



# EXHIBITS

## Annual Report CNMV

### 2024





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On 5 December 2024, the Organisation for Economic Co-operation and Development (OECD) presented a report titled *OECD Capital Market Review of Spain 2024: Capital markets for a vibrant and sustainable Spanish economy and corporate sector*, supported by the European Union's Technical Support Instrument (TSI) programme. The report outlines a coherent future implementation plan comprising 32 recommendations grouped into six areas: i) promoting conditions for listing and trading in securities markets; ii) facilitating access for SMEs to capital markets; iii) enhancing the role of institutional investors; iv) encouraging household savings and their involvement in capital markets; v) incentivising the use of debt securities; and vi) optimising the use of sustainable financing instruments.

This analysis stems from a CNMV initiative announced in 2023, aimed at creating a comprehensive overview of the state of Spanish capital markets and providing specific recommendations for improvement. The document includes a detailed empirical analysis based on a survey sent to over 2,000 Spanish companies, alongside interviews and consultations conducted by the OECD with both listed and unlisted Spanish companies, associations, law firms, and market operators. It examines various issues, including whether the enforcement of existing specific regulations might impose undue constraints, such as limiting the investment opportunities of pensions funds and insurance companies. Of the 32 recommendations, the OECD report highlights the following five as crucial due to their impact and scope:

- i) Establish a specific individual investment savings account that provides savers with greater flexibility in asset allocation and benefits from simplified taxation of capital income.
- ii) Expand the occupational pension fund sector and encourage pension savings by creating a policy environment that enables and encourages these funds to participate in capital markets.
- iii) Remove the option for early withdrawal from pension funds (except for contributions where this is allowed by law) to ensure these funds can invest over the long term.
- iv) Introduce tax relief for companies' equity, akin to the EU's DEBRA proposal, to eliminate the unfavourable tax treatment compared to debt.
- v) Promote public-private cooperation to enhance the use of markets in SME financing, fostering an ecosystem with diverse funding sources.

Following its 2025 Activity Plan, the CNMV will lead a task force to monitor the implementation of the OECD report's recommendations, particularly those where it can actively contribute.

## Guidelines for fund names using using ESG or sustainability-related terms EXHIBIT 2

On 13 May 2024, the European Securities and Markets Authority (ESMA) approved guidelines for the naming of funds that use the term ESG or other sustainability-related terms. These guidelines aim to identify situations where fund names using such terms may be unfair, unclear, or misleading. Common standards have been established for fund managers who include terms related to transition, impact, ESG criteria, or sustainability in their fund names.

Fund managers are obliged to act honestly and loyally, ensuring that all information in fund documentation and marketing materials is impartial, clear, and not misleading. The guidelines take effect on 21 November 2024, but funds already in existence before that date must comply by 21 May 2025. Funds are required to adhere to the following:

- i) Funds that use terms related to **transition**, **social**, and **governance** must:
  - Meet an 80% threshold linked to investments aimed at fulfilling environmental or social characteristics or sustainable investment objectives, in line with the binding elements of the investment strategy.
  - Exclude investments in companies that do not meet the standards of the European Union's climate transition benchmarks as specified in Delegated Regulation (EU) 2020/1816 (known as climate transition benchmarks or CTBs). Exclusions include controversial weapons and tobacco.
- ii) Funds that use terms related to the **environment** or **impact** must:
  - Achieve the 80% threshold outlined in the previous section.
  - Exclude investments in companies that do not comply with the standards of the European Union benchmarks that are aligned with the Paris Agreement, as referred to in the aforementioned Regulation (known as PAB exclusions).
- iii) Funds that use terms related to **sustainability** must adhere to the requirements outlined in the previous section and commit to significantly investing in sustainable investments as defined in Article 2.17 of the Regulation on sustainability-related financial disclosures (SFDR).
- iv) Funds that incorporate terms related to transition or **impact** in their names must also ensure that the investments used to meet the thresholds mentioned in Paragraphs 1 and 2 follow a clear and measurable trajectory towards social or environmental transition. Alternatively, these investments should aim to generate a positive and measurable social or environmental impact alongside financial returns.

- v) If a fund's name **combines terms** from both Paragraphs 1 and 2, these provisions must be applied cumulatively, subject to some exceptions.
- vi) Funds that **designate an index** as a benchmark can only use the terms referred to in paragraphs 1 to 3 in their name if the fund complies with the guidelines outlined in those paragraphs.

**Application of the MiCA Regulation. Crypto-asset service providers** EXHIBIT 3

Regulation (EU) 2023/1114 of the European Parliament and of the Council, of 7 October 2020, on markets in crypto-assets, and amending Regulations (EU) No. 1093/2010 and (EU) No. 1095/2010, and Directives 2013/36/EU and (EU) 2019/1937 (hereinafter the MiCA Regulation) was published on 23 May 2023 and takes effect from 30 December 2024, except for Titles III and IV, which apply from 30 June 2024.

This Regulation sets uniform standards for the public offering and admission to trading of certain crypto-assets on trading platforms, along with requirements for the authorisation and supervision of crypto asset service providers (CASPs). The business activities of a CASP involve the professional provision of one or more services related to crypto-assets, as defined by the MiCA Regulation, and require authorisation from the competent authority, which, in Spain, is the CNMV. Title V of the MiCA Regulation specifies the authorisation and operational requirements for crypto-asset service providers, with two separate procedures based on the type of entity applying. Financial institutions, such as credit institutions, central securities depositories, investment firms, management companies, electronic money institutions, and market operators, are subject to a notification procedure. All other entities must go through an authorisation process.

To prepare for implementing the MiCA Regulation and gauge the sector's interest in offering crypto-asset services, the CNMV took an initial step in March 2024 by contacting entities listed in the Bank of Spain's register of virtual currency service providers and electronic wallet custodians (VASP), as well as other entities potentially interested in providing crypto-asset-related services. A total of 250 responses were received. Among the respondents, 42 showed interest in providing crypto-asset services: 60% were VASPs, 17% were investment firms, another 17% were credit institutions, and the remaining 6% were other types of entities.

On 23 July 2024, even though the MiCA Regulation was not yet in force, the CNMV aimed to assist interested parties by publishing the Manual for Applying for Authorisation of Crypto-Asset Service Providers and the Notification Model for information to be submitted by certain financial institutions to offer crypto-asset services. These manuals are provisional and will need to be updated once the European-level implementing rules for the MiCA Regulation are issued.

At the end of July, a new sub-directorate was established within the Entity Authorisation and Registration Department to handle authorisation applications for PSCs and other related processes. Since September, more than 30 meetings have taken place with entities interested in offering crypto-asset services. Most of these entities are credit institutions, which can follow the notification procedure, and those registered in the VASP register. To continue operating beyond the end of the transitional period set by the MiCA Regulation, which in Spain concludes on 31 December 2025, they must secure authorisation as a PSC. So far, custody services and exchanging crypto assets for funds or other crypto assets have generated the most interest.

In June 2024, the International Monetary Fund (IMF) completed its latest Financial Sector Assessment Programme (FSAP) for Spain. This led to the publication of a report with its findings and recommendations.<sup>1</sup> This exhibit focuses on one of the seven areas evaluated: the regulatory framework and macroprudential policy tools, particularly the conclusions and recommendations targeted at the CNMV.<sup>2</sup> The IMF observes that Spain's macroprudential policy framework has been significantly strengthened in recent years. However, there are areas where further improvements can be made:

- In terms of the **institutional framework**, the creation of the AMCESFI (Macroprudential Authority and Financial Stability Council) in March 2019 was a key development, fulfilling one of the main recommendations from the previous IMF assessment in 2017. The IMF acknowledges that the establishment of AMCESFI has played a significant role in shaping the high-level framework of macroprudential policy in Spain. However, there is potential to enhance its operations. Suggestions include holding meetings more frequently, increasing transparency and accountability for decisions made, and involving independent experts.
- Regarding the **system for identifying and monitoring systemic risk**, the IMF greatly appreciates the effective risk monitoring, which relies on analysing the wealth of information available to authorities and calculating indicators. Nevertheless, certain information gaps need attention, especially in the following areas:
  - Investment funds: while the CNMV gathers comprehensive periodic data on funds domiciled in Spain, the same level of information is not available for funds domiciled in other EU Member States and marketed in Spain through a passport. This information shortfall stems from the lack of a harmonised and shared reporting system across the EU for funds distributed in accordance with the UCITS Directive, which is currently being implemented.
  - Effectively analysing and monitoring emerging risks from climate change, technological innovation in the financial sector (FinTech), and cyber risk requires developing new data collection systems in these areas.
- Regarding the **macroprudential policy instruments available**, Spain's framework meets international standards. For entities supervised by the CNMV, the following points are noteworthy:
  - Investment funds and their management companies have access to a wide range of liquidity management tools. These include anti-dilution mechanisms<sup>3</sup> and options that allow flexibility in the settlement of redemptions, such as advance notice and extensions. In extraordinary situations, fund managers can also suspend redemptions, implement partial redemptions or use side pockets.<sup>4</sup> The CNMV can also mandate certain tools' activation. The IMF commends the encouragement of active use of these tools but recommends improving the information on their activation in all cases to provide the CNMV with a more comprehensive view of the funds' liquidity risk.

- In other areas of the financial system, the CNMV has macroprudential instruments available, such as temporarily banning short selling.

In summary, the IMF's assessment praises the robustness of the macroprudential policy framework in the non-banking sector, although it identifies some areas needing improvement. One major structural weakness is the CNMV's lack of independence in recruiting staff, which could result in a shortage of qualified experts to meet its current and future responsibilities.

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1 [Spain: Financial System Stability Assessment](#).

2 For a more complete view of the IMF exercise for Spain, see: Díez Alcoba, M. and Gutiérrez de Rosas, L. (2024). "El programa de evaluación del FMI para el sistema financiero español: una visión general desde una perspectiva de estabilidad financiera", *Revista de Estabilidad Financiera*, BoS, No. 47, pp. 51–75. Available at: [https://www.bde.es/f/webbe/GAP/Secciones/Publicaciones/InformesBoletinesRevistas/RevistaEstabilidadFinanciera/24/3\\_REF47\\_FSAP.pdf](https://www.bde.es/f/webbe/GAP/Secciones/Publicaciones/InformesBoletinesRevistas/RevistaEstabilidadFinanciera/24/3_REF47_FSAP.pdf)

3 Transaction costs are transferred to investors who redeem their units to prevent their redemptions from negatively impacting those who remain in the fund.

4 Illiquid assets are placed in a special purpose vehicle to be liquidated.

Law 6/2023, of 17 March, on Securities Markets and Investment Services designates the CNMV as the independent administrative authority responsible for the supervision of capital markets in Spain. One of its primary legal mandates and responsibilities is investor protection, which is central to the CNMV's supervisory activities.

The pandemic accelerated digitalisation in society, altering certain consumption, investment, savings, and payment habits. The increased use of social media, internet access via mobile devices, and the greater participation of retail investors in financial markets have led to a significant rise in the perception of fraudulent activities associated with financial products and services offered to retail investors or specific user groups. This growth in irregular or criminal activities, broadly termed financial fraud, has already been significantly reflected in the criminal domain. However, enhancing early detection, prevention, or mitigation of these issues through cooperation between public and private entities should positively impact society as a whole.

This principle inspired the Action Plan against Financial Fraud (PAFF) developed by the CNMV in April 2022 and endorsed by 21 public and private entities. The goal is to consolidate efforts through public-private collaboration to prevent and counteract fraud by implementing actions that bring together all involved institutions: from the Ministry of Economy, the public prosecutor's office, national and regional law enforcement, and other regulators, to banking associations, associations of registrars and notaries, as well as associations of advertisers and investors, the investment guarantee fund, and more.

This initiative, launched three years ago, will continue to progress. The CNMV recognises that financial education is a key factor in this endeavour, as educating investors is essential for fraud prevention. The CNMV will keep issuing and promoting alerts and warnings, as it has done so far. These alerts are based on reports from other European regulators, enquiries and questions from investors, and signs of financial activities by entities not authorised to provide investment services. This will help to limit the opportunities for fraudsters to operate without consequences and achieve their aim of deceiving victims.

Until now, these responsibilities have been handled by separate departments within the CNMV: the Investor Department and the Strategy, Innovation and Sustainable Finance Department, which is tasked with planning and implementing activities to enhance investor training and financial education.

The establishment of a new department aims to consolidate these functions into a single centre of action, directly accountable to the CNMV's Vice-Presidency. This consolidation seeks to offer enhanced protection and support to investors. Bringing together all available resources – prevention, protection, and education – sends a clear message to society and the financial community about the crucial strategic importance the CNMV places on investor protection in all its aspects.

**Omnibus Package: simplification and reduction of the regulatory burden**

EXHIBIT 6

The European Union (EU) is increasingly focused on simplifying and reducing regulatory and reporting burdens to enhance competitiveness and facilitate business activities, particularly for SMEs. This initiative is rooted in proposals by the President of the European Commission (EC) in 2023, which were elaborated in the Draghi and Letta reports, and followed by more specific recommendations from the EC (Omnibus I and II). These new strategies were also discussed at the December 2024 meeting of the European Securities and Markets Authority (ESMA) Board of Supervisors, as well as in statements from various securities market supervisory authorities. The CNMV responded to the consultation on proposed amendments to the delegated acts of the Taxonomy in the first omnibus package, emphasising its commitment to simplifying and reducing burdens as long as it doesn't compromise investor protection or negatively affect the market. This is particularly important for the European sustainable finance market, which has reached 62% in equity. The focus remains on achieving the goals set, particularly mobilising the capital flows necessary for financing the ecological transition.

The European Commission has prioritised simplification as a key policy. Its president, Ursula Von der Leyen, has set specific targets to reduce the reporting burden by at least 25% for all companies and 35% for SMEs, aiming to significantly cut bureaucratic costs. At the end of 2024, the Commission announced two sets of measures, which it finalised on 27 February 2025 in two Omnibus proposals. It also plans to introduce a third package focused on SMEs. Additionally, the Commission launched the Competitiveness Compass 2025, a roadmap designed to enhance simplification efforts further.

The reports by Enrico Letta and Mario Draghi have had a significant impact on this agenda, pointing out that regulatory burdens are a major obstacle to the EU's competitiveness. Both reports urgently call for simplifying legislation, particularly in the areas of sustainability, finance, and trade, and they emphasise the importance of consulting stakeholders and having clear action plans. Letta's report also proposes a "fifth freedom" to promote research, innovation, and education within the Single Market.

ESMA backs the EC's goal to simplify and reduce the reporting burden on the financial sector, stressing that efforts should focus on avoiding duplicate work and streamlining reporting requirements rather than deregulation. For instance, ESMA plans to amend the MiFIR regime by reusing transaction data already reported to remove duplicate reporting obligations for transparency calculations. ESMA will also review its entire range of powers to ensure that measures remain proportionate and will continue collaborating with stakeholders to pinpoint further areas for simplification.

The CNMV supports these European initiatives to cut administrative burdens and streamline regulations while upholding its goals. It aims to apply the principle of proportionality to adjust regulatory requirements for SMEs. The CNMV also intends to work on the recommendations from the

report by the Organisation for Economic Co-operation and Development (OECD) on revitalising the Spanish capital market, which includes simplification aspects. Finally, a key priority in the CNMV's 2025 Activity Plan is to review internal procedures to simplify processes and ease the burdens on supervised entities. Other national financial supervisors, including CONSOB, AFM, and CMVM, have also pledged to focus on this area.

## Artificial intelligence in the financial sector

EXHIBIT 7

Recent advances in computing power have made it possible to manage vast amounts of data, unlocking **significant potential across a wide range of sectors and activities**. Artificial intelligence (AI) promises substantial progress by enabling more accurate predictions, improving risk assessment, automating routine processes, reducing costs, enhancing customer segmentation and communication, and improving fraud detection, among other benefits. These advancements can lead to **significant advantages for companies**. **Commercially**, they can offer increased capacity to customise products and provide personalised service. **Internally**, they lead to productivity gains by optimising the execution of many tasks that are ripe for automation.

The financial sector is notable for its large volume of data and the precision of this information, making advancements in data processing particularly promising.

The **Regulation on Artificial Intelligence**, effective from 1 August 2024, aims to ensure the responsible use of AI in the European Union by adopting a risk-based approach and identifying specific use cases. Although the full implementation of this regulation will take two years, it will introduce obligations that correspond to the potential effects of AI systems on fundamental rights, particularly health and dignity.

The Regulation applies across various sectors and is not confined to financial services. In the financial sector specifically, high-risk use cases identified by the regulation include evaluating individuals' creditworthiness, determining credit ratings, and assessing risks for insurance coverage access. However, the regulation also requires that artificial intelligence systems not classified as high risk must adhere to transparency obligations.

Beyond the Regulation, financial institutions should handle all AI-related processes with caution, ensuring compliance with relevant laws on financial services, data protection, consumer protection, and any other applicable legislation.

Using new AI models involves various risks, including the following: **increased impact** due to rapid response times, automation, and the uniformity of models and data; **reliance on a small** number of technology providers and the dependency that creates; **privacy** issues related to data protection and intellectual property; **cybersecurity** threats; potential **biases** or the complexity of **understanding** advanced models; inadequate governance; and environmental concerns.

Despite the risks, financial institutions, especially larger ones with more substantial investment capabilities, are showing clear and increasing interest in **using these technologies**. However, **there is a hesitancy to adopt them without human oversight**.

This interest has prompted numerous **international bodies** to share information and experiences on advances in artificial intelligence. A notable example is the European Forum of Innovation Facilitators (EFIF), which

offers a platform for supervisors to regularly exchange experiences regarding their roles in facilitating innovation, share technological insights, and develop shared positions on the regulatory approaches to innovative products, services, and business models. In 2024, the EFIF, in collaboration with the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA), organised workshops where financial sector entities presented artificial intelligence use cases.

## **DORA: new responsibilities for financial institutions and supervisory authorities**

EXHIBIT 8

In 2024, both financial institutions and authorities were busy preparing to comply with the DORA Regulation. Although the regulation came into effect in December 2022, draft Level 2 and Level 3 regulatory frameworks began to emerge in 2024. These drafts are slated for adoption and publication by the European Commission, with some regulatory aspects still in progress by 2025.

Authorities have been actively working to take on their new supervisory roles and adjust their processes to meet the regulation's requirements. These include handling notifications of serious incidents, maintaining registers of information and communication technology (ICT) service providers, and overseeing resilience testing, such as advanced Threat-Led Penetration Testing (TLPT).

The DORA Regulation is organised into five key areas: i) ICT risk management, detailing the principles and requirements of the risk management framework; ii) ICT incident handling, which involves managing, classifying, and reporting serious incidents to the authorities; iii) digital operational resilience testing, encompassing both basic and advanced testing; iv) managing ICT-related risks from third parties, including monitoring supplier risk, contractual clauses, and supervising essential ICT suppliers; and v) information-sharing agreements, facilitating the exchange of information and cyber threat intelligence among financial institutions.

Beyond these obligations, financial institutions must embed operational resilience within the governance of all business processes, starting with their governing bodies to allocate roles and responsibilities effectively.

Given that DORA applies across the entire financial sector, the principle of proportionality is crucial. It allows each institution to tailor its ICT risk management approach to its unique characteristics while still meeting DORA's requirements. Larger and more complex entities will need to ensure closer coordination between their business, technology, and cybersecurity departments if their technological risks are not well integrated. Smaller entities, while having simpler structures and less complex systems, often have fewer resources dedicated to managing technological risk.

The entire sector stands to gain from a unified framework which will, among other benefits, boost confidence in the European financial system. It will also lead to better harmonisation in the procurement of ICT services, enhance the efficiency of incident reporting and intelligence sharing, and facilitate the joint supervision by authorities of essential ICT service providers.

On 19 March 2025, the European Commission formally adopted its strategy to create a Savings and Investment Union (SIU). This structural initiative aims to transform the European financial system's approach to channelling savings into productive investments. This proposal arises amidst increasing geopolitical challenges, an urgent need to speed up both the green and digital transitions, and ongoing efforts to enhance the European Union's strategic autonomy.

According to a report delivered by Mario Draghi in 2025, the European Union must mobilise between €750 billion and €800 billion annually until 2030 to meet the rising demands for investment, particularly in areas like technological innovation, energy transition, and security and defence. A substantial part of this investment is needed by SMEs and start-ups, which struggle to secure adequate financing from banks due to their risk profile. In this context, the SIU is built around four interdependent pillars:

- i) **Citizens and savings.** Encouraging citizens to participate in capital markets is crucial. To achieve this, building trust in financial products is key, which means ensuring easy, affordable, and transparent access. Promoting financial education is also fundamental, enabling citizens to make informed decisions. The European Commission will introduce measures to develop a European model for savings and investment accounts or products, drawing on the best existing practices. These measures will come with a recommendation for Member States on the tax treatment of savings and investment accounts.
- ii) **Investment and financing.** The Commission will advance initiatives to broaden financing opportunities for all companies in the European Union, from start-ups to well-established firms, including those undergoing green and digital transitions and those in the defence and space sectors. Policies should encourage capital investment, particularly in venture and growth capital, address tax barriers, and strengthen securitisation markets.
- iii) **Integration and scale.** The strategy aims to gradually remove obstacles hindering the cross-border operation of trading and post-trading infrastructures, while also promoting the asset management sector's growth. Legislative measures will be implemented to harmonise rules, reduce administrative burdens, and acknowledge the use of innovative technologies like asset tokenisation and artificial intelligence in financial systems.
- iv) **Efficient supervision in the Single Market.** This aims to ensure consistent and effective oversight across the Union. The Commission will propose strengthening supervisory convergence tools and, in certain cases, transferring supervisory powers to the European level, particularly for institutions with significant cross-border operations.

**The SIU will be implemented in various phases.** In 2025, priority will be given to the most crucial measures, both legislative and non-legislative, while maintaining a continuous dialogue with Member States, the European Parliament, the private sector, and civil society. In the second quarter of 2027, the Commission will conduct a mid-term review to evaluate progress, identify remaining obstacles, and adjust the strategy based on the findings.

The CNMV is closely monitoring this initiative, along with other significant efforts led by the European Commission, such as the **Competitiveness Compass**, published on 29 January 2025, which identifies simplification as the first of five key enablers for enhancing competitiveness. This approach is also reflected in the Commission's **annual work programme**, released on 11 February 2025, which aims to reduce administrative burdens and simplify regulation.

Following these initiatives, the CNMV is revising its internal procedures to promote simplification and reduce burdens for all stakeholders, considering the needs of the entities it supervises. Non-essential procedures will be removed, and digital tools will be optimised during this process. The review will ensure that requirements are proportionate to the size and capacity of companies, avoiding excessive demands. Simultaneously, the CNMV is conducting a comprehensive analysis of securities market regulations to identify areas for simplification, while maintaining high standards of investor protection.

