

IV CNMV: Organisational, financial and institutional aspects

10.1 2019 Activity Plan and CNMV's strategic areas 2019-2020

On 25 February 2019, the CNMV presented its Activity Plan for the year. This plan, previously presented to the CNMV Advisory Committee for its consideration, sets out 44 targets for the year, and includes a review of the degree of completion of the commitments taken on in the previous year's plan. Specifically, it explains that 78% of the targets were achieved, in line with previous years (86% in 2017 and 82% in 2016).

Noteworthy among the targets achieved, due to their importance, were the proposal for a Technical Guide on Appointments and Remuneration Committees, the publication of criteria on cryptoassets and initial coin offerings (ICOs) and the start of publication of criteria on takeover bids. The aim is for the CNMV to enhance transparency on its operating guidelines and to facilitate compliance with regulations by supervised firms.

In addition, an app has been developed to help members of the public interested in accessing information offered on the CNMV's website through mobile devices and the CNMV has launched a channel on its website for reporting all types of infringements anonymously, if so preferred, by whistleblowers.

Those targets pending completion amount to 22% of all targets set for 2018, although they are expected to be carried out in 2019. It was only decided not to address two objectives for the following reasons.

With regard to the analysis of a proposal for legislative reform in relation to crowdfunding platforms, there is draft European legislation in progress, which means that any proposal for a reform of national legislation should be postponed. In addition, the CNMV also abandoned the objective of amending Circular 4/2008 on the content of collective investment scheme reports, which aimed to include certain aspects of the PRIIPs methodology that are pending review at a European level, as there is uncertainty about the time at which said review will be carried out.

However, the remaining nine targets pending completion are already underway and show a significant level of progress.

On the occasion of the preparation of the 2017 Activity Plan, a decision was taken to define the CNMV's strategic areas on a biannual basis (for 2017 and 2018). Following the same line, the CNMV has established the three strategic areas that will guide its activities over 2019 and 2020. These areas do not break with the previous areas, but rather move deeper the direction in which the CNMV has been progressing: supervision as a priority, promotion of the competitiveness of the Spanish market and attention to technological developments in the financial sector. The

selection of these areas does not imply relegating objectives such as continuing to work in the area of financial education or paying special attention to financial stability.

Supervision as a priority

The CNMV's essential function is to promote market integrity and transparency and to protect investors' interests. It must therefore carry out resolute supervision focused on preventing and deterring inappropriate practices, particularly taking into account the principle of scepticism.

Although it has limited resources, the CNMV has room to improve the effectiveness of its supervisory activity. The aim is to make efficient use of these resources by focusing its supervisory actions on significant aspects and emphasising those which generate greater added value. An example of this can be seen in what are referred to as horizontal reviews (focused on specific areas of the activity of financial institutions that provide investment services), in which the CNMV has extensive experience and which have been intensified in recent years following international recommendations. Similarly, the CNMV plans to make greater use, where reasonable, of the option provided for by the Securities Market Act of using external experts.

In addition, the CNMV will continue to pay close attention to the quality of the financial information and significant information disseminated by listed companies.

The CNMV also intends to promote its public presence as supervisor to enhance the visibility of its market monitoring and oversight activity. To this end, the CNMV will promote the communication and publication of messages of interest for the market and investors, as well as the results of specific supervisory actions.

At the same time, supervision must be coordinated with Europe. At a time when the European Securities and Markets Authority (ESMA) has as its priority the promotion of supervisory convergence in Europe, the CNMV will take into account in its supervisory actions the approach and criteria applied by the other major securities supervisors in the European Union.

Promotion of competitiveness and strengthening of the Spanish market

The CNMV should continue contributing towards strengthening the Spanish market and promoting its competitiveness. This is particularly important in a context of high competition between financial centres and a changing environment as a result of new financial legislation and high-impact events such as Brexit.

For the last two years, the CNMV has been working in coordination with the Ministry of Economy and Business and other national and European bodies on the possibility of the United Kingdom leaving the European Union (Brexit), even without a deal, with the aim of preserving financial stability and protecting investors and always bearing in mind the need to promote the competitiveness of the Spanish market.

This situation has important consequences both for United Kingdom-based financial institutions that have been providing services to customers in Spain prior to Brexit and for Spanish institutions providing services to customers in the United Kingdom. Similarly, there are some critical functions of the financial system (for example, related to the clearing of transactions through central counterparties or the use of credit ratings issued by rating agencies for regulatory purposes) which, given that London is one of the main global financial centres, are currently performed by UK entities.

Among other measures aimed at the possible relocation of business based in the United Kingdom, in 2017 the CNMV implemented a programme aimed at investment firms and collective investment scheme management companies under the name “Welcome Programme”. Through this programme, companies are offered a single, English-speaking contact point that aims to help them understand Spanish regulation and to serve as a guide during the authorisation process and up to a further six months. All documentation can be submitted in English, without the need for translation. Numerous enquiries¹ have been received since it was implemented and multiple contacts have been maintained with financial institutions, mostly based in the United Kingdom and supervised by the competent UK authorities. In the first few months of 2019, there has been a significant increase in the requests for information received, which became more intense as the initial date set for Brexit (29 March) approached without there being any deal between the European Union and the United Kingdom that might allow an orderly withdrawal.

The European Union has been holding negotiations with the United Kingdom in order to reach an agreement to set the terms of the withdrawal and to establish the framework of its future relationship with the European Union. These negotiations resulted in the Withdrawal Agreement, which was endorsed by the European Council in November 2018. However, the UK Parliament has so far rejected this agreement.

As a result of the deep uncertainty surrounding this process, at the start of March, Royal Decree-Law 5/2019, of 1 March, adopting contingency measures to prepare for a withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union without the conclusion of the agreement provided for in Article 50 of the Treaty on European Union, was published. The measures contained in this Royal Decree-Law are temporary and are aimed at facilitating the transition towards the new situation resulting from the United Kingdom having the status of a third country.

This Royal Decree-Law will enter into force on the day on which the Treaties of the European Union cease to apply to the United Kingdom unless a withdrawal agreement concluded between the European Union and the United Kingdom has entered into force prior to that date.

On 10 April 2019, the European Council agreed on an extension up to a limit of 31 October 2019 in order to allow ratification of the Withdrawal Agreement. However, this extension will end on 31 May 2019 if the United Kingdom does not participate in the European elections that will be held between 23 and 26 May.

In this context, the CNMV has opened a new section on its website called “After Brexit: issues relating to the financial sector”, which sets out information that may be useful for market participants and investors. Specifically, a list of documents of interest has been included on the possible impact and implications of Brexit and some interpretive criteria, in the form of questions and answers, for the provisions relating to the securities market and investment services contained in the aforementioned Royal Decree-Law. Furthermore, market participants may send any additional doubts relating to the interpretive criteria published to a CNMV mailbox set up for this purpose.

1 73 enquiries in total.

Firstly, the CNMV will continue promoting and making it easier for companies to obtain finance through the markets – either by issuing debt or raising capital – as an alternative to bank borrowing. To this end, it will continue supporting the adoption of measures that make the Spanish market more attractive, which include multilateral trading facilities for small-cap companies.

Secondly, the CNMV aims to continue making progress in a culture of service to market participants. For this purpose, it will continue working on speeding up its processes and simplifying, as far as possible, the necessary requirements and procedures for its authorisations. It will also work on analysing possible flexible approaches that will help new companies comply with some requirements at the initial stage of their activity.

In order for the Spanish market to be competitive it is also necessary for there to be legal certainty, which is aided by the supervisor’s actions being consistent, foreseeable and easily understood by market participants. To this end, the CNMV will continue publishing technical guides and questions and answers and will continue to promote dialogue with the industry.

It is also necessary for the regulatory framework to be competitive and in line with that of other major European countries. The CNMV will therefore aim to avoid the existence of local restrictions or peculiarities that might generate competitive disadvantages or confusion among market participants. The CNMV will also aim to incorporate into Spanish markets and regulation formulas that already exist in other advanced markets and which might make them more attractive for investors.

Another key aspect in promoting the Spanish market is for the CNMV to have an open attitude and to promote quality in its supervisory function with regard to corporate transactions. The aim is to prevent unjustified delays in executing transactions, while at the same time prioritising investor protection in this field.

Finally, the CNMV will continue paying attention to new trends and, in particular, it will drive the development of best practices in corporate social responsibility and good corporate governance, as well as all aspects relating to sustainability, which are becoming increasingly important at an international level.

Attention to technology-driven market changes and new phenomena

In a context in which new technologies are leading to significant changes in the financial services industry, the CNMV must continue showing a favourable attitude to innovation and the use of new technologies, which at the same time must be cautious so as to maintain the level of investor protection regardless of the format in which investors interact with financial intermediaries.

The CNMV will adopt the necessary measures in this regard. It will also continue providing assistance through the Innovation Portal on its website and will continue to publish questions and answers in order to increase transparency.

The CNMV will address the implementation of the regulatory sandbox that is expected to be established shortly in Spain, which will involve applying a new philosophy of cooperation between supervisors and the promoters of innovative projects in a proactive manner.

In addition, the CNMV will promote RegTech/SupTech projects that might help supervised entities to comply with applicable legislation or those which contribute towards improving financial supervision processes. These projects may be based on diverse technology, such as big data, artificial intelligence or blockchain technology (DLT). Blockchain technology has already been used in the FTL Warrants project, in which various entities, market structures and the CNMV cooperated.

Furthermore, and continuing the work performed over recent years, the CNMV will encourage the operators of market infrastructures and supervised entities to take specific measures to raise standards in the area of cyber-security.

10.2 Actions by the CNMV with regard to FinTech activity

In line with the CNMV's strategy set for 2017-2018 to pay special attention to new, technology-driven market phenomena, which is maintained for 2019-2020, the CNMV strengthened its actions related to the area of FinTech in 2018. This function has been highlighted on an organisational basis by creating a specific Sub-directorate of Fintech and Cyber-security within the Department of Strategy and Institutional Relations.

The main lines of action worked on over 2018 are as follows:

Fintech Portal

As a pioneering measure in Spain, in December 2016 the CNMV set up the Fintech Portal to provide services and advice both to new promoters (many of them start-ups) and to consolidated entities in the financial sector on the application of current legislation to their innovative projects.

This portal is what in industry jargon is referred to as an innovation hub, which is one of the two fundamental types of innovation facilitators. The other basic type is the regulatory sandbox.

From the time it began operating up to 31 December 2018, a total of 258 enquiries were received with the breakdown as shown below depending on the type of associated project (classification based on what are usually referred to as “verticals”):

Enquiries received at Fintech Portal

TABLE 10.2.1

Verticals	No. of requests
Crowdfunding platforms	75
Cryptoassets and blockchain	63
ICO	31
Exchanges	12
Other	20
Robo-advice	41
Client relationship	12
Technology provider	15
Other	52
Total	258

Source: CNMV.

The most common type of enquiry in 2017 related to crowdfunding platforms and focused on the application of Law 5/2015, of 27 April, on the promotion of business financing to specific projects. In 2018, less than half of the number of enquiries relating to this vertical were received, with those relating to blockchain technology and cryptoassets being the most numerous.

Most of these enquiries focused on issues relating to raising funds by issuing tokens (what are known as initial coin offerings or ICOs) and doubts about the platforms or structures on which cryptoassets are traded or intended to be traded. However, enquiries have also been received on the application of blockchain technology in cases of uses other than cryptoassets.

With regard to robo-advice, in 2018 a similar number of enquiries were received as in the previous year, thus maintaining their relative importance compared with the total. Similarly, the CNMV continued to receive enquiries about projects relating to digitalisation and innovation in customer relations, highlighting those relating to the on-boarding process.

On the basis of the enquiries received, in May 2018 the CNMV published questions and answers containing the main criteria that have been transmitted through the

Portal, with the aim of providing clarity to all interested parties and to be able to serve as a guide, resolve doubts and facilitate new activities.

The questions are classified into five categories. A first category of general questions, and another four categories focused on crowdfunding platforms, robo-advice, neo-banks, cryptocurrencies and ICOs.

This document is updated as often as necessary in order to incorporate new criteria to facilitate the activity of market participants.

In addition, as mentioned above, the regulatory sandbox is a supplementary step to the Fintech Portal which allows more mature projects to take an additional step forward by entering a test environment to assess their suitability. Specifically, a sandbox is a testing ground, governed by a special set of rules that were previously determined by the regulator, in which companies are allowed to test innovative products and services in a safe environment over a limited period of time.

In this regard, the Draft Bill for the Digital Transformation of the Financial System, which was submitted for public consultation in 2018,¹ jointly regulates the sandbox and innovation hubs (such as the Fintech Portal), in order to provide a comprehensive response to the implications of the digital transformation of the Spanish financial system. The aim of this Draft Bill is to establish an adequate regulation that allows the innovative process to continue effectively and safely for users and to benefit society as a whole.

For this purpose, it establishes general rules for the functioning of the sandbox, leaving details about the scope of the tests and the guarantees that ensure that the projects are tested in a safe framework to specific protocols (to be entered into between the promoters and competent authorities).

Cryptoassets

Blockchain technology has led to the appearance of different categories of cryptoassets² in financial markets that are attracting the attention of investors and supervisors.

Due to the lack of specific national or European legislation in this area, in 2018 the CNMV published several statements informing investors and professionals about its criteria with regard to this phenomenon.

Specifically, on 8 February 2018, the CNMV published two statements, one published jointly with the Bank of Spain,³ warning about the risks of cryptoassets, and

1 Approved by the Council of Ministers on 22 February 2019 and pending further parliamentary processing.

2 Those known as utility tokens, which would give the right to a non-financial asset or service; currency tokens, which would function as payment units (cryptocurrencies); and security tokens, which would be considered a financial instrument.

3 Joint statement by the CNMV and the Bank of Spain on "cryptocurrencies" and "initial coin offerings" (ICOs). <http://www.cnmv.es/Portal/verDoc.axd?t={6f310cc7-6b39-4405-a8f7-70d2b1e682d1}>

another with considerations for professionals from the financial sector.⁴ The second statement provided criteria to determine in which situations ICOs must be considered securities offerings.

In addition, on 20 September the CNMV published specific criteria for ICOs⁵ in which, bearing in mind the international and, above all, European, debate, the previous criteria were adjusted and an effort made to apply the principle of proportionality, clarifying aspects such as the need to publish a prospectus in certain situations, the scope of the intervention of entities authorised to provide investment services and the possible subsequent trading of cryptoassets on trading platforms.

The CNMV, respecting the principle of technological neutrality, has acted cautiously with regard to cryptoassets in view of the risk posed by this practice of raising funds, and it is participating very actively in international debates to seek the maximum possible standardisation in response to a global phenomenon.

An example of supervisory action based on the use of new technologies (SupTech): recurring analyses of atypical yields, price comparisons and asset trading

EXHIBIT 23

Remote supervision in collective investment schemes (investment funds and SICAVs and CIS) is essential for the ongoing evaluation and monitoring of the resources and controls that entities have for the management, administration, assessment and control of their risks and for detecting and preventing conflicts of interest.

Among other formulas, it is worth highlighting the analyses that the CNMV performs on a recurring basis on the daily yields of CIS that aim to identify “atypical” changes in the net asset values of the schemes based on a complex analytical process that requires the collection of a high volume of market information and the parameterisation of the confidential information sent by entities on a monthly basis. This is an example of supervisory action based on the particularly intense use of technological tools (SupTech, to use an increasingly used term at an international level).

For the purposes of these analyses, the CNMV assigns three “benchmarks” for each one of the almost 4,000 CIS currently included in its registers. The first refers to the composition of the spot (equities, bonds...) and derivatives

4 CNMV considerations on cryptocurrencies and ICOs addressed to market professionals. <https://www.cnmv.es/portal/verDoc.axd?t={62395018-40eb-49bb-a71c-4afb5c966374}>

5 Initial criteria that the CNMV is applying in relation to ICOs. <http://cnmv.es/DocPortal/Fintech/CriteriosICOsEN.pdf>

portfolio, the second is a market index (e.g., Ibex 35, Eurostoxx, S&P500...), and the third is based on the yields of schemes with the same investment policy (US, Japanese, European equity funds...). Following this assignment, the benchmark with the highest level of correlation with the performance of the CIS is selected and a regression analysis is then conducted, which makes it possible to identify “atypical” cases of significant differences between the actual daily yield of the CIS and that estimated by applying the regression model.

On an annual basis, this process allows the CNMV to identify thousands of “atypical” daily variations that represent a small percentage of the over 1.3 million net asset values of all the registered CIS. Given the great diversity of exposures to different assets and markets held by CIS, not all these variations reveal the existence of incidents or errors committed by the entities. It is therefore necessary to carry out additional analyses of the variations that will allow a more adjusted selection of net asset values with possible incidents to check with the management company.

In addition, through the automatic processing of the information submitted on the asset portfolios of the CIS, the CNMV performs comparative analyses in order to identify discrepancies in the valuations applied by entities to the same asset.

All these actions make it possible to detect incidents relating to various aspects:

- Asset valuation: errors in the quoted prices used to value equity and fixed income assets and OTC derivative instruments; outdated prices in the case of positions in other CIS; deficiencies in the procedures for estimating theoretical prices for illiquid assets or assets whose trading has been suspended; or the use of inappropriate cut-off times for the valuation of positions in other currencies.
- Incorrect accounting of transactions and incorrect allocations of expenses and fees.
- Failures to comply with regulatory legislation, including the acquisition of unsuitable instruments or exceeding the limits of diversification by issuer risk and of exposure in derivative instruments.

On a recurring basis and based on automated processes, the CNMV also identifies trading that might reveal situations of conflicts of interest:

- **Asset applications:** one/several CIS purchase a fixed-income or equity asset and another/other CIS sell it for the same or very similar amounts.
- **Purchases of structured products, fixed-income issues in which a significant percentage of the total issued volume has been invested** and public offerings of equity securities (with the aim of detecting possible conflicts of interest where an entity in the manager’s group acts as placer or underwriter or is the issuer).

- Trading with shares whose **liquidity might be low** (among other objectives, in order to detect situations in which an entity in the manager's group has some type of link).
- Subscription and redemption transactions performed by CIS in other CIS managed by the same entity.

In all these cases, the CNMV verifies proper compliance with the rules on related-party transactions established in current legislation. This includes checking that the entity has a formal prior authorisation procedure which ensures that the corresponding trading is performed in the interest of both CIS and at arm's length.

The incidents sometimes detected have revealed serious deficiencies in the control resources and procedures applied by entities and in the identification of conflicts of interest (to the detriment of unit-holders/shareholders) and which have also led to the initiation of disciplinary proceedings.

RegTech/SupTech

The CNMV has established the major objective of taking advantage of different technologies to perform its authorisation and supervisory functions as efficiently as possible.

Over recent years, the institution has been using the latest information processing technologies in a variety of supervisory activities. An example of this is the periodic analyses performed on the atypical yields of investment firms, through which some incidents with supervisory importance are usually detected.

Following this line, certain objectives have been included in the CNMV's 2019 Activity Plan, such as the acquisition of a new technological tool that will facilitate the processing and analysis of large volumes of data and also a horizontal review of the non-quantitative information included in the periodic public reporting of CIS, which will be performed by using computer processes based on internally-defined algorithms.

In addition, in 2018 the CNMV analysed the possible benefits of the new blockchain technology by working on two specific projects.

Firstly, the CNMV, together with BME and a group of financial institutions that issue warrants, cooperated last year on a project called Fast Track Listing (FTL). The aim of this project is to simplify the processes and reduce the time needed for registering issues of a specific financial instrument such as warrants, chosen for the greater simplicity of their administrative authorisation process. In the proof of concept, which was successfully performed in mid-2018, it was verified that the use of blockchain technology can improve efficiency in time and resources, increase security and enhance process traceability. The CNMV plans to complete this project over 2019 and will analyse the possibility of also implementing it in the case of issues other than warrants.

Secondly, the CNMV is cooperating in a project coordinated by the European Commission called the European Financial Transparency Gateway (EFTG), which aims to offer a single point of access to information on securities issues and their issuers supported by blockchain technology.

In-house training

In 2018, the CNMV made significant efforts in training to ensure that its employees have a basic knowledge of the different technologies that are being used in the financial sector. In this regard, a specific training programme on blockchain technology was organised that was given to approximately half of all employees.

Training on these issues will be significantly intensified in 2019 and, in addition, the CNMV will promote awareness raising and training on issues relating to cybersecurity.

10.3 Advisory activity on draft legislation and other requests for information

As provided for in Article 17.3 of the Securities Market Act, the CNMV advises the government and the Ministry of Economy and Business and, as the case may be, the equivalent bodies of the autonomous regions, on matters relating to securities markets.

As part of this advisory work, in 2018 the CNMV actively cooperated on various pieces of draft legislation. In particular, significant work was performed relating to the incorporation into Spanish law of the new regulatory framework on markets in financial instruments based on MiFID II and MiFIR, which came into force on 3 January 2018. The magnitude of the changes necessary to incorporate the MiFID II regulatory package, as well as various aspects relating to other European legislation, such as that relating to market abuse, indices used as benchmarks in financial instruments and key information documents for packaged retail and insurance-based investment products, made it necessary to undertake a comprehensive reform of the Securities Market Act, which was materialised in the preparation of the **Draft Bill on the Securities Market and on Financial Instruments**.

However, the deadline for the transposition of MiFID II expired without it being feasible to complete the processing of the draft bill and it was therefore necessary to complete the transposition as quickly as possible. This led to postponement of the aforementioned Draft Bill and the fast-track approval of **Royal Decree-Law 14/2018, of 28 September, amending the recast text of the Securities Market Act and Royal Decree 1464/2018, of 21 December, implementing the recast text of the Securities Market Act**. As in the above case, the CNMV cooperated actively with the General Secretariat of the Treasury and International Financing during the processing of both pieces of legislation, which has led to the final stage of transposition of MiFID II into Spanish law.

**Amendment to the recast text of the Securities Market Act:
transposition of MiFID II**

EXHIBIT 24

The new regulatory framework on markets in financial instruments based on MiFID II¹ and MiFIR² began to apply as from 3 January 2018.

This new regulatory package aims to ensure high levels of investor protection and to improve the organisational structure and corporate governance of investment firms, as well as to increase the security, efficiency, proper functioning and stability of securities markets.

MiFID II brings about a substantial modification of the functioning of the European Union's markets and trading venues, not so much because of the objectives pursued (which are essentially the same as those which inspired and guided MiFID I),³ but because of the scale of the operational changes required to comply with the transparency obligations and mandatory trading in trading venues.

In view of the failure to transpose EU legislation in time, and in order to provide market participants with the necessary legal guarantees to operate in accordance with the new legislation in a single market environment, in December 2017, the Council of Ministers approved **Royal Decree-Law 21/2017,⁴ of 29 December, on urgent measures to adapt Spanish law to European Union legislation on the securities market**, which transposed MiFID II to Spanish law in all matters relating to trading venues (regulated markets, multilateral trading facilities and organised trading facilities). At the same time, on 2 January 2018, the CNMV published a statement highlighting that, in regard to the areas not addressed in this Royal Decree-Law, other parts of MiFID II and MiFIR were also directly applicable as from 3 January.

In 2018, the CNMV continued to actively cooperate with the General Secretariat of the Treasury and International Financing, with the aim of transposing into Spanish law the precepts of MiFID II that had yet to be implemented following publication of the Royal Decree-Law of December.

On 28 September, the Council of Ministers approved **Royal Decree-Law 14/2018,⁵ of 28 September, amending the recast text of the Securities Market Act**, approved by Royal Legislative Decree 4/2015, of 23 October, thus moving forward in the transposition of MiFID II. This Royal Decree-Law continued with the work of streamlining and technical enhancement that had already begun with Royal Decree-Law 21/2017. Both instruments reduce the content of the recast text of the Securities Market Act to the minimum necessary content that must be included in legally binding rules.

Following this line, on 21 December, **Royal Decree 1464/2018,⁶ implementing the recast text of the Securities Market Act**, was approved. Although approval of Royal Decree-Law 21/2017, of 29 December, and of Royal Decree-Law 14/2018, of 28 September, incorporated a large part of the MiFID II regulatory package into Spanish law, it was necessary to complete its transposition through regulatory implementation. This Royal Decree-Law aims to

finalise this incorporation and complete the regulatory implementation of the legal regime, by strengthening its principles.

Finally, the Ninth Final Provision of **Royal Decree-Law 19/2018,⁷ of 23 November, on payment services and other urgent financial measures**, also included the modification of certain articles of the recast text of the Securities Market Act. The aim was to adapt the Securities Market Act to a set of European legislation that had yet to be incorporated into Spanish law, including Regulation (EU) No. 2016/1011 of the European Parliament and of the Council, of 8 June 2016, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds; Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse; Regulation (EU) No. 1286/2014 of the European Parliament and of the Council, of 26 November 2014, on key information documents for packaged retail and insurance-based investment products; and Regulation (EU) 2015/2365 of the European Parliament and of the Council, of 25 November 2015, on transparency of securities financing transactions and of reuse.

In general, all these legislative amendments have made it possible to substantially strengthen investor protection by increasing and further specifying the level of requirements and obligations relating to the information to be provided to the client and the level of control required in any circumstance affecting conflicts of interest of investment firms.

The legislation also grants new supervisory powers to the CNMV and specifies the obligations for cooperation between these bodies, the national supervisory authorities of the European Union and the European Securities and Markets Authority (ESMA).

Therefore, the process of adapting the Securities Market Act and its basic implementing legislation both to MiFID II and to other European provisions yet to be incorporated was completed in four stages over 2018.

1 Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments.

2 Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments.

3 Directive 2004/39/EC of the European Parliament and of the Council, of 21 April 2004, on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council, and repealing Council Directive 93/22/EEC.

4 <https://www.boe.es/buscar/doc.php?id=BOE-A-2017-15837>

5 https://www.boe.es/diario_boe/txt.php?id=BOE-A-2018-13180

6 <https://www.boe.es/buscar/doc.php?id=BOE-A-2018-17879>

7 https://www.boe.es/diario_boe/txt.php?id=BOE-A-2018-16036

Another important piece of legislation in which the CNMV participated during its processing is **Royal Decree-Law 19/2018, of 23 November, on payment services and other urgent financial measures**. This Royal Decree-Law includes, among other aspects, the amendment of certain articles of the recast text of the Securities Market Act, with the aim of adapting it to various recent European regulations whose entry into force and effective application had already taken place, such as, for example, the Market Abuse Regulation and the Benchmarks Regulation.

In addition, **Royal Decree-Law 22/2018, of 14 December, establishing macroprudential tools** granted additional powers to the Bank of Spain, the CNMV and the Directorate General for Insurance and Pension Funds to address possible risks to the Spanish financial system from a macroprudential perspective. In order to move forward in proper supervision of these risks, the government has approved, in 2019, **Royal Decree 102/2019, of 1 March, creating the Macroprudential Authority Financial Stability Board**, establishing its legal regime and implementing certain aspects relating to macroprudential tools.

In addition to the above, comments have been analysed and submitted in relation to other draft legislation that has not yet been approved but which is expected to come into force in 2019. These include the aforementioned project for **establishing a regulatory sandbox** to facilitate innovation in financial services and implementation of a **financial transaction tax**, as well as that related to other significant aspects of European Union law which begin to apply, or whose deadline for incorporation into domestic law falls in 2019, which includes the **Shareholder Rights Directive**,⁶ the **Securitisation Regulation**,⁷ and the new **Prospectus Regulation**.⁸

Similarly, the CNMV has cooperated with the General Secretariat of the Treasury and International Financing on a **Draft Regulation relating to promoting the use of SME growth markets**, which would amend certain aspects of the Market Abuse Regulation and the new Prospectus Regulation, with the aim of developing a proportionate regulatory framework that will facilitate the access of small and medium-sized enterprises to financing.

In addition, in 2018 over 100 requests for information were received from the Ministry of Economy and Business, of which approximately one third corresponded to parliamentary initiatives and questions on various issues relating to the functions performed by the CNMV.

6 Directive (EU) 2017/828 of the European Parliament and of the Council, of 17 May 2017, amending Directive 2007/36/EC as regards the promotion of long-term shareholder engagement.

7 Regulation (EU) 2017/2402 of the European Parliament and of the Council, of 12 December 2017, laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU, and Regulations (EC) No. 1060/2009 and (EU) No. 648/2012.

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

10.4 Key Performance Indicators of the CNMV

CNMV: Organisational,
financial and
institutional aspects
CNMV Strategy

The desire to offer the highest possible quality in the service provided both to investors and to market participants is one of the principles that have guided the actions of the CNMV. In this regard, the objectives set for 2018 in the area of improving the institution's functioning included defining a series of Key Performance Indicators (KPIs) in order to assess the CNMV's activity and performance and to periodically compare the results obtained with the objectives set, which allows the institution to improve the efficiency of its processes.

In 2018, the CNMV worked on defining a first set of performance indicators, which are shown below, together with a series of data that reflect the level of the institution's activity.

In successive years, the CNMV will continue to work on developing its performance and activity indicators and other new ones that will serve to evaluate and improve the institution's performance.

Performance indicators

TABLE 10.4.1

Areas	Indicator
Authorisation and registration of IFs	105 proceedings
Average total time period ¹	1.2 months ²
Authorisation of service providers (CIS management companies, collective investment undertaking management companies, investment firms and crowdfunding platforms)	48 proceedings
Average time from last documentation ³	0.8 months ⁴
Total average time period from the initial application ⁵	8 months
Corresponding:	
To the promoter	3.1 months
To the CNMV	3.8 months
To report procedures of other authorities	1.2 months
Fixed income issues for wholesale investors	256 proceedings
Percentage processed in the agreed period ⁶	96.9
Percentage of communications on directors, treasury stock and significant shareholders received late ⁷	17.5
Complaints by investors	1,018
Percentage of complaints concluded in the year with regard to those filed that year and outstanding from the previous year	84.2
Average time to resolve complaints	75 days
Investor enquiries	10,772
Average time for responding to enquiries	21 days
Disciplinary proceedings	
Average time to process disciplinary proceedings	180 calendar days
Average time in processing requests for cooperation with the courts:	
Submission to competent D.G.	4 calendar days
Final submission to the court	15 calendar days
Request for international cooperation	251
Average response time	40 days

Source: CNMV. (1) The maximum legal period is two months following receipt of the application or from the time when the required documentation is completed. (2) The figure shown is the total period from the initial application, although it is common in the vast majority of cases for it to be necessary to provide additional documentation to that initially provided. (3) Depending on the type of entity, the maximum legal period is 3 or 6 months from the request or from the time when the required documentation is completed. (4) The figure shown is the period elapsed from the time when the documentation is completed to the date the proceedings are resolved. (5) The breakdown reflects the time periods taken by the promoter to complete the documentation required by the CNMV for its analysis and for obtaining the mandatory reports (from other supervisors or SEPBLAC). (6) Essentially includes three stages: 3 days from receipt of the application in order to submit the first comments, 2 days for sending comments relating to the modifications resulting from the first comments, where appropriate, and 3 days for admission of the securities from when the information is complete. In any event, given the usual nature of the operations, most of them do not require comments and hence they are fully completed in 3 days or less. (7) It is the CNMV's aim to act in order to reduce this delay period.

Activity indicators

TABLE 10.4.2

**CNMV: Organisational,
financial and
institutional aspects
CNMV Strategy**

Areas	Indicator
Collective investment schemes – Venture capital undertakings	
Number of deficiency letters	
For late filing of information	511
Requests for information	121
Corrective measures or recommendations	610
Other notifications	79
Number of actions (including inspections)	218 (of which 14 are inspections)
Investment firms/credit institutions	
Number of deficiency letters	
For late filing of information	161
Requests for information	437
Corrective measures or recommendations	120
Other notifications	147
Number of actions (including inspections)	300 (of which 12 are inspections)
Financial and accounting information	
Percentage of corrective actions (additional breakdowns, correction in future years, restatements or reformulations) over the number of annual financial reports subject to a substantive review (on an overall basis)	38.5
Infringements	
Number of notifications of possible infringements (notifications that may be anonymous)	525 ¹
Including factual elements that may constitute possible infringements	316
Without sufficient factual elements	209
Disciplinary proceedings	
Number of disciplinary proceedings:	
Initiated	21
Concluded	23
Fines	39
Periodic publications	14
Annual Report	1
Quarterly Bulletin	4
Financial Stability Note	4
Annual report on complaints and enquiries	1
Annual Corporate Governance Report (ACGR)	1
Annual accounts supervision report	1
Annual Directors' Remuneration Report (ADRR)	1
Activities Plan	1
Descriptive or research articles on matters of interest to the CNMV	12
Contents in the Quarterly Bulletin	11
Working Papers	1
Seminars	13
Internal	4
Open	9

Activity indicators (continuation)

TABLE 10.4.2

Areas	Indicator
Statistical publications	
Primary market statistics	4
Statistics on commercial paper placements registered with the CNMV	4
Statistics on economic and financial information relating to asset-backed securities	4
Statistics on asset-backed securities	12
Statistics on collective investment schemes	4
Statistics on investment firms	12
Statistics on corporate governance of listed companies	1
Statistics on remuneration of directors of listed companies	1
Statistical annex of the Quarterly Bulletin	4
Statistical annex of the Annual Report	1
Updated public series	30,558
Institutional relations	
Number of requests from the Ministry of Economy processed: parliamentary initiatives and questions, internal approvals, other reports	116
Number of pieces of draft legislation in which advice has been given in compliance with the function set out in Article 17.3 of the Securities Market Act	16
Number of public interventions or appearances	66
President	44
Vice-President	20
Board Members	2
Number of enquiries received through the Fintech Portal	128
Number of reports submitted to the Advisory Committee for assessment	25
Financial education	
Financial Education Programme in schools	
Number of schools that teach it	762
Number of teachers	885
Number of students	26,772
Financial Education Programme Partner Network: number of partnership agreements entered into	33
Financial Education Day: number of events and activities performed and coordinated for that day	129
Publications on the Internet and social networks	
Posts	35
Facebook	50
Twitter	167
Investor Section	8
Number of emails	72,000
General Register	
Incoming	145,825
Register of incoming paper documents	14,632
Register of incoming electronic documents	130,614
Electronic registrations received by the SIR registered exchange system	579

Activity indicators (continuation)

TABLE 10.4.2

**CNMV: Organisational,
financial and
institutional aspects
CNMV Strategy**

Areas	Indicator
Outgoing	163,180
Register of outgoing paper documents	24,157
Register of outgoing electronic documents	139,023
Finances	
Number of fee settlements issued	23,133
Number of supplier invoices	2,392
International activity	
Number of international collaborative actions	251
Sent	93
Received	158
Number of technicians attending international meetings	91
Attendance at international meetings	401
ESMA	212
IOSCO	52
European Union	57
Schools	12
Other forums	68
Staff attending courses	27

Source: CNMV. (1) This figure does not include those communications that are an improper use of the channel, specifically 41 communications that were actually complaints, 104 that were enquiries and 34 that did not fall within the scope of the CNMV's powers.

11 Organisation

11.1 Human resources and organisation

Changes in workforce and staff selection processes

At the end of 2018, the CNMV had 446 employees (the highest figure of the last 5 years). There were 45 new hires and 21 departures during the year. Tables 11.1.1 and 11.1.2 show the distribution of CNMV staff by professional category and by department.

CNMV staff: composition by professional category

TABLE 11.1.1

Number of employees at the end of each year

	2017			2018		
	Total	Men	Women	Total	Men	Women
Services	8	8	-	8	8	-
Clerical staff / Computer operators	62	12	50	59	11	48
Technical staff	327	148	179	354	165	189
Management	25	17	8	25	17	8
Total	422	185	237	446	201	245

Source: CNMV.

As a result of the 2017 Public Employment Offer, which was authorised to cover a total of 40 positions, 2 selection processes were undertaken in the first half of the year in order to cover 33 vacancies for technical staff for several CNMV directorates and departments, and 3 vacancies in the Information Systems Department. The selected candidates joined the CNMV in the last quarter of 2018. With the aim of promoting and facilitating internal mobility, the aforementioned positions were previously offered within the organisation.

In addition, as part of this Public Employment Offer, three selection processes were initiated in the second half of the year to cover technical staff positions in different departments: one position for the Financial and Corporate Reports Department, one position for Internal Control-General Secretariat and two positions for Human Resources-General Secretariat. Both the selection processes and the entry of the new staff will take place over 2019.

In the second quarter of the year, authorisation was given to cover two technical staff positions, on an interim basis until the vacancies are definitively filled, in order to provide services in the Human Resources Sub-directorate. The selected candidates joined the CNMV in the last quarter of 2018.

In addition, in 2018 authorisation was given to cover two technical staff positions in the Human Resources Sub-directorate with staff from public departments or bodies from the state public sector to which the CNMV belongs. The selection process and the entry of the new staff was completed in the first quarter of 2019.

A selection process was also started in the last quarter of 2018 to cover two temporary staff positions to perform research projects in the Research and Statistics Department. The selection process was completed in the first quarter of 2019 and the candidates will join the CNMV in the second quarter.

Breakdown of staff by department

TABLE 11.1.2

Number of employees at the end of each year

	2017			2018		
	Total	Men	Women	Total	Men	Women
Directorates-General	327	139	188	348	139	188
Entities	120	50	70	130	57	73
Markets	110	51	59	122	57	65
Legal Affairs	50	20	30	44	18	26
Strategic Policy and International Affairs	47	18	29	52	21	31
Departments	78	42	36	86	45	41
Chair, Vice-Chair and Board	17	4	13	12	3	9
Total	422	185	237	446	201	245

Source: CNMV.

Training

The initiatives implemented by the CNMV in 2018 in the context of its training programme include the following:

- Technical training actions, developed and given in cooperation with different specialised schools and training centres. A total of 5,083 training hours were given (57% of total training given), which were attended by 63% of the staff.
- Technical training actions taught internally, with participation from 60% of the workforce. A total of 2,727 hours were taught.
- International training actions, planned and given by ESMA, were attended by 16 CNMV employees.

In 2018, the training programme comprised a total of 61 training actions and 8,857 training hours. Each employee received, on average, 21 training hours, and 81% of the workforce participated in at least one of the planned training actions.

Furthermore, work on the ESMA technical training programme provided through e-learning continued, in which 19 CNMV employees participated.

As in previous years, a new edition of the Language Programme was implemented, with participation by 48% of the workforce. The participants received a total of 10,507 training hours, an average of 25 hours per student. As part of this programme, and with the aim of perfecting the language (English, French or German), the possibility of attending a summer course abroad was offered, both in Spain and in a native environment. In total, 8% of staff participated in the summer programme, with over 1,300 hours of training performed.

Other significant human resources initiatives

The number of employees that participated in the telework programme in 2018 stood at 86.

In addition, three editions of the internal magazine *Entre Nosotr@s* were published in 2018 to publicise information on human resources to CNMV employees.

In the last quarter of the year, the Seventh CNMV Drawing Competition took place under the theme of “Christmas”. A total of 119 children of employees, aged between 3 and 14, participated in this new edition. The results were published to employees in December and the awards were handed out.

New organisational developments

- On 30 April 2018, the appointment of Juan Manuel Santos-Suárez Márquez as a member of the CNMV Board was renewed under Order EIC/444/2018.
- On 24 August, María Dolores Beato Blanco was appointed as a member of the CNMV Board under Order ECE/898/2018.
- Following union elections and the creation of a new works council in 2018, a collective bargaining agreement is currently being negotiated.

11.2 Information systems

Introduction

The CNMV's information systems are generally structured by taking into account the functions and the sets of information that they manage into the following five subsystems: primary market registration and supervision, secondary market supervision, entity registration, entity supervision and horizontal subsystem. The horizontal subsystem covers services such as: internal management, legal services, electronic administration, document management, statistical series, project monitoring, information dissemination and external services.

IT developments that are carried out within the aforementioned subsystems currently arise as a result of legislative amendments, technology and security renewals, improvements in monitoring and control systems and the need for new functionalities.

Information is essentially disseminated through the CNMV's website, which allows consultations of all public registers, statements and press releases, Spanish and Community legislation relating to securities markets and information on the CNMV itself and a special section for investors.

The most requested information is that relating to the price sensitive information of issuers, which is disseminated both in real time through the web and by e-mail (the information received can be personalised by type of price sensitive information or specific entity).

IT infrastructure

The infrastructure of the CNMV's information systems, with regard to the physical and logical elements that support it, is configured on local area networks, with general database servers, file and application servers, SAN storage servers and servers specialised by services: web, intranet, firewall, email, File Transfer Protocol (FTP), image storage, office IT, printing, active directory, etc.

All logical elements used in the infrastructures, both central and workplace, are standard products in the market.

This infrastructure ensures flexibility and the ability to adapt to the needs of each moment as they may be quickly purchased and installed. It also guarantees, by means of redundancy, the continuity of basic and critical services, both internal (corporate applications) and external (website, virtual office or dissemination of official registers).

There are four types of external connections available: connection between offices and alternative centre, connection between supervised markets, lines of connection to the Internet and connection with professional disseminators.

Systems development

Applications are always developed and implemented under the direction of the staff of the CNMV's Information Systems Department. External support takes the form of the availability of a group of external programmers, under a service agreement, and the contracting of closed applications.

All projects conform to the successive stages of their life cycle: i) identification of needs, ii) definition of requirements, iii) planning of alternatives, iv) functional design, v) technical design, vi) construction and vii) testing and implementation. The user of the system must actively participate in the first two and the last two stages.

In order to manage the processes, there is a specific monitoring tool for the different projects and an incident management tool.

The most significant applications of the five subsystems are: i) primary market registration and supervision (management of issuance and admission prospectuses, management of takeover bids and monitoring of commercial paper placements); ii) secondary market supervision (management of price sensitive information, advanced secondary market monitoring system, online market supervision, market

suspensions and de-listings, management of settlement information, and receipt and processing of transaction reporting; iii) entity registration (entity files and register management); iv) entity supervision (receipt and processing of periodic statements, periodic public reports of CIS and management of supervisory tasks); v) horizontal subsystem (general incoming/outgoing document register, fee management, disciplinary proceedings, management of claims, complaints and enquiries).

Electronic administration

From its beginnings, the CNMV has been committed to electronic administration, one of the essential pillars of which is the receipt of information in electronic form. For this reason, in 1998 the CNMV was the first Spanish government body to implement electronic signatures in the receipt of documents.

Information enters the CNMV's systems through various **channels**: i) incoming document register: the vast majority of the information is received in the electronic register, and that which is received on paper is scanned and sent to the different departments on magnetic media; ii) information on securities markets: online information, for real-time supervision of markets and electronic systems through communication monitors that manage the online flow, and information consolidated at the end of the day received in the files designed for this purpose; iii) settlement information: received daily in the corresponding files; iv) information from other regulators; and v) other information.

It may be concluded that over 95% of the information currently received by the CNMV is in electronic format, which greatly facilitates its storage and automatic processing.

The CNMV's **virtual office**¹ is available to every natural and legal person in order to interact electronically with this body and to be able to use its incoming document register through this channel (with the possibility of signing the information to be sent). The office is structured into four sections aimed at different groups:

- i) *Cifradoc* area. Supervised entities can send information on more than 60 procedures for which the CNMV requires them to provide information (financial statements, CIS prospectuses, transactions performed, etc.). All submissions of information must be signed electronically by the person or persons (if more than one signature is required) authorised by the CNMV for that specific procedure. A legal person representative certificate is normally used for the signature. The CNMV is a registration office of the FNMT (The Spanish Mint and Stamp Factory) and therefore issues this type of certificate.
- ii) Open area. For natural persons. The following procedures may be carried out: administrative appeals; individual claims, complaints and queries; applications to participate in staff selection processes; complementary document to proceedings in progress; response to a request; notification of significant shareholdings, of directors and other standard forms of listed companies; auditor's report on the protection of assets of investment firms and financial institutions; notification of the transactions of persons discharging managerial

1 <https://sede.cnmv.gob.es/SedeCNMV/SedeElectronica.aspx?lang=en>

responsibilities and persons closely associated with them; notification of abusive practices and suspicious orders or transactions; complaints and suggestions regarding the service of the virtual office; and any document, request or communication addressed to the CNMV. All procedures require an electronic signature with natural person, national identity card or legal person representative certificate.

- iii) Investor area. Allows the submission of claims, complaints and enquiries. Electronic certificate identification with *@clave* or with username and password may be used.
- iv) Special communications and notifications. For communications and notifications in which, due to their special characteristics, it is not possible to use electronic certificates.

For some types of procedures with large volumes of data, the information is received via FTP on a secure server and must also arrive signed. This system allows the automation of the sending of information, although the signature has to be made by people by their own means.

Each procedure performed through any of the virtual office sections has its corresponding entry number in the electronic register and acknowledgement of receipt – sent to the e-mail address indicated by the user.

Annual activity

MiFID II significantly extended the information that regulators must receive from participants in securities markets regarding the transactions they perform.

This increase in the volume of information to be received made it necessary for the CNMV to undertake a project to extend the available space in its systems. This project began in 2017 and ended in 2018 with the installation of new storage subsystems, extension of the SAN network and the new systems of backup, auxiliary elements and connected services, in order to provide the CNMV's IT systems with greater capacity, user-friendliness and processing speed.

The installation that covers the corporate Wi-Fi network was fully modernised in order to extend its connection capacity and its features. New equipment was installed in the main building, at the Barcelona office and in the facilities that the CNMV has available at its alternative centre. The capacity of the connection line was also extended in order to obtain a higher transmission speed. The Wi-Fi system currently has two differentiated environments: one for CNMV staff and another available for people who access the buildings on a temporary basis.

The CNMV continues to renew obsolete applications and develop other new applications to support the published rules and processes necessary to comply with the functions entrusted to it.

The **modules** and **applications** developed during the year include the following:

- i) Development and implementation of functionalities related to the international projects driven by ESMA for the implementation of MiFID II, mainly the

FIRDS (Financial Instruments Reference Data System) project and the TR (Transaction Reporting) project. The following functionalities were developed in the FIRDS project: receipt, control and storage of the data received from the different markets and trading venues; internal management of control of the information received and verification of its quality; sending of information to ESMA; and daily downloading of the consolidated information provided by ESMA to be used in the TR. The TR project already existed prior to the entry into force of MiFID II, but the modifications introduced by this Directive have been so far-reaching that the project had to be restarted almost from scratch. One of the new aspects introduced has been the obligation for every country to use the same file schema to receive and send transactions, as well as the large number of validations to be performed before admitting the information received. The main functionalities developed over 2018 were: the internal management of the control of the information received and the verification of its quality; the sending of transactions to the different authorities of the Member States of the European Union through ESMA; and the receipt from ESMA of the information provided by regulators from other Member States.

- ii) New version of the CIS prospectus. The new European and Spanish legislation has modified the content of the CIS prospectus, which has been received electronically for over 10 years. Consequently, a series of modifications has been made affecting the following processes: the application made available to managers and CIS for generating the file to be sent; the validation and incorporation of the prospectus' data; the generation of the final prospectus document; the process of verification of the changes in the different versions of the prospectus; and the *ex officio* generation of the prospectus due to changes in the registrations of the entities.
- iii) New system for managing the investment firm register. As a result of the technological renewal, the register management application has been replaced by a completely new one which, in addition to the previous functionalities, incorporates new functionalities and improves the user interface for greater ease of use.
- iv) Processing of the information received from BME Clearing. In 2018, this entity began to send the CNMV information on its activity, which entails the receipt, validation and incorporation of the information received and management of the enquiries on such information.
- v) Infringement reporting service. Any person who is aware of actual or potential infringements relating to the organisation and discipline of securities markets, and who wishes to report it confidentially, may contact the CNMV. In order to manage this information, the CNMV has carried out the following processes: a website to gather the information, a process for downloading recorded telephone communications and an internal management application.
- vi) New procedures in the virtual office to comply with European legislation to make it possible to send derivative asset position reports, requests for waivers from position limits and notifications of transactions of persons discharging managerial responsibilities and persons closely associated with them.

The electronic channel continues to take over from paper in the CNMV's **registers of incoming and outgoing documents**. As shown in Table 11.2.1, the electronic

channel was used for 90% of the documents received and 85% of the documents sent. A significant volume of the incoming and outgoing documents on paper correspond to claims, complaints and enquiries submitted by natural persons, who are not required to submit them electronically. When a person submits documentation on paper for a claim, enquiry or complaint, the CNMV also replies on paper.

Incoming and outgoing documents at the CNMV

TABLE 11.2.1

	2017		2018	
	Number	%	Number	%
Incoming				
Total	136,913	100	145,825	100
Electronic	119,180	87	130,612	90
On paper	17,733	13	15,213	10
Outgoing				
Total	146,550	100	163,180	100
Electronic	123,438	84	138,722	85
On paper	23,112	16	24,458	15

Source: CNMV.

The bulk of the funding of the CNMV comes from the fees collected from supervised entities in accordance with the items and tariffs established in Law 16/2014, of 30 September, regulating CNMV fees. The income from fees increased by 2.9% in 2018, mainly as a result of the increase in fees from the authorisation and registration of entities and from the supervision of foreign UCITS. To a lesser extent, ordinary expenses also increased, with a rise in their largest component: staff costs. The CNMV generated a surplus of 21.0 million euros, an increase of 1.1% on the previous year.

12.1 Revenue and expenses

In 2018, the CNMV obtained 65.3 million euros in revenue and incurred 44.3 million euros in expenses. Therefore, the surplus for the year amounted to 21.0 million euros.

The surplus for ordinary activities amounted to 19.4 million euros. Ordinary revenue, which mostly came from fees received, amounted to 63.4 million euros, 2.6% up on 2017.

Ordinary expenses amounted to 43.9 million euros, 2.9% up on the previous year. Those corresponding to staff costs, which accounted for 70.5% of ordinary expenses, grew by 4.0% largely as a result of the increase in remuneration established in Law 6/2018, of 3 July, on the General State Budget for 2018 and the addition of new staff to the CNMV in accordance with the approved public employment offer.

Other ordinary expenses grew by 0.3% on 2017. This increase was concentrated in the headings of transfers and grants given, taxes and depreciation/amortisation and was partially offset by the decline in the item of external supplies and services.

Transfers and grants given grew by 7.2% as a result of the increase in the annual payment the CNMV is required to make as a member of ESMA, while taxes – which mainly includes the amount corresponding to property tax on the CNMV headquarters – rose by 5.4%. The depreciation/amortisation expense rose by 2.0% as a result of the increase in the depreciable value of property, plant and equipment (computer hardware, following the acquisition of new data storage devices). The item of external supplies and services, which amounted to 8.3 million euros, recorded a decrease of 1.8%.

The profit from financial operations amounted to 1.5 million euros.

On 24 August 2018, the government, upon a proposal from the CNMV, agreed to distribute the profit obtained in 2017, with revenue to the Public Treasury of 20,741,431.70 euros.

12.2 Fee structure

As shown in Table 12.2.1, which shows the different types of fees established for the different services provided by CNMV, fee revenue increased in 2018 by 2.9% on the previous year.

This increase can mainly be explained by the increase in fees from the authorisation and registration of entities (22.3%) and from the supervision of foreign UCITS (19.7%).

CNMV fee revenues

TABLE 12.2.1

Activity or service	2017	2018	% change 18/17
Registration of prospectuses and market participants	9,274.4	9,531.3	2.8
Prospectus registration	4,365.5	3,334.5	-23.6
Issue prospectuses	309.6	273.9	-11.5
Listing prospectuses	4,056.0	3,060.7	-24.5
Securitisation funds and bank asset funds	74.1	31.2	-57.9
Authorisation and registration of entities	4,267.2	5,217.2	22.3
Authorisation of takeover bids	567.6	948.4	67.1
Market supervision	20,921.5	21,031.2	0.5
Stock market and MTF members	7,896.9	6,954.7	-11.9
MEFF members	152.2	161.4	6.0
Sociedad de Sistemas members	4,992.9	4,823.9	-3.4
CCP clearing members	255.6	1,698.4	564.5
Market governing companies	1,434.2	1,441.4	0.5
Listed issuers	6,189.8	5,951.4	-3.9
Market participant supervision	30,063.0	31,472.3	4.7
CIS solvency supervision	12,808.5	12,804.8	0.0
Solvency supervision of CIS and securitisation fund management companies	142.2	157.5	10.7
CIS management companies	126.2	142.5	12.9
Securitisation fund management companies	16.0	15.0	-6.5
Investment firm solvency supervision	492.2	491.7	-0.1
Venture capital solvency supervision	447.0	464.6	3.9
Management companies of closed-ended collective investment entities	83.8	89.8	7.1
Close-ended collective investment entities	363.1	374.8	3.2
Supervision of CIS and venture capital vehicle depositories	2,977.7	3,041.8	2.2
Supervision of conduct of business rules of investment firms, credit institutions and CIS management companies	8,782.4	9,229.5	5.1
Marketing foreign UCITS	4,413.0	5,282.3	19.7
Issuance of certificates	25.2	21.0	-16.5
Total	60,284.1	62,055.9	2.9

Source: CNMV.

13 National Securities Numbering Agency

The CNMV discharges the functions of the Spanish National Securities Numbering Agency (Spanish acronym: ANCV), whose main goal is to assign and administer International Securities Identification Numbers (ISIN)¹ and Classification of Financial Instruments (CFI)² codes to facilitate their dissemination and use among users. It is also responsible for assigning the Financial Instrument Short Name (FISN).³ In Spain, the ISIN code is used as the primary identifier in securities trading, clearing and settlement. In its role as ANCV, the CNMV is a founder and full member of the Association of National Numbering Agencies (ANNA), which at 2018 year-end had a total of 91 full member countries and 24 associates.

As part of its international activity, the ANCV actively participates in various international working groups and management bodies relating to its activity, such as WG2: ISIN Quality and Guidelines, which belongs to ANNA. This group comprises representatives from several national agencies and is responsible for drawing up uniform rules and criteria for ISIN allocation worldwide, as well as for CFI and FISN codes. As a consequence of the ISIN-LEI project, which is being performed under an agreement between ANNA and GLEIF, the ANCV also participated in the recent WG6, which has been entrusted with the task of establishing criteria and resolving any incidents that might arise in the linking of an issuer's ISIN with its LEI code. The ANCV also contributes towards developing and reviewing ISO standards, such as those mentioned above, which is carried out through Technical Subcommittee 8 (SC8).⁴

With regard to the key figures of the ANCV's activities, the number of securities and financial instruments assigned an ISIN in 2018 totalled 50,869, a significant increase on 2017 (see Table 13.1.1). This increase is the result of increased requests for ISINs by the industry as a consequence of the FIRDS⁵ reporting obligations for derivatives. In July 2017, ISINs started to be assigned to options and futures from the first order received on the instrument, which has generated an increase mainly as a result of the activity of market makers.

Numbers issued for equity instruments grew by 20.68% as a result of a rise in numbers assigned to collective investment schemes and venture capital entities. Numbers assigned to fixed-income instruments fell by 3.97%, while the numbers assigned to public debt issues fell by 38.55% on the previous year. Numbers assigned to new

1 International Securities Identification Number: ISO standard 6166.

2 Classification of Financial Instruments: ISO standard 10962.

3 Financial Instrument Short Name: ISO standard 18774.

4 SC8 is responsible for the standards on baseline data for financial instruments and forms part of ISO Technical Committee 68.

5 Article 4 of the MAR and 27 of the MiFIR, on instrument reference data.

corporate bond issues rose by 21.43%, while numbers assigned to debenture issues fell by 16.67%. Numbers assigned to covered bond issues fell by 10.34%, while those assigned to securitisation bonds fell significantly, by 43.48%. There was a small increase in rights issues (14.70%) and a reduction in warrants issues (10.64%) and in the number of structured product issues.

Numbers assigned to issues by the ANCV in 2017 and 2018

TABLE 13.1.1

	2017	2018	% change 18/17
Equity	532	642	20.68
Shares	140	141	0.71
CIS and venture capital funds	392	501	27.81
Fixed income	680	653	-3.97
Public debt	83	51	-38.55
Treasury bills and commercial paper	12	12	0.00
Bonds and debentures	71	39	-45.07
Private fixed income	580	602	3.79
Commercial paper	467	505	8.14
Bonds	14	17	21.43
Debentures	18	15	-16.67
Covered bonds	29	26	-10.34
Securitisation bonds	69	39	-43.48
Additional Tier 1 financing securities	1	4	300.00
Structured products	254	191	-24.80
Rights	34	39	14.70
Warrants and certificates	2,171	1,940	-10.64
Options	34,332	46,178	34.50
Futures	906	932	2.87
Swaps	371	290	-21.83
Total	39,281	50,869	29.50

Source: CNMV.

At the end of the year, the number of active securities and other financial instruments with an ISIN code in the ANCV database totalled 31,376. Listed securities and financial instruments accounted for 78% of the total.

The total number of queries to the ANCV stood at 338, 26% down on 2017. Queries regarding Spanish codes, which accounted for 89% of the total, fell by 29% on the previous year, while queries about foreign codes rose by 5%.

Queries handled by the ANCV

TABLE 13.1.2

	2017	2018	% change 18/17
Queries about Spanish codes	424	300	-29
Queries about foreign codes	36	38	5
Total queries	460	338	-26

Source: CNMV.

CNMV: Organisational,
financial and
institutional aspects
National Securities
Numbering Agency

14 CNMV Advisory Committee

The Advisory Committee is the body which provides advice to the CNMV's Board. Its functions and composition are provided for in Articles 30 and 31 of the recast text of the Securities Market Act and its implementing legislation – Royal Decree 303/2012, of 3 February, regulating the CNMV Advisory Committee. The Committee is chaired by the CNMV's Vice-Chairperson and includes representatives of market infrastructures, issuers, investors, credit institutions and insurance companies, professional groups designated by the CNMV, the Investment Guarantee Fund and each one of the autonomous regions with authority with regard to securities markets and in which there is an official secondary market. The appointment of these representatives was approved by the CNMV Resolution of 4 March 2016. The Advisory Committee must meet at least once every three months, but in practice it holds a meeting every month.

As a body providing advice to the CNMV's Board, the Advisory Committee informs on those issues referred to it by the Board. In particular, its report is mandatory in regard to: i) the CNMV provisions referred to in Article 21 of the recast text of the Securities Market Act (circulars and technical guides); ii) authorisations, revocations, mergers and takeovers of investment firms, and iii) authorisations and revocations of branches of investment firms from non-EU countries, and the other participants in securities markets when required by regulations, bearing in mind the economic and legal significance of said participants. In addition, the Advisory Committee provides advice on draft regulations relating in general to the securities market which are referred to it by both the government and the Ministry of Economy and Business.

In addition, as a consequence of the intense process of international integration affecting the CNMV's activity, the Committee's agenda also includes voluntary consultations from international bodies, such as IOSCO, ESMA or the European Commission, in addition to other initiatives of the CNMV or the Committee itself. In addition, since 2012 the Committee has been analysing many of the recommendations and standards issued by ESMA prior to their application in Spain. This allows greater participation from the sector, which is in line with international recommendations on analysing the impact of regulations.

Actions by the Advisory Committee in 2018

Table 14.1.1 offers a statistical summary of the issues addressed by the Advisory Committee in 2018, which shows that the number of mandatory reports remained practically unchanged on the previous year. Over the year, the CNMV applied its policy of publishing technical guidelines and criteria with the aim of increasing transparency on its guidelines and of facilitating compliance with regulations by supervised firms, above all taking into account the entry into force of new

regulations, such as MiFID II/MiFIR and MAD/MAR. However, the number of voluntary consultations increased considerably as the importance of the international activity has remained stable for the CNMV, as well as its desire to collect, through the Advisory Committee, the sector's opinion as often as possible and beyond that required by legislation.

Types of issues referred to the Advisory Committee

TABLE 14.1.1

	No. of issues	
	2017	2018
Mandatory reports on regulations	11	10
Voluntary consultations (IOSCO, ESMA and others)	9	13
Total	20	23

Source: CNMV.

Table 14.1.2 provides a breakdown of the issues addressed.

List of CNMV Advisory Committee actions in 2018

TABLE 14.1.2

Mandatory reports on regulations:

- Draft Technical Guide on managing conflicts of interest in related-party transactions of CIS and in other operations of CIS management companies (Session of 15 January).
- Draft CNMV Circular amending CNMV Circular 5/2013, of 12 June, establishing the templates for the annual corporate governance report of public listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets, and CNMV Circular 4/2013, of 12 June, establishing the templates for the annual report on the remuneration of directors of public listed companies, and of members of the board of directors and control committee of savings banks that issue securities admitted to trading on official securities markets (Sessions of 5 March and 21 May).
- Prior public consultation on the Draft Ministerial Order regulating securities lending by collective investment schemes (Session of 21 May).
- Draft CNMV Circular on periodic reporting by issuers of securities admitted to trading on regulated markets regarding half-yearly financial reports, interim management statements and, where applicable, quarterly financial reports (Session of 21 May).
- Draft Law on measures for the digital transformation of the financial system (Session of 12 June).
- CNMV Circular 4/2018, of 27 September, amending Circular 1/2010, of 28 July, on confidential information of entities providing investment services and Circular 7/2008, of 26 November, on accounting standards and the annual accounts and confidential information statements of Investment Firms, Collective Investment Scheme Management Companies and Venture Capital Management Companies (Session of 16 July).
- CNMV Circular 1/2019, of 28 March, amending Circular 1/2009, of 4 February, on the categories of collective investment schemes on the basis of their investment profile, partially amended by Circular 3/2011, of 9 June (Session of 16 July).
- Draft Bill on measures for the digital transformation of the financial system (Session of 10 September).
- Draft Bill on the financial transactions tax (Session of 12 November).
- Draft Technical Guide on appointments and remuneration committees (Session of 10 December).

Voluntary consultations (IOSCO, ESMA and others):

International Organization of Securities Commissions (IOSCO)

- Consultation report on good practices for Audit Committees in supporting audit quality (Session of 21 May).
- Consultation on draft guidelines on risk factors under the Prospectus Regulation (Session of 10 September).

European Securities and Markets Authority (ESMA)

- Consultation paper. Draft regulatory technical standards under the new Prospectus Regulation (Session of 5 March).
- Call for evidence on periodic auctions for equity instruments (Session of 10 December).

European Central Bank (ECB)

- First ECB public consultation on developing a euro unsecured overnight interest rate (Session of 11 January).
- Second public consultation on the publication by the ECB of an unsecured overnight rate (Session of 16 April).
- First public consultation by the working group on euro risk-free rates on the assessment of candidate euro risk-free rates (Session of 16 July).

Financial Stability Board (FSB)

- Consultative document. Principles on bail-in execution (Session of 1 February).

Comisión Nacional del Mercado de Valores (CNMV)

- CNMV Strategic Areas 2017-2018 and 2018 Activity Plan (Session of 15 January).
- Public consultation on the adoption by the CNMV of intervention measures with regard to binary options and contracts for differences (Session of 10 December).

European Commission (EC)

- Legislative proposals on sustainable finance (Session of 12 June).
- Sustainable Finance Initiative - Benchmarks L1: Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1011 on low carbon benchmarks and positive carbon impact benchmarks (Session of 16 July).

Joint Committee of European Supervisory Authorities

- Joint Consultation Paper concerning amendments to the PRIIPs KID. Draft amendments to Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 on key information documents (KID) for packaged retail and insurance-based investment products (PRIIPs) (Session of 10 December).

Source: CNMV.

15 Financial statements of the CNMV

15.1 Balance sheet

Assets	Notes in the accompanying report	Year 2018	Year 2017
A) Non-current assets		128,393,389.59	123,797,911.95
I. Intangible assets	(7)	4,419,510.72	4,737,962.58
1. Investment in research and development		1,261,825.65	1,168,298.52
3. Computer software		3,157,685.07	3,569,664.06
II. Property, plant and equipment	(5)	75,810,580.44	76,961,552.88
1. Land		43,658,835.32	43,614,118.99
2. Buildings		28,918,369.42	29,598,381.89
5. Other property, plant and equipment		3,233,375.70	3,749,052.00
IV. Long-term financial investments in group companies, jointly-controlled entities and associates	(9)	47,946,642.86	41,888,286.18
3. Loans and debt securities		47,946,642.86	41,888,286.18
V. Long-term financial investments	(9)	216,655.57	210,110.31
1. Financial investments in equity		935.36	935.36
2. Loans and debt securities		214,454.58	207,909.32
4. Other financial investments		1,265.63	1,265.63
B) Current assets		62,869,964.73	70,869,243.45
III. Trade and other receivables		40,685,823.60	32,370,332.85
1. Receivables for operating activities		35,749,249.98	31,340,159.53
2. Other receivables		4,936,471.19	1,030,160.89
3. Public authorities		102.43	12.43
IV. Short-term financial investments in group companies, jointly-controlled entities and associates	(9)	8,727,106.16	10,276,971.82
2. Loans and debt securities		8,727,106.16	10,276,971.82
V. Short-term financial investments	(9)	172,801.38	193,584.44
2. Loans and debt securities		172,801.38	193,584.44
VI. Accrual accounts		337,845.86	192,800.17
VII. Cash and cash equivalents		12,946,387.73	27,835,554.17
2. Cash		12,946,387.73	27,835,554.17
TOTAL ASSETS		191,263,354.32	194,667,155.40

Source: CNMV.

15.1 Balance sheet (continuation)

Equity and liabilities	Notes in the accompanying report	Year 2018	Year 2017
A) Shareholders' equity		186,606,725.69	187,248,677.40
I. Contributed equity		5,385,871.28	5,385,871.28
II. Equity generated		179,069,782.59	178,848,710.48
1. Retained earnings/losses		10,428,334.09	10,428,334.09
2. Surplus for the year		20,962,503.81	20,741,431.70
3. Reserves		147,678,944.69	147,678,944.69
III. Valuation adjustments		2,151,071.82	3,014,095.64
2. Available-for-sale financial assets		2,151,071.82	3,014,095.64
B) Non-current liabilities		1,045,222.88	900,410.96
I. Long-term provisions	(15)	1,045,222.88	900,410.96
C) Current liabilities		3,611,405.75	6,518,067.04
I. Short-term provisions	(15)	140,726.78	426,802.48
II. Short-term debts	(10)	6,952.81	1,233,462.25
4. Other borrowings		6,952.81	1,233,462.25
IV. Trade and other payables		3,463,726.16	4,857,802.31
1. Payables for operating activities		1,273,335.05	1,327,759.86
2. Other payables		767,712.01	2,259,256.74
3. Public authorities		1,422,679.10	1,270,785.71
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		191,263,354.32	194,667,155.40

Source: CNMV.

15.2 Income statement

	Notes in the accompanying report	Year 2018	Year 2017
1. Tax revenues and social contributions		62,055,850.07	60,284,143.47
b) Fees		62,055,850.07	60,284,143.47
5. Own work capitalised	(7)	711,375.03	685,848.00
6. Other ordinary revenue		49,627.01	33,566.34
7. Provision surplus		552,358.48	771,700.94
A) TOTAL ORDINARY REVENUE (1+2+3+4+5+6+7)		63,369,210.59	61,775,258.75
8. Personnel expenses		-30,958,804.25	-29,778,631.37
a) Salaries, wages and similar		-24,644,552.80	-23,672,692.10
b) Employee welfare expenses		-6,314,251.45	-6,105,939.27
9. Transfers and subsidies granted	(14)	-1,867,477.78	-1,742,245.31
11. Other ordinary expenses		-8,717,356.82	-8,844,408.22
a) Supplies and outside services		-8,255,211.78	-8,405,954.23
b) Taxes		-462,145.04	-438,453.99
12. Depreciation and amortisation	(5), (7)	-2,378,411.26	-2,331,448.36
B) TOTAL ORDINARY EXPENSES (8+9+10+11+12)		-43,922,050.11	-42,696,733.26
I. Profit (loss) from ordinary activities (A+B)		19,447,160.48	19,078,525.49
13. Impairment and gains (losses) from disposal of non-financial assets and assets for sale	(5), (7)	59,662.94	29,105.81
a) Impairment		60,357.41	60,431.41
b) Deletions and disposals		-694.47	-31,325.60
14. Other non-ordinary items		-2,127.68	-58,696.36
b) Expenses		-2,127.68	-58,696.36
II. Profit (loss) from non-financial operations (I+13+14)		19,504,695.74	19,048,934.94
15. Finance income	(9)	1,661,093.30	1,757,866.03
b) From marketable securities and loans forming part of fixed assets		1,661,093.30	1,757,866.03
b.1) In group companies, jointly-controlled entities and associates		1,356,829.98	1,491,577.61
b.2) Other		304,263.32	266,288.42
16. Finance costs		-26,432.04	-41,446.45
b) Other		-26,432.04	-41,446.45
19. Exchange differences		-3,965.71	-1,285.07
20. Impairment, deletions and disposal of financial assets and liabilities		-172,887.48	-22,637.75
b) Other		-172,887.48	-22,637.75
III. Profit (loss) from financial operations (15+16+17+18+19+20+21)		1,457,808.07	1,692,496.76
IV. Net profit for the year (II+III)		20,962,503.81	20,741,431.70

15.3 Statement of cash flows

	Notes in the accompanying report	Year 2018	Year 2017
I. CASH FLOWS FROM OPERATING ACTIVITIES			
A) Receipts		55,487,235.98	60,395,434.58
1. Tax revenues and social contributions		53,743,094.33	58,430,931.13
5. Interest and dividends received		1,531,962.31	1,791,953.74
6. Other receipts		212,179.34	172,549.71
B) Payments		42,004,123.73	38,669,323.80
7. Personnel expenses		29,851,960.61	28,451,502.65
8. Transfers and subsidies granted		1,834,687.44	1,711,691.06
10. Other operating expenses		8,618,476.63	8,255,894.40
13. Other payments		1,698,999.05	250,235.69
Net cash flows from operating activities (+A-B)		13,483,112.25	21,726,110.78
II. CASH FLOWS FROM INVESTING ACTIVITIES			
C) Receipts		9,721,425.52	8,241,161.41
2. Sale of financial assets		9,140,000.00	8,025,829.26
3. Other receipts from investment activities		581,425.52	215,332.15
D) Payments		17,298,916.17	14,241,838.16
5. Purchase of property investments		2,073,937.60	1,062,188.22
6. Purchase of financial assets		14,617,108.20	12,939,970.25
7. Other payments for investment activities		607,870.37	239,679.69
Net cash flows from investment activities (+C-D)		-7,577,490.65	-6,000,676.75
III. CASH FLOWS FROM FINANCING ACTIVITIES			
F) Payments to owning entity/entities:		20,741,431.70	36,636,514.51
2. Return of contributions and payment of profit (loss) to owner(s)		20,741,431.70	36,636,514.51
Net cash flows from financing activities (+E-F+G-H)		-20,741,431.70	-36,636,514.51
IV. CASH FLOWS PENDING CLASSIFICATION			
I) Receipts pending application		36,093.64	1,469,353.35
J) Payments pending application		85,509.52	51,782.23
Net cash flows pending classification (I-J)		-49,415.88	1,417,571.12
V. EFFECT OF EXCHANGE RATE CHANGES			
		-3,940.46	-176.22
VI. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)			
		-14,889,166.44	-19,493,685.58
Cash and cash equivalents at the start of the year		27,835,554.17	47,329,239.75
Cash and cash equivalents at the end of the year		12,946,387.73	27,835,554.17

Source: CNMV.

15.4 Statement of changes in equity

	Notes in the accompanying report				Total
	I. Contributed equity	II. Equity generated	III. Valuation adjustments	IV. Other equity increases	
A. Equity at end of financial year N-1	5,385,871.28	178,848,710.48	3,014,095.64	0.00	187,248,677.40
B. Adjustments for changes in accounting criteria and error correction	0.00	0.00	0.00	0.00	0.00
C. Adjusted starting equity for financial year N (A+B)	5,385,871.28	178,848,710.48	3,014,095.64	0.00	187,248,677.40
D. Changes in equity in financial year N	0.00	221,072.11	-863,023.82	0.00	-641,951.71
1. Recognised income and expense in the year	0.00	20,962,503.81	-863,023.82	0.00	20,099,479.99
2. Transactions with owner(s)	0.00	-20,741,431.70	0.00	0.00	-20,741,431.70
3. Other changes in equity	0.00	0.00	0.00	0.00	0.00
E. Equity at end of financial year N (C+D)	5,385,871.28	179,069,782.59	2,151,071.82	0.00	186,606,725.69

Source: CNMV.

