

## **CNMV TO ADOPT ESMA GUIDELINES ON COMPLEX DEBT INSTRUMENTS AND STRUCTURED DEPOSITS.**

31 March 2016

On 4 February 2016, the "Guidelines on complex debt instruments and structured deposits" were published on the website of the European Securities and Markets Authority, hereinafter "ESMA", which will in principle, apply from January 2018. The Spanish translation of the Guidelines can be accessed on CNMV's website.

These Guidelines reduce the range of products considered to be non-complex and thus limit the ability of companies, providing investment services, to provide the execution or receipt and transmission of client orders without conducting an evaluation of the product's suitability. In particular, it specifies the types of debt instruments that should be considered complex by incorporating a structure that makes it difficult for the client to understand the risk incurred; and structured deposits that must be considered complex by incorporating a structure that makes it difficult for the client to understand the performance risk or the cost of a divestiture before maturity. Guidelines are also included to determine when debt instruments are understood to incorporate an embedded derivative.

The Guidelines have been issued under Article 16 of Regulation No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 regulating the establishment of ESMA, which states that competent authorities and financial market participants will make every possible effort to adhere to these guidelines. In addition, the ESMA Regulation also establishes the obligation of the competent authorities to confirm if they intend to comply with the guidelines published by ESMA.

In this sense, the National Securities Market Commission (CNMV) notified ESMA on 30 March, 2016 of its intention to comply with the Guidelines within the scope of its powers. Therefore, CNMV will take these Guidelines into account and will pay attention, within the scope of its supervisory powers, to the application of the new criteria for the classification of complex products for convenience assessment purposes.

Finally, it should be noted that for this reason a letter has been addressed to the associations in the sector requesting them to advise their associates of CNMV's decision to adopt the Guidelines.