



# Review of the 2020 Activity Plan





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# 1 Introduction

Since 2007, the CNMV has prepared annual Activity Plans with the aim of improving the institution's effectiveness, increasing transparency and promoting the exchange of information with the market, investors and institutions under its supervision. Continuing with this practice, the Activity Plan for 2020 was presented on 12 February, which included 44 objectives that the CNMV planned to implement during the year.

The 2020 Plan was prepared in the context of the strategic areas defined for the period 2019-2020, which the CNMV considered it appropriate to reaffirm, namely: supervision as a priority, promotion of the competitiveness of the Spanish market and attention to technological developments in the financial sector. It was also considered compatible with this to highlight the relevance of initiatives relating to financial stability and sustainability, aspects of growing importance for the securities markets.

However, subsequent to the publication of the Activity Plan, the spread of COVID-19 and the measures that many countries have adopted (confinement of the population, restrictions on trade and the free movement of people, closing borders, etc.) have caused a significant increase in uncertainty and are having very relevant implications for the economy, the markets and their participants. In Spain, a state of alarm was declared<sup>1</sup> on 14 March to deal with the health emergency caused by COVID-19, with an initial duration of 15 calendar days, which has already been extended several times.

With regard to the macroeconomic environment, in April, the International Monetary Fund (IMF) published its projections,<sup>2</sup> according to which **world GDP** is expected to suffer a sharp contraction of 3% in 2020, before subsequently growing by 5.8% in 2021, in a baseline scenario that assume the pandemic ends in the second half of 2020. A very significant slowdown in activity is expected for the **Spanish economy**, estimated at -8% in 2020 (+4.3% in 2021). The Bank of Spain has also released various GDP growth scenarios for the Spanish economy for 2020-2021, according to which GDP could fall this year by between 6.6% and 13.6% depending on the number of weeks of economic confinement, the nature of the transition to normality and the effectiveness of economic policies to limit the enduring effect on activity and employment.

As a result of these circumstances, the CNMV has reviewed its Activity Plan to assess whether the strategy and objectives set for 2020 are still valid. On the one hand, an assessment has been made as to whether the new situation makes it advisable to

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1 Royal Decree 463/2020 of 14 March declaring the state of alarm for the management of the health crisis situation caused by COVID-19.

2 *World Economic Outlook*, April 2020.

include objectives there were not initially envisaged. Furthermore, the 44 previously established objectives have been evaluated to determine whether they should be maintained, reformulated, postponed or cancelled entirely.



## 2 Strategic areas 2019-2020

When formulating the 2020 Activity Plan, the CNMV considered it appropriate to reaffirm the strategic areas established at the beginning of 2019 for the period 2019-2020:

- i) Supervision as a priority.
- ii) Promoting the competitiveness of the Spanish market.
- iii) Attention to technological developments in the financial sector.

As we have seen, the context has changed radically as a result of the situation caused by COVID-19 and the measures adopted to contain the spread. The lack of definition regarding the scale of the impact of these measures and the uncertainty over how long they will remain in place pose a major challenge to economic and market performance, while at the same time adding new challenges to the work of regulators and supervisors.

The CNMV is constantly monitoring the situation and has implemented various measures to ensure that the markets operate properly and investors are protected, in addition to organisational steps to guarantee the continuity of its own supervisory activity. The CNMV website contains a specific section with extensive information on the actions carried out and measures taken and other information of interest relating to the situation created by COVID-19.<sup>3</sup>

In this context, after the corresponding review, it was concluded that the established strategy remains valid; if anything even more so in terms of the importance of supervisory activity and technological developments that affect financial markets and investment services.

As regards the first strategic area, the CNMV continues to give **priority to its supervisory activity**, which in the current situation is especially important to ensure that the securities markets continue to operate in an efficient and orderly manner, and to fulfil their role of financing businesses and the economy and channelling investors' savings.

Furthermore, in the current situation, there may be a need to reorganise the original supervision plans for operational reasons.

Additionally, this supervisory work must still be performed in a coordinated manner at European and global level. As the Financial Stability Board (FSB) pointed out

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3 <https://www.cnmv.es/portal/gpage.aspx?id=COVID19&lang=en>

in its report to the G20 published in mid-April,<sup>4</sup> international cooperation and coordination are paramount to address the implications of this new situation for financial stability. Therefore, the different authorities must monitor and share timely information to assess and address the possible risks. The CNMV carries out this coordination task, at both the international and European level, particularly intensely with the International Organisation of Securities Commissions (IOSCO) and with the European Securities and Markets Authority (ESMA).

Regarding the second strategic area, it is still necessary, in the context of the current crisis, to contribute to the competitiveness and attractiveness of the Spanish market in the medium and long term. Therefore, priority is being given to the authorisation of institutions and transactions in the markets and, without prejudice to the risks that the situation may entail, it is essential to avoid placing any burdens that are not strictly necessary on the institutions under our supervision.

With respect to the third strategic area, technology has proven to be key to maintaining activity in the current lockdown period, which in all likelihood will be used more widely in the financial markets and in the provision of investment services. For this reason, if anything, it is even more important to pay **attention to changes and new market phenomena driven by technology**, without neglecting the supervision of the associated risks.

The CNMV itself has also had to adjust its activity to the provisions of Royal Decree 463/2020, establishing a system whereby its personnel are able to work from home. In addition, following the guidelines issued by the health authorities, the CNMV General Register has been closed for the physical presentation of documents, although there are alternative channels that guarantee continuity for the submission and registration of documents. The organisational measures adopted have allowed activity to continue as usual, but further progress must be made on the digital transformation of the institution, which has proven to be a key element in this situation.

The crisis has also intensified the CNMV's work in the area of **financial stability**, which has been reinforced in recent years. The role of the institution has been expanded and systematised, especially following the creation of the AMCESFI (Autoridad Macroprudencial Consejo de Estabilidad Financiera or Macroprudential Authority Financial Stability Board).

The COVID-19 pandemic could have repercussions for financial stability, and therefore it is essential to carry out analyses to detect possible vulnerabilities and be able to apply the necessary measures where appropriate. It is worth highlighting the new macroprudential tool relating to prior notices for redemptions in investment funds recently introduced by Royal Decree-Law 11/2020 of 31 March, which complements the tools already provided by the regulations on collective investment schemes and in other areas of securities market regulation.

## 3 Review of objectives for 2020

The CNMV has reviewed the objectives included in its 2020 Activity Plan in view of the new situation deriving from COVID-19. As a result of this analysis, and as shown below, **it has been decided to maintain 33 of the 44 objectives initially set for 2020 and to postpone the remaining 11 to next year (without prejudice to any decision made when the 2021 Activity Plan is formulated). Two new objectives have also been added.**

A summary table with the selected final objectives for 2020 can be found in the appendix.

### 3.1 New objectives

In view of the circumstances, the CNMV considers it appropriate to include in its 2020 Activity Plan the two objectives detailed below:

In 2020 (II) approval will be given for the adaptation of the **CNMV Contingency Plan based on a teleworking model**, incorporating current experience. Before COVID-19, it had already been decided to change the contingency model from an on-site system to a teleworking system. This change was pending formal approval, but the necessary equipment had already been purchased and an initial test was to be carried out in the first half of 2020.

With regard to the supervision of financial intermediaries, **amendments to Technical guide 4/2017 for the assessment of the knowledge and competence of staff giving information and advice** will be made in 2020 (II). Several issuers of securities have requested that they be allowed to perform these assessments online, given that they are impossible to carry out on-site. The CNMV considers this to be an acceptable request, and issued a statement to the effect, provided that the non-on-site assessment systems have sufficient guarantees. The idea is to amend the aforementioned technical guide to explicitly and permanently permit online assessment.

### 3.2 Review of initial objectives

The CNMV's Activity Plan for 2020 included 44 objectives to be carried out during the year. The situation caused by COVID-19 means that while some of the initial objectives may still be implemented, their execution may take longer than expected, and therefore they have been postponed to 2021.

Likewise, some of the objectives maintained for 2020 may require certain modifications to adapt to the new circumstances (e.g., it is possible that the scheduled training sessions will be carried out remotely rather than face-to-face).

## Postponed objectives

The objectives detailed below cannot be completed within the initially planned deadlines, therefore they have been postponed until 2021.

In the section on **CNMV's operational improvements**, the preparation of a **strategic plan for information systems** had been included in 2020 (II). The contract began in February with a seven-month execution period. At the moment, the execution is practically fully suspended. Depending on how long this suspension lasts, it may be completed this year or in 2021.

As for the **analysis and global sustainability plan (ESG) of the CNMV as an organisation**, which was planned for 2020 (I), it must be borne in mind that the competitive bidding process for the service, once the required specifications have been prepared, cannot be launched until the state of alarm ends, since government contracting procedures have been suspended. It will not be possible to make the award before the end of the year and the plan will depend on the time considered necessary for its preparation.

Another objective that was intended to be carried out in 2020 (I) was the proposal to **update the CNMV's fees**. However, in the current context, it is advisable to carry out an assessment of the institution's income forecasts, as well as the potential impact on the structure of the supervised sector before preparing a definitive proposal, so this objective has been postponed to 2021. Nevertheless, an attempt will be made this year to finalise a proposal to reform the aspects of the fees that may affect the competitiveness of Spanish fixed income markets, which could be part of a new, broader initiative aimed at making them more attractive.

Additionally, the CNMV has decided to postpone the objective of **streamlining certain authorisation procedures through specific procedures on the web page (Electronic Office)**. This action involves a significant internal computing workload which, in the current situation, is not considered a priority, since the resources are dedicated to ensuring the CNMV's operation at a time of heavy dependence on technological systems.

Regarding the **supervision of the markets**, it has also been decided to postpone the objective of **analysing and preparing at least one report on a possible code of good practices to promote long-term engagement of shareholders**.

Another objective that may not be completed within the established time frame is the **analysis and identification of improvements in the quality monitoring system for data reported to the CNMV**, which is postponed to 2021. In this analysis, the work initiated by ESMA in pooling the strategies and supervisory actions of the various authorities must be taken into account. However, this work is being delayed and there is still no timetable for its completion.

Additionally, the **preparation of a situation report and possible measures to promote IPOs** and the **analysis of the liability regime for information contained in issue or admission to trading prospectuses** are two objectives that are postponed to 2021, without prejudice to progress continuing to be made on both projects and an initial document in this regard possibly even being published in the second half of 2020.

The **creation of an Investor Portal** was included within the block of **relations with investors and other stakeholders**. This objective requires a public bidding process to be carried out. Given the uncertain times and the foreseeable difficulty of the process for companies, the CNMV has considered it appropriate to undertake the creation of the portal in 2021.

Likewise, the **conference on empirical studies of remuneration and incentive systems for directors and senior managers of listed companies** is postponed to 2021. This decision has been adopted in coordination with SUERF, the European Money and Finance Forum, with which it is planned to organise this conference.

Another objective that was included for 2020 in this section is the signing of the **Enhanced MMoU (Multilateral Memorandum of Understanding) of IOSCO**, which strengthens the exchange of information between supervisors and requires the signing authorities to have certain reinforced powers, which, in the case of the CNMV, may require legal changes. Fulfilment is postponed to 2021.

### Confirmed objectives

The objectives maintained in the terms established (some of which have already been largely met) are the following:

- **CNMV’s operational improvements:**
  - CNMV comprehensive digital transformation plan.
  - Review and promotion of teleworking policy.
  - Formal establishment of an internal whistleblowing channel.
- **Market supervision:**
  - Horizontal review of the degree of compliance with IFRS 16 (Leases).
  - Horizontal review of the degree of compliance with the Law on Non-financial Information.
  - Amendments to certain recommendations of the Code of Good Governance.
  - Criteria on the dissemination of insider information or information of interest to investors through social networks.
  - Communication to the market of the adaptation of the CNMV’s procedures for the reception, publication, dissemination and consultation of insider information and other relevant information.
  - Update the procedures for sending electronic message to ESMA containing the prospectus and other required documents.
  - Review and update of the “FAQ” section of the CNMV website on the primary securities market system.

- Central securities depository supervisory plan.
- Review of the central securities depository information system (PTI).
- **Supervision of financial intermediaries:**
  - Technical guide on liquidity management and control of CISs.
  - Supervisory action in coordination with ESMA on the liquidity management of UCITS.
  - Technical guide on the designation of unregistered consultants in CISs.
  - Amendment of Circular 7/2008 on the accounting of IFs and CISMCS.
  - Adaptation to new solvency regulations for IFs.
  - Review of the annual obligation to provide cost information.
  - Proposal to restrict the advertising of CFDs and binary options directed at the general public.
  - Review, in coordination with ESMA, of the suitability assessment.
  - Horizontal review of CIS advertising and information.
  - Review of the advertising activity of the main entities that operate in Spain under the freedom to provide services system.
  - Technical guide with cybersecurity recommendations.
- **Relations with investors and other stakeholders:**
  - Assessment of the effects of certain European regulations under review.
  - Study on the alignment of tax rules with the objectives of the financial regulations.
  - Stress tests on investment funds.
  - Analysis of the scope of macroprudential tools available to the CNMV.
  - Analysis of the information on the leverage of alternative investment funds in relation to systemic risk.
  - Strengthening of the “Sustainable Finance” section of the CNMV’s website.
  - Seminar on Fintech and cybersecurity.
  - Seminar on sustainable finance.

- Guide on basic investor skills.
- Frequently asked questions and other questions of interest to the investor.





## Appendix Summary table of updated 2020 objectives

Summary table of updated 2020 objectives

TABLE 1

		Initiative
CNMV's operational improvements	Contingency plans	Adaptation of the CNMV contingency plan based on a telework model (N)
	Digital transformation	CNMV comprehensive digital transformation plan
	Staff related measures	Review and promotion of teleworking policy Formal establishment of an internal whistleblowing channel
Market supervision	Financial and non-financial information	Horizontal review of the degree of compliance with IFRS 16 (Leases)
		Horizontal review of the degree of compliance with the Law on non-financial information
	Corporate governance	Amendments to certain recommendations of the Code of Good Governance
	Market supervision	Criteria on the dissemination of insider information or information of interest to investors through social networks
		Communication to the market of the adaptation of the CNMV's procedures for the reception, publication, dissemination and consultation of insider information and other relevant information
	Primary markets	Update the procedures for sending electronic message to ESMA containing the prospectus and other required documents
Review and update the "FAQ" section of the CNMV website on the primary securities market system		
Securities depositories	Central securities depository supervisory plan	
	Review of the central securities depository information system (PTI)	
Supervision of financial intermediaries	CIS liquidity management and control	Technical guide on liquidity management and control of CISs
		Supervisory action in coordination with ESMA on the liquidity management of UCITS
	Other technical guides and circulars	Technical guide on the designation of unregistered consultants in CISs
		Amendments to Technical guide 4/2017 for the evaluation of the knowledge and competences of the personnel who inform and advise (N) Amendment of Circular 7/2008 on the accounting of IFs and CISMCS

		<b>Initiative</b>
<b>Supervision of financial intermediaries (cont.)</b>	<b>Adaptation to the new regulations</b>	Adaptation to new solvency regulations for IFs
	<b>Horizontal reviews</b>	Review of the annual obligation to provide cost information
		Review, in coordination with ESMA, of the suitability assessment
		Horizontal review of CIS advertising and information
		Review of the advertising activity of the main entities that operate in Spain under the freedom to provide services system
	<b>CFDs and Binary Options</b>	Proposal to restrict the advertising of CFDs and BOs directed at the general public
<b>Cybersecurity</b>	Technical guide with cybersecurity recommendations	
<b>Relations with investors and other stakeholders</b>	<b>Laws and regulations</b>	Assessment of the effects of certain European regulations under review
		Study on the alignment of tax rules with the objectives of the financial regulations
	<b>Financial stability</b>	Stress tests on investment funds
		Analysis of the scope of macroprudential tools available to the CNMV
		Analysis of the information on the leverage of alternative investment funds in relation to systemic risk
	<b>Website</b>	Strengthening of the "Sustainable Finance" section of the CNMV website
	<b>Conferences and training sessions</b>	Seminar on Fintech and cybersecurity
		Seminar on sustainable finance
<b>Financial education</b>	Guide on basic investor skills	
	Frequently asked questions and other questions of interest to the investor	

