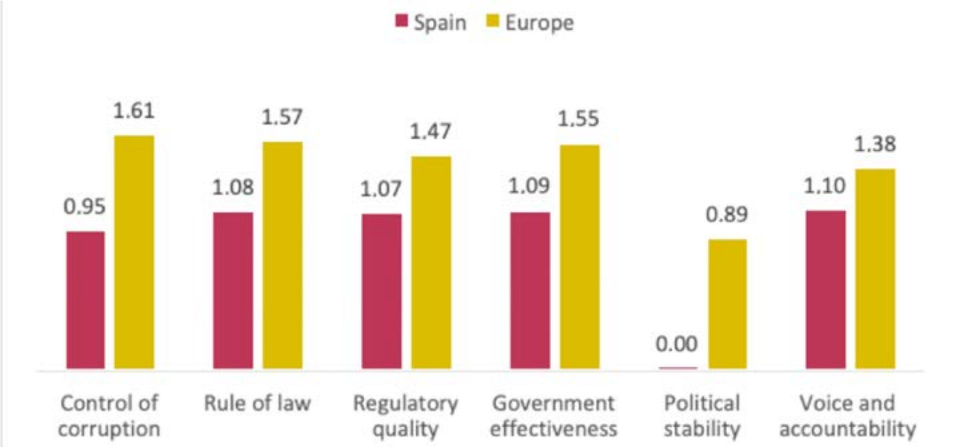
44 Expansión (2018). *Government prepares urgent reading for bill on mandatory quotas in management positions*, 2 October 2018. Available at: https://www.expansion.com/economia/2018/10/02/5bb34489468aeb1c7b8b4646.html

45 Expansión (2018). *Congress passes first stage of bill requiring female quota on boards*, 18 October 2018. Available at: https://www.expansion.com/economia/2018/10/16/5bc5cdefe5fdea20038b4618.html

46 El Periódico de Aragón (2019). *Measures that have been put on hold*, 15 February 2019. Available at: https://www.elperiodicodearagon.com/noticias/espana/medidas-quedan-punto-muerto_1343259.html

particularly significant in terms of value and difference compared to the European average.

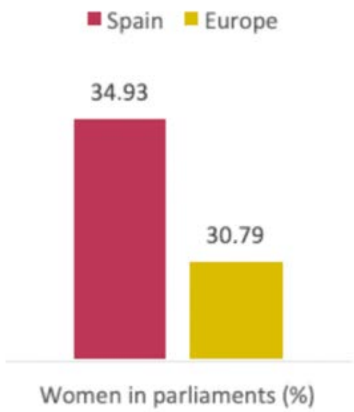
Government quality indicators FIGURE 19



Source: In-house research based on World Bank (https://info.worldbank.org/governance/wgi/).

As regards the presence of women in politics, Figure 20 shows that in Spain the average percentage of female parliamentarians during the period 2004-2018 (34.93%) is slightly higher than that observed in Europe as a whole for the same period (30.79%). These higher values seen in politics reflect the introduction of a mandatory gender quota of 40% in the electoral lists through the Equality Act of 2007.[47]

Women in decision-making bodies FIGURE 20



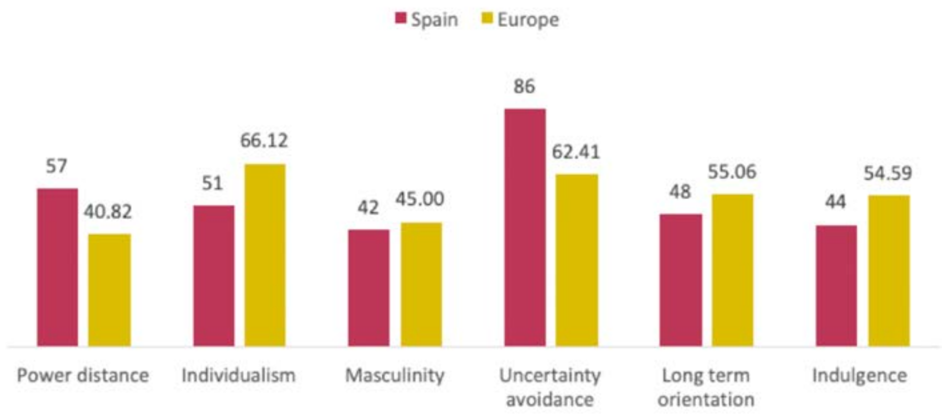
Source: In-house research based on the European Institute for Gender Equality (https://eige.europa.eu/gender-statistics/dgs).

Finally, in the cultural dimensions (Figure 21), Spain presents higher levels of *power distance* and *uncertainty avoidance*. While also presenting lower levels of

47 Organic Law 3/2007 of 22 March for the effective equality of women and men. Available at: https://www.boe.es/buscar/act.php?id=BOE-A-2007-6115

individualism, *masculinity*, *long-term orientation* and *indulgence* relative to the average of the 17 European countries in the sample.

Hofstede's cultural dimensions FIGURE 21



Source: In-house research based on Hofstede Insights (www.hofstede-insights.com).

From the analysis of the influence of the institutional environment on the impact of regulations to increase the presence of women on boards of directors (Section 5), it appears that a higher quality of government and a greater presence of women in national parliaments have a negative influence on the effectiveness of regulations. In contrast, the effectiveness of regulation increases in countries with high levels of power distance, individualism, uncertainty avoidance and short-term orientation.[48] Therefore, Spain presents the characteristics relating to the institutional environment (except for the indicator of women in decision-making bodies and individualism) that would enhance the impact of the most binding gender diversity regulations (quotas with sanctions)[49] and would increase the presence of women on boards of directors.

However, although Spain was one of the first countries to introduce gender diversity regulations on boards of directors and these regulations are continuously revised and updated, the presence of women on Spanish boards of directors is still below the thresholds established by the regulations.[50] Thus, according to the latest data published by CNMV for 2018,[51] the percentage of female directors stands at 19.9%

48 Note that a negative moderating effect of the *long-term orientation* dimension was observed on the effectiveness of the regulation to increase the percentage of female directors.

49 Note that the *regulation* variable reflects how binding the regulations are.

50 For further information on the effect of Spanish gender diversity regulations on listed companies during the 2004-2006 period, see: Martínez-García, I., Sacristán-Navarro, M. and Gómez-Ansón, S. (2020). "Gender diversity on boards of directors: The effect of regulations on the presence of women in listed Spanish companies". *International Journal of Communication Research aDResearch ESIC*, Vol. 22, no. 22, pp. 60-81. Available at: https://adresearch.esic.edu/wp-content/uploads/2020/03/aDResearch_22_libro_web3.pdf

51 CNMV (2020). *Presence of women on boards of directors and in senior management of listed companies*. Available at: http://www.cnmv.es/Portal/verDoc.axd?t=%7Ba1edd6a0-cf2f-485b-be91-397955cac8d7%7D

for all listed companies, at 23.9% for the Ibex 35 and, according to this study (Figure 9), at 25.7% for Spanish companies forming part of the STOXX Europe 600 index.

7 Conclusions

This article analyses the impact of the recommendations on gender diversity on boards of directors included in corporate governance codes and the legislation on gender quotas for boards, with or without sanctions, to increase the presence of women in the corporate governance (boards of directors and committees) of companies in the STOXX Europe 600 index during the period 2004-2018.

The findings show that gender diversity on boards and board committees is greater in countries that have included gender recommendations in their corporate governance codes and quotas with sanctions for non-compliance. However, the inclusion of quotas without sanctions, or soft quotas, does not lead to a significant increase in the presence of women in corporate governance. These findings differ from previous empirical evidence. For example Sojo, Wood, Wood, and Wheeler (2016)[52] observe that gender quotas, with and without sanctions, significantly increase the female presence on boards, while gender recommendations in codes do not have a significant effect on gender diversity on boards. The results of our study also show that, while quotas with sanctions are the most effective mechanism for increasing the presence of female directors, gender recommendations in corporate governance codes are the best tools for increasing gender diversity in audit, nomination and compensation committees.

Furthermore, the findings suggest that the formal and informal environment moderates the relationship between regulation and the presence of women in corporate governance. The effectiveness of gender regulation is lower in countries with a high quality of government and a high presence of women in politics. Conversely, this effectiveness is enhanced in countries with cultural characteristics such as high levels of power distance, individualism, uncertainty avoidance and short-term orientation. The analyses also indicate differences in the role that the institutional environment plays as a moderator of the relationship between gender diversity regulations and the presence of women as members of boards of directors or board committees. Overall, this study provides empirical evidence of the importance of the formal and informal institutional environment for the effectiveness of regulations on gender diversity on boards of directors and, in turn, allows the case of Spain to be contextualised. The institutional context in Spain would, in general terms, enhance the impact of the most binding regulations on gender diversity (i.e. quotas with sanctions) on board diversity.

This work has a number of limitations, which could be addressed in future research. Namely: only European companies are considered and, therefore, the results cannot be extrapolated to other institutional settings, and there are institutional factors that

52 Sojo, V. E., Wood, R. E., Wood, S. A., and Wheeler, M. A. (2016). "Reporting requirements, targets, and quotas for women in leadership". *The Leadership Quarterly*, No. 27, pp. 519-536.

have not been considered, for example those relating to the welfare state, the characteristics of the labour markets and education systems. In addition to these potential research topics associated with these limitations, there are also other promising possible lines of research. In this regard, future research could consider the potential effect of the ownership structure of companies, differentiating, for example, between family and non-family businesses. It would also be interesting to consider the impact of gender regulation and the moderating role of the institutional environment on other variables, for example on the types of female directors (executive and non-executive) or the educational and professional profiles of female directors.

III Legislative Annex

Since the publication of the CNMV Bulletin for the last quarter of 2019, the following legislative developments have taken place:

CNMV regulations

– Resolution of 4 February 2020 of the Chairman of the CNMV publishing the Agreement with the Fundación Instituto Iberoamericano de Mercados de Valores (Ibero-American Securities Markets Institute, hereinafter "IIMV" from its Spanish initials) whereby a grant is awarded to the foundation to finance its activities and the fulfilment of its objects during 2020.

  The purpose of the agreement is the award by CNMV of a direct grant for the financial year 2020 to the IIMV Foundation to generally finance its ordinary expenses budget.

– Agreement of 3 March 2020 of the Board of the CNMV appointing members of the CNMV Advisory Committee.

– CNMV Resolution, of 20 March 2020, on the suspension of administrative deadlines under Spanish Royal Decree 463/2020 on the state of alarm.

  With reference to the terms of the Third Additional Provision of Royal Decree 463/2020 of 14 March, the administrative authorisation procedures handled by the CNMV's Institutions Directorate General and Markets Directorate General are considered essential for the protection of the general interest and for the basic operation of the services entrusted to the CNMV in all cases likely to produce favourable effects for the parties affected, as are all actions or procedures whereby the CNMV exercises its general supervision of the securities market and the institutions subject to its oversight.

  However, in these procedures, justified causes of interested parties deriving from the health crisis caused by COVID-19 must be properly attended to.

  The power to take reasoned decisions on the inclusion of administrative procedures other than those stipulated in this resolution is delegated to the CNMV Executive Committee.

National regulations

– Royal Decree-Law 3/2020, of 4 February, on urgent measures incorporating into the Spanish legal system various European Union directives in the fields of public procurement in certain sectors, private insurance, pension plans and funds, tax and tax disputes.

  This Royal Decree-Law completes the transposition of the package of community directives on public procurement that the European Union approved in

2014, i.e., in addition to Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors, and Directive 2014/23/EU, on the award of concession contracts, Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014, on public procurement.

The legal system of public procurement established in this Royal Decree-Law completes the provisions of Law 9/2017 of 8 November on public sector contracts – which is referred to several times throughout the text – seeks to clarify the rules in force for the sake of greater legal certainty and to promote the use of public procurement as an instrument to implement both European and national policies on social and environmental matters and on innovation and the support and development of SMEs.

In the area of insurance, Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution has been transposed. The incorporation of the aforementioned Directive into the Spanish legal system entailed significant amendments to Law 26/2006 of 17 July on mediation of private insurance and reinsurance. In view of this, and of the need to strengthen information obligations in the distribution of insurance-based investment products, among others, it was deemed advisable to draw up a new law to replace Law 26/2006 of 17 July.

Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision has also been partially transposed, for which purpose the recast text of the Law regulating pension plans and funds, approved by Spanish Royal Legislative Decree 1/2002 of 29 November, was amended.

Title III of the Second Book of Royal Decree-Law 3/2020 partially transposes Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, in matters that directly affect the insurance sector.

This transposition will bring improvements in the area of corporate governance of listed companies in Spain, with the ultimate aim of promoting the long-term financing that companies receive through the capital markets. The aim is to avoid short-term pressures in the management of companies, so that growth and sustainability objectives can be taken into account in the medium and long term, which is positive for the company itself, for the well-being of stakeholders other than shareholders, such as employees, and for the economy in general, improving its resilience in crises and potential for aggregate growth.

Lastly, this Royal Decree-Law amends the regulations on non-resident income tax in order to transpose Council Directive (EU) 2017/1852 of 10 October 2017, on tax dispute resolution mechanisms in the European Union, thereby harmonising the framework for the resolution of amicable procedures and strengthening legal certainty. For this purpose, the recast text of the Non-resident Income Tax Law approved by Royal Legislative Decree 5/2004 of 5 March, has been amended, in addition to Law 29/1998 of 13 July, regulating judicial review jurisdiction.

The following Laws have been repealed:

i) Law 31/2007 of 3 October on procurement procedures in the water, energy, transport and postal services sectors, incorporating into the Spanish legal system Directives 2004/17/EC, 92/13/EEC and 2007/66/EC and all provisions of the same or lower rank insofar as they are contrary to the provisions of this Royal Decree-Law.

ii) Law 26/2006 of 17 July on mediation of insurance and reinsurance.

   Notwithstanding the foregoing, Royal Decree 764/2010 of 11 June, implementing Law 26/2006 of 17 July on mediation of private insurance and reinsurance in matters of statistical-accounting and business information and of professional competence, as well as the Resolution of the Directorate General for Insurance and Pension Funds of 18 February 2011, establishing the basic requirements and principles of training programmes for insurance and reinsurance brokers and other direct participants in the mediation of private insurance and reinsurance, will remain in force until the regulations that develop the Royal Decree-Law on training and statistical-accounting and business information are approved.

– Royal Decree 309/2020, of 11 February, on the legal regime of specialised credit institutions and amending the regulations of the Companies Registry, approved by Royal Decree 1784/1996 of 19 July, and Royal Decree 84/2015 of 13 February, developing Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions.

The main objective of this Royal Decree is to develop a legal regime for specialised credit institutions that is clear, comprehensible and appropriate to the needs of the business but at the same time equivalent in terms of robustness to that established for credit institutions.

This Royal Decree repeals Royal Decree 692/1996 of 26 April on the legal regime of specialised credit institutions, which develops title II of Law 5/2015 of 27 April, promoting business financing, and specifies the legal regime for specialised credit institutions and the consolidable groups or subgroups of specialised credit institutions with a parent company in Spain in terms of access to activity, solvency requirements and supervision regime. The purpose of this Royal Decree is to improve protection for financial clients and competition in the granting of loans, while still adhering to the prudential standards that must characterise such activity.

The legislation will enter into force on 1 July 2020, except for Article 30, Liquidity buffer and structure of financing sources and maturities of specialised lending institutions, which will enter into force three months after the publication of the Bank of Spain circular developing the provisions of this Article, and the Second Final Provision, which will enter into force the day after its publication in the *Boletín Oficial del Estado* (*BOE*, Official State Gazette).

– Royal Decree-Law 6/2020, of 10 March, adopting certain urgent measures in the economic area and for the protection of public health.

  Law 1/2013 of 14 May on measures to strengthen protection for mortgage borrowers, debt restructuring and social rents; Law 9/2012 of 14 November on restructuring and resolution of credit institutions, and Royal Decree 84/2015 of 13 February, developing Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions have been amended.

  The Seventh Additional Provision of Law 9/2012 of 14 November, insofar as it refers to the legal regime of SAREB (Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria, S. A., Spain's "bad bank") has been amended for purposes of the non-application of the provisions of Article 363.1, letter e), of the recast text of the Spanish Corporate Enterprises Act approved by Spanish Royal Legislative Decree 1/2010 of 2 July.

  The Fourth Additional Provision of Royal Decree 84/2015 of 13 February has been amended to expand the types of existing financial institutions that may apply to be converted into banks.

  Organic Law 3/1986 of 14 April on special measures in public health matters has been amended to establish the centralised supply of health products other than medicines by the state. Lastly, in order to protect public health, periods of isolation or contagion of workers as a consequence of COVID-19 are considered as a situation similar to a workplace accident exclusively to receive the economic benefit for temporary disability under the social security system.

  This Royal Decree-Law came into force on 12 March 2020, the day following its publication in the *BOE* (Official State Gazette).

– Royal Decree-Law 7/2020, of 12 March, adopting urgent measures to respond to the economic impact of COVID-19.

  This Royal Decree-Law aims to adopt new measures to respond to the negative economic impact being felt in the health and tourism sectors and by people affected by the confinement measures adopted by the competent authorities, as well as to prevent a greater negative economic impact on SMEs and the self-employed. Specifically, the measures adopted are aimed at strengthening the public health system, supporting the most vulnerable workers and families affected by this exceptional, extraordinary situation, guaranteeing the liquidity of companies in the tourism sector and supporting financing for SMEs and the self-employed. Furthermore, it establishes measures for the efficient management of public administrations.

  Chapter V sets out measures for the efficient management of public administrations, particularly in Article 16, regarding procurement.

The First Final Provision amends Law 50/1997 of 27 November of the Government, to make it possible for the President of the government, in exceptional situations and when the nature of the crisis so requires, to resolve that the Council of Ministers, the government delegate committees and the general committee of secretaries of state and under-secretaries may hold sessions, adopt agreements and approve minutes remotely using electronic means, with the appropriate safeguards.

This Royal Decree-Law entered into force on 13 March 2020, the day of its publication in the *BOE* (Official State Gazette).

– Royal Decree 463/2020, of 14 March, declaring the state of alarm for the management of the health crisis caused by COVID-19.

This Royal Decree declares a state of alarm throughout Spain for a period of 15 days, appoints the competent authorities and establishes extraordinary measures including limitations on the free movement of people.

It also suspends, with exceptions, procedural and administrative deadlines as well as those of expiry and prescription.

– Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19.

We would highlight Articles 40 and 41 which establish a number of extraordinary measures applying to the operation of the governing bodies of, respectively, private legal entities and listed companies. Additionally, the term established in Law 22/2003 of 9 July on Insolvency has been discontinued so that debtors in a situation of insolvency are not obliged to file for insolvency.

Article 42 provides for the suspension of the expiry period for registry entries while the Royal Decree declaring the state of alarm remains in forces, and Article 43 deals with the duty to files for insolvency proceedings: while the state of alarm is in force, any debtors in a situation of insolvency will not be obliged to file for insolvency. Nor will the duty of filing for insolvency apply, while the state of alarm is in force, to debtors who, in the insolvency proceedings, would have to notify the competent court of the start of negotiations with creditors to reach a refinancing agreement or an out-of-court arrangement or to obtain support for an advance proposal of arrangement, even if the term referred to in the fifth section of Article 5 *bis* of Law 22/2003 of 9 July on Insolvency has elapsed.

The Sixth Final Provision amends Article 16 on procurement, regulated by Royal Decree-Law 7/2020 of 12 March adopting urgent measures to respond to the economic impact of COVID-19.

This Royal Decree-Law entered into force on 18 March 2020, the day of its publication in the *BOE* (Official State Gazette). The measures will remain in force for a period of one month from their entry into force, without prejudice to their possible extension by the Government by royal decree-law following an assessment of the situation. Notwithstanding the foregoing, the measures set down in this Royal Decree-Law that have an established duration must adhere to this specific duration.

- Royal Decree 465/2020, of 17 March, amending Royal Decree 463/2020 of 14 March, declaring the state of alarm for the management of the health crisis caused by COVID-19.

- Royal Decree-Law 10/2020, of 29 March, regulating recoverable paid leave for employed persons who do not provide essential services, in order to reduce the mobility of the population in the context of the fight against COVID-19.

  This Royal Decree-Law regulates a recoverable paid leave for employed personnel, which is compulsory and limited in time between 30 March and 9 April (both inclusive), for all employed personnel who provide services in companies or entities of the public or private sector that carry out the non-essential activities classified as such in the annex to the text.

  Workers who have their contracts suspended during this period and those who can continue to provide remote services are exempt from the application of this Royal Decree-Law.

  The First Additional Provision, on civil servants, provides that the Ministry of Territorial Policy and Civil Service and the competent authorities in the autonomous regional governments, and local entities, are empowered to issue any instructions and resolutions as may be necessary to regulate the provision of services by civil servants included in the scope of Spanish Royal Legislative Decree 5/2015 of 30 October, approving the recast text of the Law on the basic statute for civil servants, in order to ensure the continued operation of those public services considered essential.

  Further, the Fifth Additional Provision, on personnel of companies awarded public sector contracts states that the recoverable paid leave regulated in this Royal Decree-Law will not apply to workers of companies awarded contracts for public sector works, services and supplies who are essential for the maintenance and security of buildings and for the appropriate provision of public services, including the remote provision of such services, all without prejudice to the provisions of Article 34, measures in the area of public procurement to mitigate the consequences of COVID-19, of Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19.

  This Royal Decree-Law entered into force on 29 March 2020, the day of its publication in the *BOE* (Official State Gazette).

- Royal Decree-Law 11/2020, of 31 March, adopting complementary urgent social and economic measures to deal with COVID-19.

The purpose of this Royal Decree-Law is to approve a new package of measures that reinforce, complement and extend those adopted up to now to constitute a complete economic and social package.

It mostly involves the adoption of a new package of social measures aimed at supporting workers, consumers, families and vulnerable groups. The main measures are the following:

- Measures to provide rent support for vulnerable people. The law suspends evictions of vulnerable households with no housing alternative and establishes the extraordinary extension of rental contracts for primary residences. Measures have also been established to introduce debt moratoriums for economically vulnerable tenants in primary residences. It creates a specific line of state guarantees available to all households in a vulnerable situation as a consequence of the spread of COVID-19 and which will not entail any kind of expenses or interest for applicants.

- The suspension period has been extended to 3 months and technical adjustments have been made to facilitate the application of the moratorium on mortgage debt for the acquisition of a primary residence introduced by Royal Decree-Law 8/2020 of 17 March. The moratorium on mortgage debt set down in Royal Decree-Law 8/2020 of 17 March initially provided for the primary residences of natural persons, and has now been extended to two new groups: self-employed persons, entrepreneurs and professionals for property used to carry out their economic activity, and natural persons who have leased out property on which they are not receiving rental income due to application of the measures to support lessees as a result of the state of alarm.

- The scope of the moratorium is extended to non-mortgage loans and credits held by people in situations of economic vulnerability, including consumer loans. The objective of the measure is to extend to all types of loans the economic relief established by Royal Decree-Law 8/2020 for those most in need by suspending non-mortgage loan and credit contracts.

- The circumstances in which vested rights under pension schemes may be surrendered are extended to include, exceptionally, unemployment resulting from a furlough procedure and the discontinuation of activity of self-employed workers as a consequence of COVID-19.

Secondly, it implements a set of measures of various kinds aimed directly at strengthening economic activity, as well as actions to support businesses and the self-employed. One notable measure allows insolvent companies to apply furlough procedures (ERTE) in the current circumstances if they have been affected by the situation deriving from COVID-19. In this way, being able to make use of the advantages associated with the furlough procedure under Royal Decree-Law 8/2020, could mean the viability of companies may not be undermined.

Thirdly, various measures have been established in the public sector area to facilitate procedures and make them more flexible with a view to addressing the health crisis and its consequences. These include measures suspending the deadlines for the preparation and submission of the 2019 financial statements for state public sector entities and the submission of the general state accounts to the court of auditors, as a consequence of the declaration of the state of alarm. Measures have been provided to cover the availability of liquid assets and donations to the public sector, the obligation to provide economic and financial information to the Ministry of Finance has been strengthened, and the Ministry given greater flexibility and powers to specify the content of such information and the procedures and deadlines for submitting it.

The term for filing appeals in administrative proceedings or instigating any other challenge, claim, conciliation, mediation or arbitration proceedings that replace them in accordance with the law, in any proceedings from which adverse effects or costs may derive for the party involved, will be calculated from the business day following the date on which the state of alarm ends, regardless of how much time may have elapsed from the notification of the administrative action forming the object of the appeal or challenge prior to the declaration of the state of alarm. In the area of taxation, from the entry into force of Royal Decree 463/2020 of 14 March declaring the state of alarm for the management of the health crisis caused by COVID-19 until 30 April 2020, the time allowed for filing interlocutory appeals or economic-administrative claims governed by Law 58/2003 of 17 December, the General Tax Law and its implementing regulations will be from 30 April 2020 (Eighth Additional Provision).

Lastly, several amendments have been made, including:

- First Final Provision: Articles 40, Extraordinary measures applicable to legal entities under private law, and 41, Extraordinary measures applicable to the operation of the governing bodies of listed companies, of Royal Decree-Law 8/2020 of 17 March have been re-drafted.

- Third Final Provision: Article 7 *bis* of Law 19/2003 of 4 July on the legal regime of capital movements and international economic transactions and on certain measures to prevent money laundering has been amended. Some of the measures adopted in Royal Decree-Law 8/2020 have been reinforced, such as those relating to the control of foreign investments and consumer protection in relation to electronic communications, while other measures have been introduced to increase the resilience of the Spanish financial system to possible swings in the markets.

- Fourth Final Provision: Section 7 of Article 71 of Law 35/2003 of 4 November on Collective Investment Schemes has been amended to provide expressly for the possibility that the CNMV could require management companies of collective investment schemes to take measures to increase their liquidity and/or authorising them to establish notice periods that, in extreme cases, would allow such companies to manage in an orderly and equitable manner possible scenarios of accumulation of redemption requests that could affect stability and confidence in the financial system.

Therefore, a new macroprudential tool has been added, which would be subject to the obligation of reporting to the Macroprudential Authority Financial Stability Board (AMCESFI) as provided in Article 16 of Royal Decree 102/2019 of 1 March creating AMCESFI, establishing its legal regime and developing certain aspects relating to macroprudential tools.

- Seventh Final Provision: Law 9/2017 of 8 November on public sector contracts, transposing the Directives of the European Parliament and of the Council 2014/23/EU and 2014/24/EU of 26 February 2014, has been amended to establish an exception to the duration of service contracts when certain circumstances occur.

- Twelfth Final Provision: the validity of all the measures adopted under this law has been extended for a period of one month after the end of the state of alarm. Notwithstanding the foregoing, the measures set down in this Royal Decree-Law that have an established duration must adhere to this specific duration.

This Royal Decree-Law entered into force on the day following its publication in the *BOE* (Official State Gazette), 2 April 2020, with the exception of Article 37 on measures restricting sales communications of entities that carry on a gaming activity regulated by Law 13/2011 of 27 May, regulating gaming, which entered into force two days after the publication of this law in the Official State Gazette.

Other

– Resolution of 9 January 2020 of the General Secretariat of the Treasury and International Financing updating Annex 1 to the Resolution of 4 July 2017 of the General Secretariat of the Treasury and Financial Policy defining the principle of financial prudence applicable to debt and derivatives transactions of the autonomous regional governments and local entities.

– Bank of Spain Circular 1/2020, of 28 January, amending Bank of Spain Circular 1/2013 of 24 May, on the Risk Information Centre.

– Ministry of Defence Instruction, of 15 March 2020, establishing measures for the management of the health crisis caused by COVID-19 within the scope of the Ministry of Defence.

– Order INT/226/2020, of 15 March, establishing action criteria for the Security and Law Enforcement Agencies in relation to Royal Decree 463/2020 of 14 March declaring the state of alarm for managing the health crisis caused by COVID-19.

– Order INT/228/2020, of 15 March, establishing the application criteria of Royal Decree 463/2020 of 14 March declaring the state of alarm for the management of the health crisis caused by COVID-19, within the scope of the National Civil Defence System.

- Order TMA/230/2020, of 15 March, specifying the actions of regional and local authorities regarding the establishment of public transport services owned by them.

- Order SND/232/2020, of 15 March, adopting measures in the area of human resources and means for managing the health crisis caused by COVID-19.

- Order SND/233/2020, of 15 March, establishing certain information obligations in accordance with the provisions of Royal Decree 463/2020 of 14 March declaring the state of alarm for the management of the health crisis caused by COVID-19.

- Order SND/234/2020, of 15 March, adopting provisions and measures regarding containment and the provision of information to the Ministry of Health in view of the health crisis caused by COVID-19.

- Agreement of 16 March 2020 of the Plenary of the Constitutional Court in relation to the suspension of procedural and administrative deadlines during the validity of Royal Decree 463/2020 of 14 March.

- Ministry of Health Instruction, of 19 March 2020, establishing interpretative criteria for managing the health crisis caused by COVID-19.

  The purpose of this instruction is to establish interpretative criteria in relation to the activities permitted and that affect the free movement of people.

- Order SND/261/2020, of 19 March, for the coordination of the professional activity of members of the bodies of civil servants regulated in Book VI of Organic Law 6/1985 of 1 July, on the judiciary during the state of alarm declared by Royal Decree 463/2020 of 14 March.

  The Minister of Justice is responsible for coordinating the professional activity of members of the bodies of civil servants regulated in Book VI of Organic Law 6/1985 of 1 July, on the judiciary, throughout the state territory. This Ministry will also be in charge of coordinating the public services provided through the professional associations that act within the scope of Administration of Justice and, in particular, the system of duty lawyers and free legal assistance.

- Order ETD/282/2020, of 24 March, provides for the syndicated issue of seven-year government bonds.

- Resolution of 25 March 2020 of the Secretary of State for Economy and Business Support publishing the Agreement of the Council of Ministers of 24 March 2020 conditionally authorising the acquisition of Bolsas y Mercados Españoles, S.A. by SIX Group AG.

IV Statistics Annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

				2019				2020
	2017	2018	2019	I	II	III	IV	I
NO. OF ISSUERS								
Total	46	46	33	14	11	10	12	8
Capital increases	44	45	33	14	11	10	12	8
Primary offerings	3	2	1	1	0	0	0	0
Bonus issues	12	12	10	5	4	4	2	5
Of which, scrip dividend	9	10	9	5	4	4	1	5
Capital increases by conversion	5	6	3	2	0	1	1	2
For non-monetary consideration	8	7	2	0	1	1	0	1
With pre-emptive subscription rights	8	10	8	3	1	2	3	0
Without trading warrants	15	16	13	3	6	2	8	0
Secondary offerings	4	1	0	0	0	0	0	0
NO. OF ISSUES								
Total	89	81	52	14	13	10	15	8
Capital increases	82	80	52	14	13	10	15	8
Primary offerings	4	2	1	1	0	0	0	0
Bonus issues	16	17	15	5	4	4	2	5
Of which, scrip dividend	13	15	14	5	4	4	1	5
Capital increases by conversion	6	10	4	2	0	1	1	2
For non-monetary consideration	12	9	2	0	1	1	0	1
With pre-emptive subscription rights	8	10	9	3	1	2	3	0
Without trading warrants	36	32	21	3	7	2	9	0
Secondary offerings	7	1	0	0	0	0	0	0
CASH VALUE (million euro)								
Total	32,538.1	12,063.2	9,806.0	1,733.7	1,113.7	2,823.1	4,135.5	571.3
Capital increases	29,593.6	11,329.5	9,806.0	1,733.7	1,113.7	2,823.1	4,135.5	571.3
Primary offerings	956.2	200.1	10.0	10.0	0.0	0.0	0.0	0.0
Bonus issues	3,807.3	3,939.7	1,565.4	347.5	140.4	1,074.9	2.6	396.4
Of which, scrip dividend	3,807.3	3,915.2	1,564.1	347.5	140.4	1,074.9	1.3	396.4
Capital increases by conversion	1,648.8	388.7	354.9	13.0	0.0	0.7	341.1	162.4
For non-monetary consideration[2]	8,469.3	2,999.7	2,034.2	0.0	351.6	1,682.6	0.0	12.5
With pre-emptive subscription rights	7,831.4	888.4	4,729.8	1,352.7	199.8	44.6	3,132.8	0.0
Without trading warrants	6,880.5	2,912.9	1,111.8	10.5	421.9	20.4	659.0	0.0
Secondary offerings	2,944.5	733.7	0.0	0.0	0.0	0.0	0.0	0.0
NOMINAL VALUE (million euro)								
Total	3,165.1	2,092.4	1,297.2	230.9	414.9	385.2	266.2	1,259.5
Capital increases	2,662.8	1,810.6	1,297.2	230.9	414.9	385.2	266.2	1,259.5
Primary offerings	749.2	104.9	0.5	0.5	0.0	0.0	0.0	0.0
Bonus issues	324.3	381.6	306.3	140.9	15.2	148.8	1.3	121.4
Of which, scrip dividend	299.1	357.1	306.3	140.9	15.2	148.8	1.3	121.4
Capital increases by conversion	182.8	90.0	13.1	12.4	0.0	0.7	0.0	1.7
For non-monetary consideration	181.9	557.6	401.0	0.0	210.2	190.8	0.0	1,136.4
With pre-emptive subscription rights	882.0	611.1	372.1	76.9	141.2	44.6	109.5	0.0
Without trading warrants	342.6	65.5	204.2	0.2	48.2	0.4	155.4	0.0
Secondary offerings	502.3	281.7	0.0	0.0	0.0	0.0	0.0	0.0
***Pro memoria*: transactions MAB[3]**								
No. of issuers	13	8	12	5	2	5	4	5
No. of issues	15	12	17	5	2	6	4	6
Cash value (million euro)	129.9	164.5	298.3	20.3	3.4	74.1	200.5	18.3
Capital increases	129.9	164.5	298.3	20.3	3.4	74.1	200.5	18.3
Of which, primary offerings	17.1	0.0	229.4	3.0	0.0	30.0	196.3	0.1
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, ETFs or Latibex.
2 Capital increases for non-monetary consideration are valued at market prices.
3 Unregistered transactions at the CNMV. Source: BME and CNMV.

Companies listed[1]

TABLE 1.2

	2017	2018	2019	2019 I	II	III	IV	2020 I
Total electronic market[2]	134	133	129	132	132	128	129	129
Of which, foreign companies	7	8	7	8	8	7	7	7
Second market	4	4	3	4	4	4	3	3
Madrid	1	1	1	1	1	1	1	1
Barcelona	3	3	2	3	3	3	2	2
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry	12	11	9	11	10	9	9	8
Madrid	4	4	3	4	3	3	3	2
Barcelona	6	6	5	6	5	5	5	4
Bilbao	4	3	2	3	3	2	2	2
Valencia	3	3	2	3	2	2	2	2
MAB[3]	2,965	2,842	2,709	2,816	2,774	2,749	2,709	2,677
Latibex	20	19	19	19	19	19	19	19

1 Data at the end of period.
2 Without ETFs (Exchange Traded Funds).
3 Alternative Stock Market.

Capitalisation[1]

TABLE 1.3

Million euro

	2017	2018	2019	2019 I	II	III	IV	2020 I
Total electronic market[2]	877,867.6	733,656.4	806,064.3	812,919.7	813,664.3	770,475.7	806,064.3	551,292.8
Of which, foreign companies[3]	178,620.3	143,598.7	141,671.0	170,909.4	177,526.6	132,453.7	141,671.0	73,645.8
Ibex 35	534,250.1	444,178.3	494,789.4	483,168.5	478,002.5	481,981.4	494,789.4	352,613.5
Second market	49.9	37.4	31.1	45.3	45.4	45.3	31.1	31.1
Madrid	8.7	1.9	1.9	1.7	1.9	1.9	1.9	1.9
Barcelona	41.2	35.4	29.2	43.7	43.5	43.3	29.2	29.2
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	1,288.5	1,459.1	1,154.2	1,446.0	1,240.4	1,116.8	1,154.2	1,053.0
Madrid	165.9	219.4	69.8	226.6	66.3	68.1	69.8	58.9
Barcelona	1,134.3	1,318.4	1,036.5	1,305.8	1,082.6	1,003.4	1,036.5	939.6
Bilbao	211.3	56.5	32.9	56.5	79.8	32.9	32.9	32.9
Valencia	54.0	257.0	80.4	264.7	77.8	77.8	80.4	76.0
MAB[4, 5]	43,804.8	40,020.7	44,706.4	42,358.3	42,822.3	43,607.7	44,706.4	39,698.8
Latibex	215,277.7	223,491.3	199,022.2	231,334.0	239,265.8	193,789.8	199,022.2	128,748.4

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

Trading

TABLE 1.4

Million euro

				2019				2020
	2017	2018	2019	I	II	III	IV	I
Total electronic market[1]	640,293.7	583,327.6	462,378.8	106,970.0	129,816.2	98,913.6	126,679.1	127,686.0
Of which, foreign companies	6,908.0	3,517.1	3,477.8	901.5	918.9	690.9	966.6	987.7
Second market	0.7	0.8	0.1	0.1	0.1	0.0	0.0	0.0
Madrid	0.5	0.6	0.1	0.1	0.1	0.0	0.0	0.0
Barcelona	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry	8.1	8.2	6.2	0.9	3.2	1.4	0.7	1.1
Madrid	2.3	0.7	0.8	0.0	0.6	0.2	0.0	0.1
Barcelona	6.2	7.4	3.2	0.9	0.5	1.2	0.7	1.0
Bilbao	0.1	0.0	2.1	0.0	2.0	0.1	0.0	0.0
Valencia	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0
MAB[2]	4,985.6	4,216.3	4,014.4	932.6	1,018.9	704.2	1,358.7	1,145.3
Latibex	130.8	151.6	136.4	38.8	26.0	32.4	39.2	29.2

1 Without ETFs (Exchange Traded Funds).
2 Alternative Stock Market.

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

TABLE 1.5

Million euro

				2019				2020
	2017	2018	2019	I	II	III	IV	I
Regular trading	619,108.6	552,716.8	450,575.7	103,130.8	127,429.1	95,693.0	124,322.8	123,941.0
Orders	335,917.3	300,107.8	258,242.2	64,703.7	66,302.8	62,180.0	65,055.7	87,831.8
Put-throughs	51,315.9	48,644.1	38,888.0	9,481.2	8,715.0	10,408.8	10,283.0	12,503.4
Block trades	231,875.3	203,965.0	153,445.5	28,946.0	52,411.3	23,104.1	48,984.1	23,605.8
Off-hours	2,373.8	1,667.2	3,098.1	609.3	617.0	1,074.4	797.4	1,715.4
Authorised trades	9,265.3	2,597.0	1,706.3	406.1	279.8	677.5	342.8	254.7
Art. 36.1 SMA trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	389.9	18,981.7	2,509.5	1,720.1	337.6	451.8	0.0	0.0
Public offerings for sale	2,288.1	1,333.2	634.4	0.0	39.5	20.0	574.9	0.0
Declared trades	0.0	200.0	0.0	0.0	0.0	0.0	0.0	0.0
Options	4,462.2	3,793.9	3,422.0	692.2	722.1	629.1	1,378.5	980.5
Hedge transactions	2,405.7	2,037.8	1,799.4	411.4	391.1	367.7	629.2	794.5

1 Without ETFs (Exchange Traded Funds).

1.2 Fixed income

Gross issues registered at the CNMV

TABLE 1.6

				2019				2020
	2017	2018	2019	I	II	III	IV	I
NO. OF ISSUERS								
Total	48	43	39	15	17	16	18	13
Mortgage-covered bonds	9	12	12	5	7	4	6	4
Territorial-covered bonds	1	2	2	0	0	0	2	0
Non-convertible bonds and debentures	16	12	13	9	8	5	7	6
Convertible bonds and debentures	0	0	0	0	0	0	0	0
Backed securities	21	14	13	1	3	5	6	2
Commercial paper	13	13	12	2	3	4	3	2
Of which, asset-backed	1	1	1	0	0	0	1	0
Of which, non-asset-backed	12	12	11	2	3	4	2	2
Other fixed-income issues	1	0	1	0	0	1	0	0
Preference shares	1	4	1	1	0	0	0	0
NO. OF ISSUES								
Total	378	303	294	70	66	64	94	59
Mortgage-covered bonds	28	28	29	9	7	4	9	6
Territorial-covered bonds	1	2	3	0	0	0	3	0
Non-convertible bonds and debentures	276	215	201	56	50	36	59	43
Convertible bonds and debentures	0	0	0	0	0	0	0	0
Backed securities	58	41	48	2	6	19	21	8
Commercial paper[1]	13	13	11	2	3	4	2	2
Of which, asset-backed	1	1	0	0	0	0	0	0
Of which, non-asset-backed	12	12	11	2	3	4	2	2
Other fixed-income issues	1	0	1	0	0	1	0	0
Preference shares	1	4	1	1	0	0	0	0
NOMINAL AMOUNT (million euro)								
Total	109,487.4	101,295.6	90,065.8	20,850.0	14,325.0	19,967.6	34,923.3	20,202.7
Mortgage-covered bonds	29,823.7	26,575.0	22,933.0	2,745.0	5,930.0	6,750.0	7,508.0	6,250.0
Territorial-covered bonds	350.0	2,800.0	1,300.0	0.0	0.0	0.0	1,300.0	0.0
Non-convertible bonds and debentures	30,006.2	35,836.4	29,601.7	13,620.0	2,364.6	1,533.4	12,083.8	6,158.7
Convertible bonds and debentures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	29,415.4	18,145.2	18,740.9	1,270.0	2,881.4	4,909.0	9,680.5	3,065.7
Commercial paper[2]	17,911.2	15,089.1	14,990.2	2,215.0	3,149.0	5,275.2	4,351.1	4,728.4
Of which, asset-backed	1,800.0	240.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, non-asset-backed	16,111.2	14,849.1	14,990.2	2,215.0	3,149.0	5,275.2	4,351.1	4,728.4
Other fixed-income issues	981.0	0.0	1,500.0	0.0	0.0	1,500.0	0.0	0.0
Preference shares	1,000.0	2,850.0	1,000.0	1,000.0	0.0	0.0	0.0	0.0
***Pro memoria*:**								
Subordinated issues	6,504.6	4,923.0	3,213.5	350.0	316.2	459.0	2,088.3	860.7
Underwritten issues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Shelf registrations.
2 The figures for commercial paper refer to the amount placed.

Issues admitted to trading on AIAF[1]

TABLE 1.7

Nominal amount in million euro

				2019				2020
	2017	2018	2019	I	II	III	IV	I
Total	121,556.6	76,751.3	114,048.4	52,557.5	14,236.2	18,338.2	28,916.6	26,908.1
Commercial paper	18,388.9	15,007.0	15,036.1	1,963.7	3,364.4	4,098.5	5,609.4	4,126.3
Bonds and debentures	43,182.3	19,234.2	45,096.4	38,038.8	2,790.4	2,587.6	1,679.6	16,297.9
Mortgage-covered bonds	30,000.0	19,935.0	29,375.0	9,285.0	6,030.0	4,500.0	9,560.0	5,448.3
Territorial-covered bonds	350.0	800.0	3,300.0	2,000.0	0.0	0.0	1,300.0	0.0
Backed securities	28,635.4	18,925.2	18,740.9	1,270.0	1,051.4	5,652.0	10,767.5	1,035.7
Preference shares	1,000.0	2,850.0	1,000.0	0.0	1,000.0	0.0	0.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed-income issues	0.0	0.0	1,500.0	0.0	0.0	1,500.0	0.0	0.0

1 Only includes corporate bonds.

AIAF. Issuers, issues and outstanding balance

TABLE 1.8

				2019				2020
	2017	2018	2019	I	II	III	IV	I
NO. OF ISSUERS								
Total	362	353	331	347	337	327	331	327
Corporate bonds	342	320	299	315	305	295	299	295
Commercial paper	14	9	9	9	9	9	9	9
Bonds and debentures	48	45	40	44	42	40	40	39
Mortgage-covered bonds	41	40	35	38	39	37	35	35
Territorial-covered bonds	7	7	7	7	7	7	7	7
Backed securities	262	244	227	239	229	222	227	224
Preference shares	4	7	6	6	6	6	6	6
Matador bonds	6	5	5	5	5	5	5	5
Government bonds	20	33	32	32	32	32	32	32
Letras del Tesoro	1	1	1	1	1	1	1	1
Long government bonds	1	1	1	1	1	1	1	1
Regional government debt	11	14	13	13	13	13	13	13
Foreign public debt	–	9	10	10	10	10	10	10
Other public debt	7	8	8	8	8	8	8	8
NO. OF ISSUES								
Total	2,468	2,851	2,775	2,841	2,858	2,785	2,775	2,701
Corporate bonds	2,084	1,917	1,834	1,890	1,901	1,834	1,834	1,765
Commercial paper	179	106	84	89	108	100	84	67
Bonds and debentures	764	737	718	749	752	730	718	678
Mortgage-covered bonds	218	213	209	209	207	206	209	212
Territorial-covered bonds	24	20	23	21	21	21	23	21
Backed securities	889	828	787	810	785	764	787	774
Preference shares	4	8	8	7	8	8	8	8
Matador bonds	6	5	5	5	5	5	5	5
Government bonds	384	934	941	951	957	951	941	936
Letras del Tesoro	12	12	12	12	12	12	12	12
Long government bonds	226	243	236	242	246	241	236	237
Regional government debt	133	164	173	167	170	169	173	164
Foreign public debt	–	502	508	517	516	516	508	511
Other public debt	13	13	12	13	13	13	12	12
OUTSTANDING BALANCE[1] (million euro)								
Total	1,466,964.4	6,663,565.5	6,421,003.0	6,691,658.7	6,588,828.9	6,550,655.7	6,421,003.0	6,412,421.1
Corporate bonds	493,629.6	448,394.4	463,816.1	472,155.5	463,325.3	464,021.4	463,816.1	465,404.2
Commercial paper	11,978.9	9,308.7	6,423.1	8,655.4	8,665.5	6,965.1	6,423.1	5,840.2
Bonds and debentures	70,127.7	47,894.0	62,477.8	72,955.9	70,786.7	72,674.1	62,477.8	69,882.2
Mortgage-covered bonds	181,308.7	183,266.8	195,719.1	187,023.7	186,258.2	189,286.3	195,719.1	199,396.8
Territorial-covered bonds	23,862.3	18,362.3	20,762.3	19,862.3	19,862.3	19,862.3	20,762.3	17,762.3
Backed securities	204,570.0	185,002.7	172,878.9	179,103.4	172,197.8	169,678.7	172,878.9	166,967.9
Preference shares	1,395.0	4,245.0	5,240.0	4,240.0	5,240.0	5,240.0	5,240.0	5,240.0
Matador bonds	386.9	314.8	314.8	314.8	314.8	314.8	314.8	314.8
Government bonds	973,334.7	6,215,171.1	5,957,186.8	6,219,503.2	6,125,503.6	6,086,634.3	5,957,186.8	5,947,017.0
Letras del Tesoro	78,835.2	70,442.2	68,335.5	68,686.8	67,284.4	65,204.9	68,335.5	68,888.5
Long government bonds	864,059.7	918,000.0	937,290.9	942,865.7	949,953.2	949,990.4	937,290.9	1,006,709.3
Regional government debt	28,620.8	33,100.4	35,247.6	35,497.1	34,989.3	34,942.4	35,247.6	31,493.3
Foreign public debt	–	5,192,055.3	4,914,792.7	5,170,880.4	5,071,703.5	5,034,923.4	4,914,792.7	4,838,405.6
Other public debt	1,819.1	1,573.2	1,520.2	1,573.2	1,573.2	1,573.2	1,520.2	1,520.2

1 Nominal amount.

AIAF. Trading

TABLE 1.9

Nominal amount in million euro

				2019				2020
	2017	2018	2019	I	II	III	IV	I
BY TYPE OF ASSET								
Total	68,422.0	94,241.3	158,807.2	49,240.2	44,245.0	39,146.0	26,175.9	45,994.9
Corporate bonds	68,297.4	435.4	275.2	81.4	71.5	59.4	62.9	61.8
Commercial paper	7,144.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds and debentures	15,839.5	427.0	260.0	78.5	60.0	59.0	62.4	61.4
Mortgage-covered bonds	24,936.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Territorial-covered bonds	381.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	18,502.5	7.3	13.8	2.0	11.5	0.1	0.2	0.0
Preference shares	1,482.3	1.2	1.4	0.9	0.0	0.3	0.3	0.4
Matador bonds	10.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government bonds	124.6	93,805.8	158,532.0	49,158.8	44,173.5	39,086.6	26,113.1	45,933.1
Letras del Tesoro	4.2	24,766.7	25,858.4	4,301.8	5,501.1	8,190.4	7,865.0	5,504.2
Long government bonds	120.4	56,122.5	92,592.8	33,406.7	26,937.1	21,176.1	11,072.9	30,410.2
Regional government debt	0.0	3.2	35.1	26.0	7.6	1.5	0.0	0.0
Foreign public debt	–	12,913.5	40,027.8	11,424.4	11,709.7	9,718.6	7,175.2	10,018.6
Other public debt	0.0	0.0	18.0	0.0	18.0	0.0	0.0	0.0
BY TYPE OF TRANSACTION								
Total	68,422.0	94,241.3	158,807.2	49,240.2	44,245.0	39,146.0	26,175.9	45,994.9
Outright	57,723.9	94,241.3	158,807.2	49,240.2	44,245.0	39,146.0	26,175.9	45,994.9
Repos	671.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sell-buybacks/Buy-sellbacks	10,026.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0

AIAF. Third-party trading. By purchaser sector

TABLE 1.10

Nominal amount in million euro

				2019				2020
	2017	2018	2019	I	II	III	IV	I
Total	49,230.2	92,661.9	158,792.5	49,235.5	44,241.5	39,143.6	26,172.0	45,990.7
Non-financial companies	1,492.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	23,402.5	92,661.9	158,792.5	49,235.5	44,241.5	39,143.6	26,172.0	45,990.7
Credit institutions	15,363.2	437.9	385.5	123.5	107.8	84.4	69.8	56.4
CIS, insurance and pension funds	4,337.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial institutions	3,701.5	92,224.0	158,407.0	49,111.9	44,133.7	39,059.2	26,102.2	45,934.3
General government	3,196.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Households and NPISHs[1]	256.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rest of the world	20,882.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Non-profit institutions serving households.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.11

	2017	2018	2019	2019 I	II	III	IV	2020 I
NO. OF ISSUERS								
Total	15	14	13	14	13	13	13	12
Private issuers	7	6	5	6	5	5	5	5
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	7	6	5	6	5	5	5	5
General government[1]	8	8	8	8	8	8	8	7
Regional governments	2	2	2	2	2	2	2	2
NO. OF ISSUES								
Total	64	58	54	60	59	57	54	52
Private issuers	24	19	16	19	16	16	16	16
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	24	19	16	19	16	16	16	16
General government[1]	40	39	38	41	43	41	38	36
Regional governments	22	21	20	21	21	21	20	18
OUTSTANDING BALANCES[2] (million euro)								
Total	9,718.0	8,268.3	7,340.4	8,247.4	8,202.0	8,163.1	7,340.4	6,249.6
Private issuers	760.6	589.8	481.1	567.5	517.8	498.6	481.1	464.2
Non-financial companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	760.6	589.8	481.1	567.5	517.8	498.6	481.1	464.2
General government[1]	8,957.4	7,678.5	6,859.2	7,679.9	7,684.1	7,664.6	6,859.2	5,785.5
Regional governments	8,193.1	6,959.7	6,260.7	6,959.7	6,959.7	6,959.7	6,260.7	5,179.3

1 Without public book-entry debt.
2 Nominal amount.

SENAF. Public debt trading by type

TABLE 1.12

Nominal amounts in million euro

	2017	2018	2019	2019 I	II	III	IV	2020 I
Total	131,475.0	96,708.0	150,634.0	43,454.0	35,920.0	37,224.0	34,036.0	28,005.0
Outright	131,475.0	96,708.0	150,634.0	43,454.0	35,920.0	37,224.0	34,036.0	28,005.0
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

1.3 Derivatives and other products

1.3.1 Financial derivative markets: MEFF

Trading on MEFF TABLE 1.13

Number of contracts

				2019				2020
	2017	2018	2019	I	II	III	IV	I
Debt products	0	0	0	0	0	0	0	0
Debt futures[1]	0	0	0	0	0	0	0	0
Ibex 35 products[2, 3]	6,911,671	6,983,287	7,935,425	1,926,515	1,952,837	2,056,740	1,999,333	2,693,090
Ibex 35 plus futures	6,268,290	6,342,478	5,965,905	1,473,355	1,463,601	1,553,764	1,475,185	1,992,435
Ibex 35 mini futures	161,886	149,023	1,454,885	349,688	351,831	386,841	366,525	619,842
Ibex 35 micro futures	–	–	36	27	5	1	3	0
Ibex 35 dividend impact futures	43,372	70,725	144,831	24,017	51,710	16,277	52,827	10,122
Ibex 35 sector futures	7,753	2,745	6	0	4	1	1	0
Call mini options	206,843	193,480	177,369	36,917	33,841	46,123	60,488	36,055
Put mini options	223,527	224,835	192,393	42,511	51,846	53,733	44,304	34,636
Stock products[4]	32,335,004	31,412,879	32,841,027	8,703,690	9,672,088	5,126,089	9,339,160	9,850,736
Futures	11,671,215	10,703,192	15,298,027	4,865,427	5,841,433	1,487,978	3,103,189	3,437,527
Stock dividend futures	346,555	471,614	758,700	96,355	496,789	57,552	108,004	62,040
Stock plus dividend futures	880	200	0	0	0	0	0	0
Call options	8,848,643	7,761,974	7,405,619	1,812,214	1,555,488	1,439,960	2,597,957	3,216,199
Put options	11,467,711	12,475,899	9,378,681	1,929,694	1,778,378	2,140,599	3,530,010	3,134,970

1 Contract size: 100,000 euros.
2 The number of Ibex 35 mini futures (multiples of 1 euro) and micro futures (multiples of 0.1 euro) was standardised to the size of the Ibex 35 plus futures (multiples of 10 euro).
3 Contract size: Ibex 35, 10 euros.
4 Contract size: 100 stocks.

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

Issues registered at the CNMV TABLE 1.14

				2019				2020
	2017	2018	2019	I	II	III	IV	I
WARRANTS								
Premium amount (million euro)	2,433.6	2,084.9	1,837.7	470.5	563.5	246.0	557.7	219.4
On stocks	939.5	819.0	901.4	246.0	252.1	145.0	258.3	72.1
On indexes	1,443.0	1,160.5	809.3	199.5	261.4	80.9	267.5	139.8
Other underlyings[1]	51.1	105.5	127.1	25.0	50.0	20.1	31.9	7.5
Number of issues	5,730	5,231	5,496	1,452	1,631	1,107	1,306	646
Number of issuers	6	5	6	5	5	5	6	3
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	1,964.5	953.0	0.0	0.0	0.0	0.0	0.0	0.0
On stocks	1,950.0	950.0	0.0	0.0	0.0	0.0	0.0	0.0
On indexes	14.5	3.0	0.0	0.0	0.0	0.0	0.0	0.0
Other underlyings[1]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	15	11	0	0	0	0	0	0
Number of issuers	2	2	0	0	0	0	0	0

1 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

Equity markets. Warrants and ETF trading

TABLE 1.15

				2019				2020
	2017	2018	2019	I	II	III	IV	I
WARRANTS								
Trading (million euro)	462.6	435.2	291.6	87.3	81.6	59.4	63.3	86.4
On Spanish stocks	156.8	93.3	81.1	19.8	25.6	14.6	21.1	20.5
On foreign stocks	29.9	31.6	19.7	3.6	4.5	4.5	7.1	9.6
On indexes	266.0	305.5	186.6	63.5	50.3	39.2	33.6	53.1
Other underlyings[1]	9.9	4.8	3.7	0.3	1.1	0.7	1.6	3.2
Number of issues[2]	5,084	3,986	3,605	972	938	872	823	1,095
Number of issuers[2]	7	7	8	7	7	8	8	7
CERTIFICATES								
Trading (million euro)	0.3	0.3	0.3	0.0	0.2	0.1	0.1	0.2
Number of issues[2]	2	2	2	2	2	2	2	2
Number of issuers[2]	1	1	1	1	1	1	1	1
ETFs								
Trading (million euro)	4,464.1	3,027.6	1,718.8	467.1	375.9	414.3	461.6	819.0
Number of funds	8	6	6	6	6	5	5	5
Assets[3] (million euro)	359.3	288.9	229.2	301.3	296.5	267.0	229.2	205.3

1 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.
2 Issues or issuers which were traded in each period.
3 Only assets from national collective investment schemes are included because assets from foreign schemes are not available.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

				2019				2020
	2017	2018	2019	I	II	III	IV	I
BROKER-DEALERS								
Spanish firms	41	39	39	39	39	40	39	37
Branches in Spain	24	25	21	23	22	22	21	18
Agents operating in Spain	5,747	2,027	1,944	1,974	1,954	1,948	1,944	1,837
Branches in EEA[1]	5	9	9	9	9	9	9	9
Firms providing services in EEA[1]	24	24	25	25	25	25	25	25
Passports to operate in EEA[1, 2]	165	172	205	223	223	223	205	205
BROKERS								
Spanish firms	48	52	56	54	55	57	56	56
Branches in Spain	23	21	19	21	22	22	19	23
Agents operating in Spain	461	414	361	356	374	354	361	364
Branches in EEA[1]	2	2	1	2	1	1	1	1
Firms providing services in EEA[1]	22	25	24	25	24	24	24	23
Passports to operate in EEA[1, 2]	116	150	144	152	146	146	144	144
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	1	1	1	1	1	1	1	1
FINANCIAL ADVISORY FIRMS								
Spanish firms	171	158	140	152	146	144	140	140
Branches in Spain	19	21	22	21	23	22	22	21
Branches in EEA[1]	2	2	2	2	2	2	2	2
Firms providing services in EEA[1]	29	29	29	29	29	29	29	26
Passports to operate in EEA[1, 2]	62	51	51	51	51	51	51	48
CREDIT INSTITUTIONS[3]								
Spanish firms	122	114	112	113	113	113	112	111

1 EEA: European Economic Area.
2 Number of passports to provide services in the EEA. The same entity may provide investment services in one or more Member States.
3 Source: Banco de España [Bank of Spain] and CNMV.

Investment services. Foreign firms

TABLE 2.2

				2019				2020
	2017	2018	2019	I	II	III	IV	I
Total	3,339	3,474	3,567	3,535	3,596	3,582	3,567	3,576
Investment services firms	2,872	3,002	3,088	3,068	3,117	3,103	3,088	3,097
From EU Member states	2,869	2,999	3,085	3,065	3,114	3,100	3,085	3,094
Branches	53	61	65	61	64	62	65	64
Free provision of services	2,816	2,938	3,020	3,004	3,050	3,038	3,020	3,030
From non-EU States	3	3	3	3	3	3	3	3
Branches	0	0	0	0	0	0	0	0
Free provision of services	3	3	3	3	3	3	3	3
Credit institutions[1]	467	472	479	467	479	479	479	479
From EU Member states	461	466	473	461	473	473	473	474
Branches	52	53	54	50	54	53	54	54
Free provision of services	409	413	419	411	419	420	419	420
Subsidiaries of free provision of services institutions	0	0	0	0	0	0	0	0
From non-EU States	6	6	6	6	6	6	6	5
Branches	4	3	3	3	3	3	3	3
Free provision of services	2	3	3	3	3	3	3	2

1 Source: Banco de España [Bank of Spain] and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

Million euro

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV
FIXED INCOME								
Total	3,727,687.0	3,082,789.5	3,222,363.2	684,049.0	883,235.8	812,562.2	791,523.6	735,041.6
Broker-dealers	2,347,959.0	2,184,921.9	2,263,416.4	487,804.5	615,169.4	575,936.8	574,831.6	497,478.6
Spanish organised markets	836,831.1	855,948.9	909,992.9	205,986.0	247,928.9	220,796.9	239,719.8	201,547.3
Other Spanish markets	1,255,087.2	1,111,231.9	1,012,359.1	231,533.7	296,146.3	265,019.0	235,678.5	215,515.3
Foreign markets	256,040.7	217,741.1	341,064.4	50,284.8	71,094.2	90,120.9	99,433.3	80,416.0
Brokers	1,379,728.0	897,867.6	958,946.8	196,244.5	268,066.4	236,625.4	216,692.0	237,563.0
Spanish organised markets	6,067.6	6,237.8	17,314.9	2,393.6	6,567.9	5,131.7	4,714.1	901.2
Other Spanish markets	1,175,387.4	702,731.7	803,742.9	140,269.1	219,215.9	195,568.6	178,640.9	210,317.5
Foreign markets	198,273.0	188,898.1	137,889.0	53,581.8	42,282.6	35,925.1	33,337.0	26,344.3
EQUITY								
Total	804,328.3	630,896.1	1,213,388.9	137,264.0	137,077.5	358,803.5	330,078.7	387,429.2
Broker-dealers	660,312.8	600,442.4	1,194,473.3	131,497.7	131,816.5	354,079.3	326,053.1	382,524.4
Spanish organised markets	610,682.8	525,648.7	329,666.8	110,589.9	78,179.0	92,697.9	69,963.7	88,826.2
Other Spanish markets	3,178.2	839.1	1,771.0	203.7	148.3	235.0	446.3	941.4
Foreign markets	46,451.8	73,954.6	863,035.5	20,704.1	53,489.2	261,146.4	255,643.1	292,756.8
Brokers	144,015.5	30,453.7	18,915.6	5,766.3	5,261.0	4,724.2	4,025.6	4,904.8
Spanish organised markets	7,037.7	6,462.5	7,712.5	1,788.5	1,922.8	1,694.7	2,115.0	1,980.0
Other Spanish markets	12,052.0	1,328.5	1,006.8	329.2	250.4	252.7	241.5	262.2
Foreign markets	124,925.8	22,662.7	10,196.3	3,648.6	3,087.8	2,776.8	1,669.1	2,662.6

1 Period accumulated data. Quarterly.

Intermediation of derivative transactions[1, 2]

TABLE 2.4

Million euro

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV
Total	10,708,583.9	10,308,915.0	10,807,586.8	2,578,868.8	2,524,895.6	2,594,223.7	2,595,476.8	3,092,990.7
Broker-dealers	10,528,524.3	10,065,090.4	10,523,995.1	2,506,350.8	2,449,278.4	2,526,680.4	2,552,432.9	2,995,603.4
Spanish organised markets	5,330,761.9	5,457,270.1	5,058,147.9	1,423,241.9	1,253,396.9	1,139,191.0	1,267,019.9	1,398,540.1
Foreign organised markets	4,676,156.7	3,927,718.5	4,160,941.8	849,883.8	952,954.8	1,008,116.6	999,213.7	1,200,656.7
Non-organised markets	521,605.7	680,101.8	1,304,905.4	233,225.1	242,926.7	379,372.8	286,199.3	396,406.6
Brokers	180,059.6	243,824.6	283,591.7	72,518.0	75,617.2	67,543.3	43,043.9	97,387.3
Spanish organised markets	17,171.0	30,836.1	29,601.4	11,703.7	3,795.6	14,570.6	4,695.3	6,539.9
Foreign organised markets	48,043.8	105,915.8	116,038.0	27,394.7	34,491.2	24,127.6	21,661.2	35,758.0
Non-organised markets	114,844.8	107,072.7	137,952.3	33,419.6	37,330.4	28,845.1	16,687.4	55,089.4

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 applies. 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

	2017	2018	2019	2018 IV	2019 I	II	III	IV
NUMBER OF PORTFOLIOS								
Total[2]	12,601	16,172	25,389	16,172	17,468	19,524	21,935	25,389
Broker-dealers. Total	3,769	3,807	3,219	3,807	3,712	3,664	3,620	3,219
CIS[3]	18	37	40	37	35	37	43	40
Other[4]	3,751	3,770	3,179	3,770	3,677	3,627	3,577	3,179
Brokers. Total	8,831	12,364	22,169	12,364	13,756	15,860	18,315	22,169
CIS[3]	89	83	79	83	83	80	79	79
Other[4]	8,742	12,281	22,090	12,281	13,673	15,780	18,236	22,090
Portfolio management companies.[2] Total	1	1	1	1	–	–	–	1
CIS[3]	1	1	1	1	–	–	–	1
Other[4]	0	0	0	0	–	–	–	0
ASSETS UNDER MANAGEMENT (thousand euro)								
Total[2]	36,923,861	4,854,719	4,946,670	4,854,719	4,777,612	4,941,068	5,057,339	4,946,670
Broker-dealers. Total	33,958,038	2,216,956	2,266,997	2,216,956	2,340,424	2,407,541	2,484,996	2,266,997
CIS[3]	344,474	838,379	1,059,718	838,379	860,229	921,876	1,020,180	1,059,718
Other[4]	33,613,564	1,378,577	1,207,279	1,378,577	1,480,195	1,485,665	1,464,816	1,207,279
Brokers. Total	2,949,741	2,619,297	2,658,674	2,619,297	2,437,188	2,533,527	2,572,343	2,658,674
CIS[3]	1,595,851	1,295,580	1,346,615	1,295,580	1,107,640	974,538	1,054,869	1,346,615
Other[4]	1,353,890	1,323,717	1,312,059	1,323,717	1,329,548	1,558,989	1,517,474	1,312,059
Portfolio management companies.[2] Total	16,082	18,466	20,999	18,466	–	–	–	20,999
CIS[3]	16,082	18,466	20,999	18,466	–	–	–	20,999
Other[4]	0	0	0	0	–	–	–	0

1 Data at the end of period. Quarterly.
2 Only public information about portfolio management companies is shown with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.
3 Includes both resident and non-resident CIS 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

	2017	2018	2019	2018 IV	2019 I	II	III	IV
NUMBER OF CONTRACTS								
Total[3]	20,170	23,149	26,561	23,149	23,947	24,479	25,762	26,561
Broker-dealers. Total	5,125	5,241	6,163	5,241	5,605	5,852	5,971	6,163
Retail clients	5,108	5,211	6,115	5,211	5,574	5,820	5,932	6,115
Professional clients	6	21	31	21	23	24	29	31
Eligible counterparties	11	9	17	9	8	8	10	17
Brokers. Total	15,045	17,908	20,398	17,908	18,342	18,627	19,791	20,398
Retail clients	14,881	17,654	20,125	17,654	18,093	18,363	19,439	20,125
Professional clients	132	199	229	199	202	211	310	229
Eligible counterparties	32	55	44	55	47	53	42	44
Portfolio management companies.[3] Total	0	0	0	0	–	–	–	0
Retail clients	0	0	0	0	–	–	–	0
Professional clients	0	0	0	0	–	–	–	0
Eligible counterparties	0	0	0	0	–	–	–	0
***Pro memoria*: commission received for financial advice[4]** (thousand euro)								
Total[3]	16,473	35,287	37,583	35,287	3,878	14,337	30,581	37,583
Broker-dealers	5,555	9,562	23,400	9,562	1,152	7,599	21,118	23,400
Brokers	10,918	25,725	14,183	25,725	2,726	6,738	9,463	14,183
Portfolio management companies[3]	0	0	0	0	–	–	–	0

1 Data at the end of period. Quarterly.
2 Quarterly data on assets advised are not available since the entry into force of CNMV Circular 3/2014, of 22 October.
3 Only public information about portfolio management companies is shown with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.
4 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed during the year.

Aggregated income statement. Broker-dealers

TABLE 2.7

Thousand euro[1]

				2019				2020
	2017	2018	2019	I	II	III	IV	I[2]
I. Interest income	21,377	73,969	38,125	1,537	12,446	27,328	38,125	541
II. Net commission	402,154	296,037	279,650	54,965	118,404	201,925	279,650	18,850
Commission revenues	549,298	414,595	427,813	81,242	184,559	307,881	427,813	32,738
Brokering	217,601	160,320	164,606	28,307	65,962	115,073	164,606	15,621
Placement and underwriting	17,553	11,090	8,849	155	2,153	4,103	8,849	104
Securities deposit and recording	38,200	42,958	42,643	11,013	22,946	34,619	42,643	2,700
Portfolio management	49,720	13,505	15,102	2,995	6,163	9,249	15,102	960
Design and advice	16,406	21,135	34,751	3,445	12,469	29,275	34,751	892
Stock search and placement	1,500	543	1,302	0	16	1,058	1,302	235
Market credit transactions	0	0	0	0	0	0	0	0
CIS marketing	83,354	55,483	53,506	13,368	27,276	40,195	53,506	4,442
Other	124,964	109,561	107,055	21,958	47,574	74,310	107,055	7,785
Commission expenses	147,144	118,558	148,163	26,277	66,155	105,956	148,163	13,888
III. Financial investment income	43,725	27,088	29,452	8,595	17,277	22,367	29,452	5,309
IV. Net exchange differences and other operating products and expenses	28,507	16,614	29,066	7,985	15,491	21,730	29,066	2,005
V. Gross income	495,763	413,708	376,293	73,082	163,618	273,350	376,293	26,705
VI. Operating income	145,364	85,837	55,978	-316	16,219	38,755	55,978	3,808
VII. Earnings from continuous activities	120,683	91,771	54,528	1,412	18,179	40,421	54,528	3,399
VIII. Net earnings from the period	157,065	91,771	54,528	1,412	18,179	40,421	54,528	3,399

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed during the year.
2 Available data: January 2020.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro[1]

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV
TOTAL								
Total	92,832	114,751	101,039	114,751	18,860	46,603	74,611	101,039
Money market assets and public debt	3,909	11,193	2,625	11,193	1,277	1,816	2,266	2,625
Other fixed-income securities	34,369	11,842	27,811	11,842	6,852	14,210	21,178	27,811
Domestic portfolio	20,941	8,304	13,186	8,304	3,149	5,680	8,873	13,186
Foreign portfolio	13,428	3,538	14,625	3,538	3,703	8,530	12,305	14,625
Equities	53,601	10,844	8,009	10,844	1,344	6,250	5,218	8,009
Domestic portfolio	11,494	9,901	7,006	9,901	971	3,542	4,265	7,006
Foreign portfolio	42,107	943	1,003	943	373	2,708	953	1,003
Derivatives	-40,286	-1,167	-3,873	-1,167	-1,026	-1,236	-1,911	-3,873
Repurchase agreements	-288	-107	-3,492	-107	-99	-934	-2,105	-3,492
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial intermediaries	114	3,884	1,084	3,884	524	255	829	1,084
Net exchange differences	4,353	283	118	283	41	-78	-24	118
Other operating products and expenses	24,154	16,330	28,949	16,330	7,943	15,571	21,755	28,949
Other transactions	12,906	61,649	39,808	61,649	2,004	10,749	27,405	39,808
INTEREST INCOME								
Total	21,377	73,968	38,127	73,968	1,536	12,445	27,327	38,127
Money market assets and public debt	1,576	2,036	1,027	2,036	482	648	839	1,027
Other fixed-income securities	1,285	1,300	3,319	1,300	620	1,432	1,971	3,319
Domestic portfolio	415	124	734	124	36	67	113	734
Foreign portfolio	870	1,176	2,585	1,176	584	1,365	1,858	2,585
Equities	6,140	3,673	2,767	3,673	54	1,824	1,800	2,767
Domestic portfolio	3,047	2,892	2,456	2,892	42	924	1,564	2,456
Foreign portfolio	3,093	781	311	781	12	900	236	311
Repurchase agreements	-288	-107	-3,492	-107	-99	-934	-2,105	-3,492
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial intermediaries	114	3,884	1,084	3,884	524	255	829	1,084
Other transactions	12,550	63,182	33,422	63,182	-45	9,220	23,993	33,422
FINANCIAL INVESTMENT INCOME								
Total	43,725	27,088	29,451	27,088	8,593	17,278	22,366	29,451
Money market assets and public debt	2,333	9,157	1,598	9,157	795	1,168	1,427	1,598
Other fixed-income securities	33,084	10,542	24,492	10,542	6,232	12,778	19,207	24,492
Domestic portfolio	20,526	8,180	12,452	8,180	3,113	5,613	8,760	12,452
Foreign portfolio	12,558	2,362	12,040	2,362	3,119	7,165	10,447	12,040
Equities	47,461	7,171	5,242	7,171	1,290	4,426	3,418	5,242
Domestic portfolio	8,447	7,009	4,550	7,009	929	2,618	2,701	4,550
Foreign portfolio	39,014	162	692	162	361	1,808	717	692
Derivatives	-40,286	-1,167	-3,873	-1,167	-1,026	-1,236	-1,911	-3,873
Other transactions	1,133	1,385	1,992	1,385	1,302	142	225	1,992
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	27,730	13,695	33,461	13,695	8,731	16,880	24,918	33,461
Net exchange differences	4,353	283	118	283	41	-78	-24	118
Other operating products and expenses	24,154	16,330	28,949	16,330	7,943	15,571	21,755	28,949
Other transactions	-777	-2,918	4,394	-2,918	747	1,387	3,187	4,394

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

Aggregated income statement. Brokers

TABLE 2.9

Thousand euro[1]

				2019				2020
	2017	2018	2019	I	II	III	IV	I[2]
I. Interest income	3,127	1,583	1,252	56	609	783	1,252	-10
II. Net commission	120,674	135,782	130,293	28,211	58,008	89,925	130,293	10,266
Commission revenues	142,771	156,624	150,842	32,691	66,889	103,815	150,842	12,001
Brokering	20,449	20,018	23,194	5,880	11,788	17,375	23,194	2,405
Placement and underwriting	3,427	1,120	580	74	208	580	580	0
Securities deposit and recording	903	824	879	204	421	649	879	76
Portfolio management	12,470	15,412	14,890	3,295	6,462	9,600	14,890	1,228
Design and advice	11,263	26,446	14,426	2,832	6,873	9,639	14,426	1,064
Stock search and placement	0	0	0	0	0	0	0	0
Market credit transactions	0	0	0	0	0	0	0	0
CIS marketing	60,571	63,821	62,866	14,132	29,171	43,829	62,866	5,032
Other	33,689	28,983	34,008	6,273	11,967	22,143	34,008	2,195
Commission expenses	22,097	20,842	20,549	4,480	8,881	13,890	20,549	1,735
III. Financial investment income	1,133	-51	910	613	738	824	910	44
IV. Net exchange differences and other operating products and expenses	-1,680	-279	1,194	-18	291	739	1,194	43
V. Gross income	123,254	137,035	133,648	28,862	59,646	92,271	133,648	10,343
VI. Operating income	17,024	12,031	9,284	3,198	7,071	8,749	9,284	737
VII. Earnings from continuous activities	11,620	7,459	6,163	2,819	6,404	8,107	6,163	2,856
VIII. Net earnings of the period	11,620	7,459	6,163	2,819	6,404	8,107	6,163	2,856

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed during the year.
2 Available data: January 2020.

Aggregated income statement. Portfolio management companies[1]

TABLE 2.10

Thousand euro[2]

	2015	2016	2017	2018	2019
I. Interest income	399	83	23	6	5
II. Net commission	8,526	6,617	1,543	350	404
Commission revenues	13,064	6,617	1,543	350	404
Portfolio management	11,150	4,228	1,095	350	404
Design and advice	371	354	59	0	0
Other	1,544	2,035	390	0	0
Commission expenses	4,538	0	0	0	0
III. Financial investment income	-28	-1	6	-25	13
IV. Net exchange differences and other operating products and expenses	-234	-126	-52	-20	-20
V. Gross income	8,663	6,573	1,520	311	402
VI. Operating income	3,331	3,172	623	-2	52
VII. Earnings from continuous activities	2,335	2,222	439	-2	37
VIII. Net earnings of the period	2,335	2,222	439	-2	37

1 Only public information about portfolio management companies is shown with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this.
2 Accumulated data from the beginning of the year. It includes companies removed during the year.

Capital adequacy and capital ratio[1]

TABLE 2.11

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV
TOTAL[2]								
Total capital ratio[3]	33.40	42.36	46.92	42.36	39.00	36.69	35.74	46.92
Own fund surplus (thousand euro)	803,793	915,383	1,165,707	915,383	919,676	919,410	901,336	1,165,707
Surplus (%)[4]	317.54	429.49	486.52	429.49	387.56	358.66	346.78	486.52
Number of companies according to surplus percentage								
≤100%	18	20	23	20	23	21	24	23
>100-≤300%	23	29	31	29	28	28	26	31
>300-≤500%	14	10	10	10	9	9	10	10
>500%	18	15	13	15	16	19	20	13
BROKER-DEALERS								
Total capital ratio[3]	34.28	45.16	49.63	45.16	41.02	38.02	36.95	49.63
Own fund surplus (thousand euro)	755,143	874,235	1,118,273	874,235	875,732	870,260	852,187	1,118,273
Surplus (%)[4]	328.55	464.51	520.42	464.51	412.79	375.22	361.84	520.42
Number of companies according to surplus percentage								
≤100%	8	7	7	7	7	5	7	7
>100-≤300%	10	10	14	10	12	14	14	14
>300-≤500%	8	7	4	7	5	4	3	4
>500%	13	14	11	14	14	15	15	11
BROKERS								
Total capital ratio[3]	24.69	21.17	23.34	21.17	21.98	24.11	24.11	23.34
Own fund surplus (thousand euro)	48,452	40,952	47,249	40,952	43,944	49,151	49,149	47,249
Surplus (%)[4]	208.66	164.84	191.77	164.84	174.71	201.36	201.40	191.77
Number of companies according to surplus percentage								
≤100%	10	13	16	13	16	16	17	16
>100-≤300%	12	18	16	18	16	14	12	16
>300-≤500%	6	3	6	3	4	5	7	6
>500%	5	1	2	1	2	4	5	2
PORTFOLIO MANAGEMENT COMPANIES[2]								
Total capital ratio[3]	30.70	29.68	25.72	29.68	–	–	–	25.72
Own fund surplus (thousand euro)	198	196	185	196	–	–	–	185
Surplus (%)[4]	282.86	272.22	221.50	272.22	–	–	–	221.50
Number of companies according to surplus percentage								
≤100%	0	0	0	0	–	–	–	0
>100-≤300%	1	1	1	1	–	–	–	1
>300-≤500%	0	0	0	0	–	–	–	0
>500%	0	0	0	0	–	–	–	0

1 On 1 January 2014 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 entered into force, which has changed the own fund requirement calculation. Since January 2014, only the entities subject to reporting requirements are included.

2 Only public information about portfolio management companies is shown with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.

3 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%, pursuant to the provisions of Regulation.

4 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

	2017	2018	2019	2018 IV	2019 I	II	III	IV
TOTAL[2]								
Average (%)[3]	17.73	12.27	9.23	12.27	1.42	4.93	6.91	9.23
Number of companies according to annualised return								
Losses	20	40	32	40	41	36	39	32
0-≤15%	28	22	22	22	24	24	27	22
>15-≤45%	22	10	18	10	16	20	17	18
>45-≤75%	4	6	7	6	2	3	4	7
>75%	15	14	12	14	10	11	10	12
BROKER-DEALERS								
Average (%)[3]	17.84	12.16	8.87	12.16	0.08	3.92	6.36	8.87
Number of companies according to annualised return								
Losses	7	18	13	18	19	18	19	13
0-≤15%	17	12	13	12	13	12	15	13
>15-≤45%	11	5	7	5	6	8	5	7
>45-≤75%	1	2	1	2	0	1	1	1
>75%	4	2	2	2	1	0	0	2
BROKERS								
Average (%)[3]	16.49	13.24	12.05	13.24	13.40	14.55	11.80	12.05
Number of companies according to annualised return								
Losses	13	21	19	21	22	18	20	19
0-≤15%	11	10	9	10	11	12	12	9
>15-≤45%	10	5	11	5	10	12	12	11
>45-≤75%	3	4	6	4	2	2	3	6
>75%	11	12	10	12	9	11	10	10
PORTFOLIO MANAGEMENT COMPANIES[2]								
Average (%)[3]	20.65	-0.84	19.74	-0.84	–	–	–	19.74
Number of companies according to annualised return								
Losses	0	1	0	1	–	–	–	0
0-≤15%	0	0	0	0	–	–	–	0
>15-≤45%	1	0	1	0	–	–	–	1
>45-≤75%	0	0	0	0	–	–	–	0
>75%	0	0	0	0	–	–	–	0

1 ROE has been calculated as:

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

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

2 Only public information about portfolio management companies is shown, with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.

3 Average weighted by equity, %.

Financial advisory firms. Main figures[1]

TABLE 2.13

Thousand euro

	2015	2016	2017	2018	2019
ASSETS UNDER ADVICE[2]					
Total	25,084,882	30,174,877	30,790,535	31,658,460	21,627,677
Retail clients	6,499,049	7,588,143	9,096,071	10,281,573	8,313,608
Rest of clients and entities	18,585,833	22,586,734	21,694,464	21,376,887	13,314,069
Professional	5,108,032	5,654,358	6,482,283	7,052,031	–
Other	13,477,801	16,932,376	15,212,181	14,324,856	–
COMMISSION INCOME[3]					
Total	57,231	52,534	65,802	62,168	56,128
Commission revenues	56,227	51,687	65,191	61,079	55,258
Other income	1,004	847	611	1,088	870
EQUITY					
Total	25,021	24,119	32,803	33,572	32,746
Share capital	5,881	6,834	8,039	6,894	5,522
Reserves and retained earnings	7,583	12,123	13,317	15,386	17,525
Income for the year[3]	11,481	7,511	11,361	10,626	7,889
Other own funds	76	-2,349	86	666	1,809

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

2 Data at the end of each period. Since 2019, due to the entry into force of CNMV Circular 4/2018, there is no disaggregated information of non-retail clients.

3 Accumulated data from the beginning of the year.

3 Collective Investment schemes (CIS)[a]

Number, management companies and depositories of CIS registered at the CNMV

TABLE 3.1

				2019				2020
	2017	2018	2019	I	II	III	IV	I
Total financial CIS	4,564	4,386	4,233	4,351	4,324	4,290	4,233	4,182
Mutual funds	1,676	1,617	1,595	1,612	1,620	1,611	1,595	1,578
Investment companies	2,833	2,713	2,569	2,682	2,643	2,614	2,569	2,535
Funds of hedge funds	8	7	7	7	7	7	7	7
Hedge funds	47	49	62	50	54	58	62	62
Total real estate CIS	7	7	5	6	6	6	5	5
Real estate mutual funds	3	3	2	2	2	2	2	2
Real estate investment companies	4	4	3	4	4	4	3	3
Total foreign CIS marketed in Spain	1,013	1,024	1,033	1,000	1,020	1,017	1,033	1,035
Foreign funds marketed in Spain	455	429	399	396	403	392	399	402
Foreign companies marketed in Spain	558	595	634	604	617	625	634	633
Management companies	109	119	123	119	121	123	123	123
CIS depositories	54	37	36	36	36	36	36	36

Number of CIS investors and shareholders[1, 2]

TABLE 3.2

				2019				2020
	2017	2018	2019	I	II	III	IV	I[3]
Total financial CIS	10,704,585	11,627,118	12,132,581	11,615,863	11,748,951	11,620,670	12,132,581	12,280,008
Mutual funds	10,283,312	11,213,482	11,734,029	11,208,135	11,347,628	11,221,151	11,734,029	11,882,809
Investment companies	421,273	413,636	398,552	407,728	401,323	399,519	398,552	397,199
Total real estate CIS	1,424	905	799	905	909	811	799	802
Real estate mutual funds	1,097	483	483	483	483	483	483	483
Real estate investment companies	327	422	316	422	426	328	316	319
Total foreign CIS marketed in Spain[4, 5]	1,984,474	3,172,682	3,361,901	3,233,984	3,147,153	3,144,420	3,361,901	n/a
Foreign funds marketed in Spain	431,295	547,517	521,648	546,485	500,154	488,522	521,648	n/a
Foreign companies marketed in Spain	1,553,179	2,625,165	2,840,253	2,687,499	2,646,999	2,655,898	2,840,253	n/a

1 Investors and shareholders who invest in many sub-funds from the same CIS have only been taken into account once. For this reason, investors and shareholders may be different from those in Tables 3.6 and 3.7.
2 From I-2018, data on foreign CIS are estimated.
3 Available data: January 2020.
4 Only data on UCITS are included. Data on Exchange Traded Funds (ETFs) are not included until IV-2017.
5 On 1 January 2018 CNMV Circular 2/2017, of 25 October, entered into force, which has increased the entities subject to reporting requirements; therefore, data may not be comparable with previous information.

a Information about mutual funds and Investment companies contained in this section does not include hedge funds or funds of hedge funds. The information about hedge funds and funds of hedge funds is included in Table 3.12.

CIS total net assets[1]

TABLE 3.3

Million euro

				2019				2020
	2017	2018	2019	I	II	III	IV	I[2]
Total financial CIS	296,619.5	286,930.9	308,170.1	297,624.2	300,021.8	301,467.3	308,170.1	308,557.6
Mutual funds[3]	265,194.8	259,095.0	279,377.4	268,363.8	270,916.0	273,100.7	279,377.4	280,045.7
Investment companies	31,424.7	27,835.9	28,792.7	29,260.4	29,105.8	28,366.6	28,792.7	28,511.9
Total real estate CIS	991.4	1,058.20	1,072.9	1,061.6	1,070.2	1,069.5	1,072.9	1,172.3
Real estate mutual funds	360	309.4	309.4	309.4	309.4	309.3	309.4	309.4
Real estate investment companies	631.4	748.8	763.5	752.3	760.8	760.2	763.5	862.9
Total foreign CIS marketed in Spain[4, 5]	150,420.6	162,701.9	178,841.5	177,916.0	180,975.8	177,366.2	178,841.5	n/a
Foreign funds marketed in Spain	26,133.9	34,237.1	30,843.4	36,028.6	36,796.2	30,010.6	30,843.4	n/a
Foreign companies marketed in Spain	124,286.7	128,464.9	147,998.1	141,887.4	144,179.6	147,355.6	147,998.1	n/a

1 From I-2018, data on foreign CIS are estimated.
2 Available data: January 2020.
3 Mutual funds investment in financial mutual funds of the same management company reached €7,817.9 million in December 2019.
4 Only data on UCITS are included. Data on Exchange Traded Funds (ETFs) are not included until IV-2017.
5 On 1 January 2018, CNMV Circular 2/2017, of 25 October, entered into force, which has increased the entities subject to reporting requirements; therefore, data may not be comparable with previous information.

Asset allocation of mutual funds

TABLE 3.4

Million euro

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV
Asset	265,194.8	259,095.0	279,377.4	259,095.0	268,363.8	270,916.0	273,100.7	279,377.4
Portfolio investment	244,598.0	241,016.2	256,750.7	241,016.2	247,325.5	251,189.1	251,719.1	256,750.7
Domestic securities	83,032.1	74,486.1	66,520.4	74,486.1	74,823.9	73,843.0	69,542.8	66,520.4
Debt securities	55,389.1	50,537.5	44,637.7	50,537.5	50,908.9	51,611.7	47,670.3	44,637.7
Shares	10,911.7	10,868.4	9,047.9	10,868.4	10,718.9	9,788.0	9,258.3	9,047.9
Collective investment schemes	7,625.9	6,984.9	8,581.9	6,984.9	7,591.5	7,690.2	7,982.2	8,581.9
Deposits in credit institutions	8,657.1	5,854.8	4,004.8	5,854.8	5,358.8	4,493.0	4,375.5	4,004.8
Derivatives	441.4	235.4	243.2	235.4	240.1	254.7	251.3	243.2
Other	6.8	5.2	4.9	5.2	5.7	5.4	5.2	4.9
Foreign securities	161,556.6	166,522.5	190,224.5	166,522.5	172,494.1	177,336.6	182,169.4	190,224.5
Debt securities	67,794.0	74,079.1	83,817.5	74,079.1	74,020.9	77,987.5	82,625.8	83,817.5
Shares	27,081.8	26,660.8	33,115.9	26,660.8	27,351.1	26,943.6	30,924.1	33,115.9
Collective investment schemes	66,099.9	65,624.3	73,054.4	65,624.3	70,906.7	72,134.2	68,328.8	73,054.4
Deposits in credit institutions	74.7	21.1	4.5	21.1	24.2	29.9	14.7	4.5
Derivatives	504.7	136.0	231.3	136.0	190.0	240.4	275.0	231.3
Other	1.4	1.2	0.9	1.2	1.1	1.0	1.0	0.9
Doubtful assets and matured investments	9.3	7.6	5.8	7.6	7.5	9.5	6.9	5.8
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	19,988.5	16,897.1	21,735.1	16,897.1	19,929.6	18,625.3	20,954.7	21,735.1
Net balance (Debtors - Creditors)	608.3	1,181.7	891.6	1,181.7	1,108.7	1,101.6	426.9	891.6

Asset allocation of investment companies

TABLE 3.5

Million euro

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV
Asset	31,424.7	27,835.9	28,792.7	27,835.9	29,260.4	29,105.8	28,366.6	28,792.7
Portfolio investment	28,804.9	24,840.8	25,940.3	24,840.8	25,815.5	25,773.8	25,140.6	25,940.3
Domestic securities	6,229.4	5,031.5	4,588.3	5,031.5	5,027.8	4,828.1	4,621.3	4,588.3
Debt securities	1,653.8	1,433.8	1,217.1	1,433.8	1,369.5	1,346.1	1,265.2	1,217.1
Shares	2,674.5	2,193.7	1,982.8	2,193.7	2,224.3	2,077.3	1,992.2	1,982.8
Collective investment schemes	1,625.9	1,193.8	1,232.2	1,193.8	1,239.3	1,217.6	1,178.6	1,232.2
Deposits in credit institutions	236.2	164.3	98.6	164.3	148.2	152.7	134.6	98.6
Derivatives	-0.6	-0.2	0.8	-0.2	-1.1	-16.9	-2.1	0.8
Other	39.7	46.2	56.8	46.2	47.5	51.2	52.9	56.8
Foreign securities	22,566.2	19,803.8	21,348.2	19,803.8	20,782.3	20,940.9	20,512.8	21,348.2
Debt securities	4,396.6	4,241.6	4,617.7	4,241.6	4,430.9	4,495.4	4,469.0	4,617.7
Shares	6,987.8	5,979.1	6,133.8	5,979.1	6,297.4	6,188.7	5,975.1	6,133.8
Collective investment schemes	11,153.5	9,540.9	10,549.0	9,540.9	10,010.0	10,205.1	10,023.7	10,549.0
Deposits in credit institutions	0.0	0.0	1.1	0.0	1.1	1.1	1.1	1.1
Derivatives	19.3	27.6	34.1	27.6	27.2	36.6	27.6	34.1
Other	8.9	14.5	12.5	14.5	15.7	14.1	16.3	12.5
Doubtful assets and matured investments	9.3	5.6	3.8	5.6	5.4	4.8	6.4	3.8
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Cash	2,421.7	2,731.9	2,659.8	2,731.9	3,235.0	3,121.1	2,926.1	2,659.8
Net balance (Debtors - Creditors)	197.5	262.6	192.1	262.6	209.4	210.3	299.4	192.1

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

TABLE 3.6

	2017	2018	2019	2019 I	II	III	IV	2020 I[3]
NO. OF FUNDS								
Total financial mutual funds	1,741	1,725	1,710	1,704	1,737	1,723	1,710	1,710
Fixed income[4]	290	279	281	274	283	283	281	281
Mixed fixed income[5]	155	168	173	166	173	171	173	173
Mixed equity[6]	176	184	185	188	191	186	185	184
Euro equity	111	113	113	113	114	113	113	112
Foreign equity	211	236	263	240	253	257	263	268
Guaranteed fixed income	79	67	66	66	66	66	66	66
Guaranteed equity[7]	188	163	155	161	164	159	155	153
Global funds	225	242	255	238	240	252	255	256
Passive management[8]	202	172	133	160	161	148	133	132
Absolute return	104	99	84	96	90	86	84	83
INVESTORS								
Total financial mutual funds	10,287,454	11,217,569	11,739,183	11,211,400	11,350,779	11,227,036	11,739,183	11,887,836
Fixed income[4]	2,627,547	2,709,547	3,668,324	2,737,450	3,279,530	3,376,056	3,668,324	3,672,610
Mixed fixed income[5]	1,197,523	1,188,157	1,087,881	1,168,810	1,124,303	1,044,836	1,087,881	1,160,952
Mixed equity[6]	584,408	624,290	707,159	620,258	695,823	695,444	707,159	719,266
Euro equity	710,928	831,115	598,901	820,890	564,406	553,832	598,901	598,047
Foreign equity	1,865,367	2,225,366	2,655,123	2,226,793	2,301,171	2,512,222	2,655,123	2,699,205
Guaranteed fixed income	190,075	165,913	154,980	162,551	164,034	161,392	154,980	154,979
Guaranteed equity[7]	527,533	494,660	428,470	493,318	491,969	461,897	428,470	419,995
Global funds	1,086,937	1,501,730	1,359,915	1,535,831	1,553,357	1,291,172	1,359,915	1,385,293
Passive management[8]	638,966	543,192	429,428	525,194	503,369	474,947	429,428	431,343
Absolute return	858,170	930,641	646,042	917,346	669,857	652,278	646,042	643,185
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	265,194.8	259,095.0	279,377.4	268,364.0	270,916.0	273,100.7	279,377.4	280,045.7
Fixed income[4]	70,563.9	66,889.3	78,583.2	70,391.3	73,202.8	77,871.1	78,583.2	77,186.8
Mixed fixed income[5]	43,407.0	40,471.0	40,819.9	40,980.6	39,643.5	38,959.2	40,819.9	43,410.6
Mixed equity[6]	22,386.7	23,256.0	28,775.8	24,465.0	27,350.1	27,613.4	28,775.8	29,377.1
Euro equity	12,203.2	12,177.7	10,145.1	11,844.7	10,676.8	10,034.3	10,145.1	9,504.6
Foreign equity	24,064.6	24,404.9	34,078.9	27,088.3	27,262.4	30,447.0	34,078.9	33,355.3
Guaranteed fixed income	5,456.7	4,887.4	4,809.3	5,065.6	5,197.8	5,143.1	4,809.3	4,839.5
Guaranteed equity[7]	15,417.5	14,556.0	13,229.1	14,724.9	14,938.2	14,395.0	13,229.1	13,047.4
Global funds	35,511.5	42,137.2	43,041.9	44,221.3	44,669.4	41,702.5	43,041.9	43,327.9
Passive management[8]	19,477.8	16,138.6	14,073.8	16,396.7	15,983.2	15,355.0	14,073.8	14,204.9
Absolute return	16,705.9	14,172.5	11,818.3	13,181.5	11,988.8	11,577.6	11,818.3	11,789.2

1 Sub-funds which have sent reports to the CNMV excluding those in process of dissolution or liquidation.
2 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.
3 Available data: January 2020.
4 Until I-2019 it includes: fixed income euro, foreign fixed income, monetary market funds and short-term monetary market funds. From II-2019 it includes: short-term euro fixed income, euro fixed income, foreign fixed income, public debt constant net asset value short-term money market funds (MMFs), low volatility net asset value short-term MMFs, variable net asset value short-term MMFs and variable net asset value standard MMFs.
5 Mixed euro fixed income and foreign mixed fixed income.
6 Mixed euro equity and foreign mixed equity.
7 Guaranteed equity and partial guarantee.
8 Until I-2019 it includes: passive management CIS. From II-2019 it includes: passive management CIS, index-tracking CIS and non-guaranteed specific return target CIS.

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

TABLE 3.7

				2019				2020
	2017	2018	2019	I	II	III	IV	I[1]
INVESTORS								
Total financial mutual funds	10,287,454	11,217,569	11,739,183	11,211,400	11,350,779	11,227,026	11,739,183	11,887,836
Natural persons	10,080,255	11,008,977	11,534,957	11,005,326	11,145,137	11,024,532	11,534,957	11,683,884
Residents	9,994,395	10,917,387	11,440,086	10,913,775	11,051,925	10,931,913	11,440,086	11,588,136
Non-residents	85,860	91,590	94,871	91,551	93,212	92,619	94,871	95,748
Legal persons	207,199	208,592	204,226	206,074	205,642	202,494	204,226	203,952
Credit institutions	515	655	1,928	655	649	638	1,928	1,418
Other resident institutions	205,804	207,073	201,408	204,512	204,084	200,945	201,408	201,453
Non-resident institutions	880	864	890	907	909	911	890	1,081
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	265,194.8	259,095.0	279,377.4	268,363.8	270,916.0	273,100.7	279,377.4	280,045.7
Natural persons	218,429.6	215,785.0	231,434.8	223,371.6	225,612.8	227,293.8	231,434.8	231,824.1
Residents	215,290.8	212,758.3	228,214.4	220,238.6	222,417.1	224,066.0	228,214.4	228,602.8
Non-residents	3,138.8	3,026.7	3,220.4	3,132.9	3,195.7	3,227.8	3,220.4	3,221.3
Legal persons	46,765.1	43,310.0	47,942.6	44,992.2	45,303.2	45,806.9	47,942.6	48,221.6
Credit institutions	342.2	384.1	523.7	402.1	358.0	321.5	523.7	499.3
Other resident institutions	45,518.8	41,967.9	46,628.9	43,629.7	44,069.5	44,662.0	46,628.9	46,963.7
Non-resident institutions	904.1	957.9	790.0	960.4	875.8	823.4	790.0	758.6

1 Available data: January 2020.

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

TABLE 3.8

Million euro

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV
SUBSCRIPTIONS								
Total financial mutual funds	151,586.4	130,577.0	156,702.7	24,709.7	28,564.6	35,971.0	32,555.6	59,611.3
Fixed income	59,088.5	53,165.8	91,050.8	9,957.0	15,237.7	19,188.6	15,125.4	41,499.1
Mixed fixed income	20,513.3	14,823.4	14,154.1	2,181.0	2,760.4	3,396.7	3,373.1	4,623.9
Mixed equity	10,452.2	10,406.8	11,156.0	1,722.8	1,454.2	4,411.4	1,624.4	3,665.9
Euro equity	9,452.9	7,024.3	2,998.4	1,168.8	1,045.0	672.9	511.4	769.0
Foreign equity	14,866.5	13,265.2	16,864.0	2,698.0	2,263.4	3,305.0	7,452.2	3,843.4
Guaranteed fixed income	986.9	796.0	854.1	346.9	507.6	301.5	36.7	8.4
Guaranteed equity	2,413.1	2,116.8	898.2	921.7	411.8	395.5	68.6	22.4
Global funds	21,571.9	20,455.3	12,713.7	3,820.1	3,373.1	3,416.6	2,296.0	3,628.0
Passive management	2,374.0	3,014.3	2,261.9	1344.8	1,025.7	383.0	376.4	476.8
Absolute return	9,867.1	5,493.3	3,751.5	548.6	485.7	499.9	1691.4	1,074.5
REDEMPTIONS								
Total financial mutual funds	130,248.0	122,669.5	154,273.0	28,594.5	28,990.0	35,660.4	32,262.7	57,359.8
Fixed income	62,087.2	55,823.7	80,046.4	10,707.5	12,244.8	16,719.5	10,531.1	40,550.9
Mixed fixed income	18,011.6	16,685.2	16,004.2	4,122.6	3,285.9	5,360.9	4,307.6	3,049.7
Mixed equity	4,942.6	7,344.0	7,943.7	1,812.1	1,629.8	1,792.4	1,551.0	2,970.6
Euro equity	6,908.0	5,246.8	6,540.2	1,381.0	2,381.9	1,899.1	1,024.1	1,235.0
Foreign equity	10,363.6	9,476.0	12,963.1	2,257.4	2,451.9	3,466.6	4,691.8	2,352.9
Guaranteed fixed income	3,876.9	1,202.9	1,136.7	323.5	409.2	277.3	162.9	287.3
Guaranteed equity	3,001.5	2,582.6	2,739.2	619.8	440.1	381.1	816.4	1,101.5
Global funds	8,587.6	11,301.6	15,133.7	3,951.1	3,173.8	3,124.3	5,702.2	3,133.4
Passive management	6,954.8	5,776.3	5,272.0	1,331.6	1,312.0	1,063.1	1,139.0	1,757.8
Absolute return	5,488.2	7,230.5	6,493.7	2,087.8	1,660.6	1,575.9	2,336.3	920.8

1 Estimated data.
2 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.

Change in assets in financial mutual funds by category: Net subscriptions/redemptions and return on assets[1]

TABLE 3.9

Million euro

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	21,325.0	7,841.8	2,467.5	-3,941.6	-402.3	326.2	295.6	2,247.9
Fixed income	-3,638.0	-2,766.0	10,732.6	-762.9	2,996.7	2,469.2	4,352.6	914.1
Mixed fixed income	2,890.5	-1,063.7	-1,506.1	-1,948.2	-543.8	-1,631.4	-949.3	1,618.4
Mixed equity	5,498.6	2,485.9	3,288.8	-67.4	-27.3	2,623.8	-0.8	693.1
Euro equity	2,549.7	1,848.7	-3,588.2	-111.6	-1,331.1	-1,272.8	-518.3	-466.0
Foreign equity	4,514.0	3,864.1	4,113.8	450.3	-183.5	-38.9	2,843.5	1,492.7
Guaranteed fixed income	-3,262.6	-575.8	-282.6	53.7	98.3	24.2	-126.2	-278.9
Guaranteed equity	-309.5	-667.2	-1,857.0	215.0	-28.5	-4.7	-745.2	-1,078.6
Global funds	13,405.9	9,448.9	-2,553.9	-139.1	182.9	93.2	-3,325.4	495.4
Passive management	-4,585.0	-2,790.4	-3,026.8	10.0	-270.6	-680.3	-780.1	-1,295.8
Absolute return	4,287.3	-1,899.6	-2,852.9	-1,641.4	-1,295.4	-1,256.1	-454.9	153.5
RETURN ON ASSETS								
Total financial mutual funds	6,022.6	-13,919.3	18,002.8	-11,605.9	9,677.3	2,229.8	1,898.4	4,197.3
Fixed income	-24.1	-908.5	961.9	-284.1	505.3	342.6	316.0	-202.0
Mixed fixed income	451.4	-1,865.1	1,866.9	-1,219.8	1,055.2	296.2	267.5	248.0
Mixed equity	577.8	-1,616.6	2,231.0	-1,459.3	1,236.3	261.2	264.1	469.4
Euro equity	987.8	-1,871.2	1,556.4	-1,695.6	998.1	105.4	-124.2	577.1
Foreign equity	1,872.3	-3,522.6	5,561.1	-3,693.2	2,867.1	213.7	341.1	2,139.2
Guaranteed fixed income	39.4	6.6	204.4	54.0	79.9	107.9	71.5	-54.9
Guaranteed equity	251.3	-194.2	530.0	46.8	197.3	218.0	202.0	-87.3
Global funds	1,190.3	-2,602.1	3,460.8	-2,399.5	1,901.9	355.3	359.1	844.5
Passive management	472.9	-537.5	1,133.2	-451.9	532.5	266.7	157.6	176.4
Absolute return	203.4	-796.6	498.7	-493.2	304.3	63.5	43.7	87.2

1 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.

Return on assets in financial mutual funds. Breakdown by category[1]

TABLE 3.10

% of daily average total net assets

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV
MANAGEMENT YIELDS								
Total financial mutual funds	3.41	-4.19	7.67	-4.14	3.92	1.08	0.95	1.77
Fixed income	0.59	-0.79	1.83	-0.30	0.88	0.61	0.55	-0.14
Mixed fixed income	2.22	-3.25	5.75	-2.66	2.86	1.01	0.95	0.87
Mixed equity	4.36	-5.46	9.79	-5.72	5.48	1.33	1.32	2.03
Euro equity	11.14	-11.98	16.01	-12.66	8.42	1.44	-0.81	6.20
Foreign equity	10.80	-11.89	21.00	-13.73	11.43	1.21	1.55	7.10
Guaranteed fixed income	1.14	0.56	4.52	1.23	1.77	2.21	1.50	-1.01
Guaranteed equity	2.18	-0.80	4.20	0.43	1.50	1.61	1.54	-0.56
Global funds	5.39	-5.11	9.24	-5.25	4.67	1.09	1.15	2.32
Passive management	2.81	-2.55	7.88	-2.66	3.44	1.81	1.15	1.36
Absolute return	2.32	-4.01	4.93	-3.09	2.42	0.74	0.59	0.98
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.91	0.86	0.85	0.21	0.21	0.21	0.21	0.21
Fixed income	0.54	0.45	0.44	0.11	0.11	0.11	0.11	0.11
Mixed fixed income	1.05	0.96	0.92	0.24	0.23	0.22	0.23	0.23
Mixed equity	1.34	1.26	1.29	0.31	0.31	0.32	0.32	0.33
Euro equity	1.71	1.47	1.49	0.35	0.37	0.37	0.37	0.38
Foreign equity	1.69	1.41	1.41	0.33	0.38	0.35	0.34	0.35
Guaranteed fixed income	0.48	0.38	0.36	0.09	0.09	0.09	0.09	0.09
Guaranteed equity	0.58	0.53	0.47	0.13	0.12	0.12	0.11	0.11
Global funds	1.07	0.98	1.03	0.25	0.25	0.25	0.26	0.27
Passive management	0.52	0.48	0.42	0.11	0.11	0.11	0.10	0.10
Absolute return	0.91	0.79	0.81	0.20	0.19	0.20	0.20	0.21
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.08	0.07	0.07	0.02	0.02	0.02	0.02	0.02
Fixed income	0.07	0.06	0.06	0.02	0.02	0.02	0.02	0.02
Mixed fixed income	0.09	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.10	0.10	0.10	0.02	0.02	0.02	0.02	0.02
Euro equity	0.11	0.10	0.10	0.02	0.02	0.03	0.03	0.02
Foreign equity	0.10	0.09	0.09	0.02	0.02	0.02	0.02	0.02
Guaranteed fixed income	0.05	0.05	0.05	0.01	0.01	0.01	0.01	0.01
Guaranteed equity	0.05	0.05	0.05	0.01	0.01	0.01	0.01	0.01
Global funds	0.09	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Passive management	0.06	0.05	0.05	0.01	0.01	0.01	0.01	0.01
Absolute return	0.07	0.06	0.06	0.02	0.01	0.02	0.02	0.02

1 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.

Quarterly returns of mutual funds. Breakdown by category[1]

TABLE 3.11

%

				2019				2020
	2017	2018	2019	I	II	III	IV	I[2]
Total financial mutual funds	2.42	-4.89	7.12	3.85	0.83	0.71	1.57	-0.36
Fixed income	-0.13	-1.44	1.38	0.75	0.47	0.42	-0.26	0.30
Mixed fixed income	1.10	-4.27	4.75	2.65	0.75	0.69	0.59	0.15
Mixed equity	3.23	-6.45	9.25	5.32	1.03	0.97	1.68	-0.12
Euro equity	11.16	-13.01	14.27	8.21	0.82	-1.13	5.95	-0.51
Foreign equity	8.75	-12.34	22.18	11.86	0.79	1.37	6.91	-3.27
Guaranteed fixed income	0.72	0.09	3.98	1.51	2.12	1.39	-1.07	-2.18
Guaranteed equity	1.61	-1.33	3.62	1.38	1.42	1.42	-0.63	-0.46
Global funds	4.46	-5.69	8.45	4.62	0.82	0.77	2.04	0.17
Passive management	2.13	-3.16	7.45	3.37	1.66	0.96	1.28	0.67
Absolute return	1.44	-4.81	3.94	2.26	0.54	0.35	0.75	0.30

1 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.
2 Available data: January 2020..

Hedge funds and funds of hedge funds

TABLE 3.12

	2017	2018	2019	2018 IV	2019 I	II	III	IV
HEDGE FUNDS								
Investors/shareholders	3,656	4,444	7,548	4,444	5,937	5,846	6,451	7,548
Total net assets (million euro)	2,298.2	2,262.2	2,832.4	2,262.2	2,395.0	2,321.5	2,467.1	2,832.40
Subscriptions (million euro)	663.9	500.7	1,290.0	89.2	106.7	139.6	208.3	835.4
Redemptions (million euro)	607.2	320.4	937.0	7.2	71.4	225.7	68.7	570.7
Net subscriptions/redemptions (million euro)	56.7	180.3	353.0	82.0	35.3	-86.2	139.6	264.8
Return on assets (million euro)	149.4	-153.8	217.2	-155.0	97.5	12.6	6.0	100.6
Returns (%)	7.84	-6.47	10.35	-6.16	5.56	0.36	0.22	3.94
Management yields (%)[1]	9.51	-5.46	9.94	-6.51	4.42	0.83	0.49	4.03
Management fees (%)[1]	2.59	1.70	1.19	0.22	0.48	0.25	0.23	0.25
Financial expenses (%)[1]	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
FUNDS OF HEDGE FUNDS								
Investors/shareholders	3,596	2,804	2,859	2,804	2,847	2,850	2,861	2,859
Total net assets (million euro)	468.7	468.8	565.9	468.8	506.9	513.7	562.4	565.9
Subscriptions (million euro)	205.4	7.2	72.3	1.8	29.9	0.2	42.2	0.0
Redemptions (million euro)	22.1	0.6	0.3	0.0	0.2	0.2	0.1	-0.4
Net subscriptions/redemptions (million euro)	183.4	6.6	71.4	1.8	29.7	0.0	42.2	-0.4
Return on assets (million euro)	-8.3	-6.5	25.7	-5.2	8.6	6.8	6.5	3.8
Returns (%)	-1.66	-1.28	5.07	-1.06	1.86	1.34	1.10	0.68
Management yields (%)[2]	-0.24	-3.04	6.32	-0.76	2.2	1.64	1.61	0.98
Management fees (%)[2]	1.45	1.64	1.61	0.43	0.48	0.39	0.39	0.36
Depository fees (%)[2]	0.06	0.06	0.06	0.02	0.01	0.02	0.02	0.02

1 % of monthly average total net assets.
2 % of daily average total net assets.

Management companies. Number of portfolios and assets under management

TABLE 3.13

	2017	2018	2019	2019 I	II	III	IV	2020 I[1]
NUMBER OF PORTFOLIOS[2]								
Mutual funds	1,676	1,617	1,595	1,612	1,620	1,611	1,595	1,588
Investment companies	2,824	2,713	2,560	2,673	2,634	2,605	2,560	2,545
Funds of hedge funds	8	7	7	7	7	7	7	7
Hedge funds	47	49	62	50	54	58	62	62
Real estate mutual funds	3	3	2	2	2	2	2	2
Real estate investment companies	4	4	3	4	4	4	3	3
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	265,194.8	259,095.0	279,377.4	268,363.8	270,916.0	273,100.7	279,377.4	280,045.7
Investment companies	31,021.1	27,479.7	28,385.5	28,865.9	28,712.6	27,984.6	28,385.5	28,119.1
Funds of hedge funds	468.7	468.8	565.9	506.9	513.7	562.5	565.9	–
Hedge funds	2,298.2	2,262.2	2,735.5	2,389.7	2,321.5	2,461.7	2,735.5	–
Real estate mutual funds	360.0	309.4	309.4	309.4	309.4	309.3	309.4	309.4
Real estate investment companies	631.5	748.8	763.5	752.3	760.8	760.2	763.5	862.9

1 Available data: January 2020.
2 Data source: Registers of Collective Investment Schemes.

Foreign Collective Investment Schemes marketed in Spain[1, 2, 3]

TABLE 3.14

	2017	2018	2019	2018 IV	2019 I	II	III	IV
INVESTMENT VOLUME[4] (million euro)								
Total	150,420.6	162,335.0	178,841.5	162,335.0	181,381.8	179,976.2	177,664.7	178,841.5
Mutual funds	26,133.9	34,209.6	30,843.4	34,209.6	35,984.1	33,322.4	30,207.0	30,843.4
Investment companies	124,286.7	128,125.5	147,998.1	128,125.5	145,397.7	146,653.8	147,457.7	147,998.1
INVESTORS/SHAREHOLDERS								
Total	1,984,474	3,173,245	3,361,901	3,173,245	3,214,413	3,117,731	3,145,703	3,361,901
Mutual funds	431,295	547,826	521,648	547,826	529,920	496,837	488,584	521,648
Investment companies	1,553,179	2,625,419	2,840,253	2,625,419	2,684,493	2,620,894	2,657,119	2,840,253
NUMBER OF SCHEMES								
Total	1,013	1,024	1,033	1,024	1,000	1,020	1,017	1,033
Mutual funds	455	429	399	429	396	403	392	399
Investment companies	558	595	634	595	604	617	625	634
COUNTRY								
Luxembourg	429	447	462	447	455	457	461	462
France	292	263	222	263	233	234	221	222
Ireland	184	200	220	200	200	211	216	220
Germany	35	42	48	42	43	46	47	48
UK	33	27	23	27	25	25	24	23
The Netherlands	2	2	4	2	2	2	4	4
Austria	21	24	30	24	23	25	25	30
Belgium	5	5	5	5	5	5	4	5
Denmark	1	1	1	1	1	1	1	1
Finland	8	9	11	9	9	10	10	11
Liechtenstein	3	4	4	4	4	4	4	4

1 Only includes data on UCITS.
2 On 1 January 2018 CNMV Circular 2/2017, of 25 October, entered into force, which has increased the entities subject to reporting requirements; therefore, data may not be comparable with previous information.
3 Investment volume and number of investors data on Exchange Traded Funds (ETFs) are not included until IV-2017. From I-2018, data on investment volume and number of investors are estimated.
4 Investment volume: participations or shares owned by the investors/shareholders at the end of the period valued at that time.

Real estate investment schemes[1]

TABLE 3.15

	2017	2018	2019	2019 I	II	III	IV	2020 I[2]
REAL ESTATE MUTUAL FUNDS								
Number	3	2	2	2	2	2	2	2
Investors	1,097	483	483	483	483	483	483	483
Assets (million euro)	360.0	309.4	309.4	309.4	309.4	309.3	309.4	309.4
Return on assets (%)	-2.60	0.24	-0.02	-0.01	0.00	-0.01	0.02	0.00
REAL ESTATE INVESTMENT COMPANIES								
Number	4	4	3	4	4	4	3	2
Shareholders	327	422	316	422	426	328	316	319
Assets (million euro)	631.5	748.8	763.5	752.3	760.8	760.2	763.50	862.9

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: January 2020.