



2018 Activity Plan



2018 Activity Plan

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ISSN (electronic edition): 1989-8711

Layout: Composiciones Rali, S.A.

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1 Introduction

The Comisión Nacional del Mercado de Valores (CNMV), following its annual practice since 2007, presents its 2018 Activity Plan (hereinafter, the Plan). Publication of the Plan is intended to improve the CNMV's effectiveness, enhance transparency and encourage the sharing of information with the market, investors and supervised entities.

As in previous years, the Plan only covers a limited part of the work of the CNMV as it only includes those objectives that meet the criteria of timeliness or which are innovative in relation to the CNMV's normal function and whose publication may be in the public interest. This means that the Plan does not include many of the tasks performed by the CNMV in its routine authorising, registering and supervising of entities and supervision of markets, recording of transactions or monitoring of regulated information. As a result of their nature, a significant part of these tasks requires intense internal planning. Furthermore, the Plan does not include routine actions related to disciplinary measures or handling investor enquiries or complaints.

In addition, when preparing its 2017 Activity Plan, the CNMV decided to define its strategic areas with a two-year approach. Based on the functions of the CNMV and the features of the context in which it must perform such functions, the CNMV defined the strategic areas for 2017 and 2018. Therefore, for 2018 the CNMV has not prepared new strategic areas, but has simply reviewed the validity of those which have already been defined and it has updated and added some aspects.

Economic and financial environment¹

The CNMV's activities are dependent on the basic features of the environment that are expected for the year and the actions that must be carried out in order to adapt to it.

Economic outlook

The upturn in economic activity is gathering speed worldwide. World growth, which in 2016 recorded the lowest rate since the international financial crisis (3.2%), may move up to 3.7% in 2017 and to 3.9% in 2018 according to the latest IMF forecasts.

The advanced economies are expected to record strong upturns thanks to stronger growth in the Eurozone, Japan, Canada and the United States. The forecasts for the leading economies have been revised upwards as a result of stronger global economic activity and the positive impact expected from the tax reform in the United States.

¹ Based on the CNMV bulletin of January 2018, and the update of the IMF's World Economic Outlook (WEO) published in January 2018.

With regard to Spain, growth stood at 3.1% in 2017 in line with the European Commission's forecast, while it estimates a slight increase in growth, up to 2.5% in 2018, 0.1 percentage points up on the previous estimate, although it warns about the risks of the secessionist challenge in Catalonia. This political uncertainty led the IMF to slightly downgrade its growth forecast for Spain (to 2.4% in 2018 from the initially estimated 2.5%).

Private consumption is expected to continue being the key growth factor, but its relative importance will fall as the rate of job creation slows down. In addition, the importance of other factors that supported the increase in household welfare over recent years, such as the drop in oil prices, will gradually decrease.

For its part, the Government's forecast for growth in Spain in 2018 was downgraded slightly in the draft budget sent to Brussels as a result of the political crisis in Catalonia. The Budget Plan for the coming year includes an estimate of GDP growth at 2.3% compared with the previous 2.6%.

Markets continue to keep a close watch on monetary policy trends

2017 was characterised by consolidated global growth and increasing divergence between the monetary policies applied on each side of the Atlantic. In the United States, the Federal Reserve decided to increase interest rates three times over the year as a result of the positive changes in employment and inflation. It also decided to begin to reduce the size of the Fed's balance sheet following the sharp growth of recent years. In contrast, the tone of monetary policy in the euro area and in Japan remained ultra-expansive.

However, after the European Central Bank's announcement in October 2017 that it would reduce its asset purchase programme – better known as Quantitative Easing (QE) - everything suggests that 2018 will be marked by a less accommodative monetary policy, although one that is still far from the normalisation of monetary policy carried out in the US.

Risks in 2018

The IMF considers that risks to the global growth forecast are broadly balanced in the near term, but remain skewed to the downside over the medium term.

On the upside, the cyclical rebound could prove stronger and more sustained in Europe, where political risk has been mitigated. On the downside, high prices and the fact that volatility is currently at very low levels within a context of clear uncertainty with regard to policies increase the likelihood of a correction in equity-related markets, which might dampen growth and confidence. There is also a certain concern with regard to liquidity risk in some fixed-income market segments.

Furthermore, uncertainty about policies remains high and might worsen as a result of the fiscal and regulatory policy of the United States. In Europe, the negotiations about post-Brexit plans and geopolitical risks might undermine confidence, discourage private investment and weaken growth.

Finally, over the longer term, a failure to lift potential growth and make growth more inclusive in advanced economies might encourage protectionism and hinder market-friendly reforms.

The volume of equity trading in Spanish markets in 2017 amounted to 649.88 billion euros, 0.22% up on the previous year. The number of trades carried out in the year totalled 51.03 million, 6.4% down on 2016. One of the factors that might explain the continuation of relatively low trading volumes might be the low volatility in historic terms, which, among other effects, discourages algorithmic trading, whose share of total trading has been growing for several years.

Fixed-income markets have taken into account the first measures adopted by the European Central Bank to withdraw monetary stimulus measures, which generated temporary upturns in medium and long-term rates for public and private debt in the first half of 2017. In the second half of the year, doubts with regard to changes in monetary policy in the euro area had an impact on fixed-income rates, which have remained relatively stable without any major changes for most maturities along the curve.

The volume of investment through Spanish funds has increased sharply and now stands at historic highs, with assets under management having doubled since 2012. In less than five years (specifically, since December 2012), almost 112.15 billion euros of net subscriptions from unit-holders have become part of the assets of Spanish investment funds. For their part, the assets held by foreign collective investment schemes have also grown sharply over recent years to 141.83 billion euros at the end of the third quarter, almost four times higher than the figure recorded in 2012, with a 32.55% share in Spain.

Assets managed by Spanish funds amounted to 261.64 billion euros and the number of unit-holders totalled 10,050,591 at 30 October 2017.

The consensus of the forecasts is that 2018 will be a positive year and continuation of the cycle and positive returns are expected to continue for most financial instruments. In particular, most analysts maintain bullish forecasts for the Ibex 35 in 2018, although with latent threats, including political instability. Fixed-income assets will continue to be exposed to the risk of price correction resulting from a tightening of monetary policy. Investment funds are expected to continue following the positive path of recent years.

One aspect of the environment that will demand the CNMV's attention in 2018 is the appearance of methods for acquiring the general public's savings based on new technologies. There are expected to be initial coin offerings (ICOs) which will have an impact on Spanish investors and the acquisition and trading of crypto-currencies are also expected to continue spreading. Their potential impact on investor protection has meant that these phenomena have become an issue of priority interest for many international supervisors.

Regulatory background

2018 will be marked by the entry into force and application of new European legislation regulating areas of particular interest in securities markets and which will lead to a substantial amendment of the Securities Market Act and its implementing legislation. This work was begun with publication of Royal Decree-Law 21/2017, of 29 December, on urgent measures for the adaptation of Spanish law to European Union regulations on the securities market.

This amendment incorporates into Spanish law, in addition to the adaptations necessary in order to fully apply European legislation on market abuse, the new legislative framework on markets in financial instruments based on MiFID II and MiFIR, which started to apply on 3 January 2018. This legislation aims to improve the transparency and supervision of financial markets and strengthen investor protection and the conduct of business rules of the distributors of investment products.

In addition, application of the PRIIPs Regulation (Packaged Retail and Insurance-Based Investment Products), which affects a wide range of investment products marketed to retail investors and which will improve the information received by investors on more complex products, will be particularly important for the Spanish financial sector in 2018.

Furthermore, application of the Regulation on indices used as benchmarks in financial instruments and financial contracts, which began to apply in January 2018, will also be a relevant factor for improved investor protection as it helps ensure that benchmarks produced and used in the European Union are reliable and representative.

Finally, the Money Market Funds Regulation, which will apply as from July 2018 for newly created funds, introduces significant changes in the regulation of these instruments which are used as an alternative to bank deposits.

2 Implementation of the 2017 Activity Plan

In its 2017 Activity Plan, the CNMV set 50 objectives for implementing the strategic areas identified for that year. As of the publication date of the 2018 Activity Plan, 86% of the objectives set out in the 2017 Plan had been met. Specifically, of the 43 objectives completed, 91% of the initiatives have been completed on time and the remaining 9% have been completed satisfactorily but with some delay, mainly as a result of the CNMV readjusting its priorities.

As a result, in 2017 the CNMV successfully implemented more of its Activity Plan than in previous years: 86% in 2017 compared with 82% in 2016, 79% in 2015 and 75% in 2014.

A detailed account of the achievement of the objectives set for 2017 is given below according to the different sections into which the Plan is divided: operational improvements in the CNMV, market supervision, supervision of financial intermediaries and relations with investors and other stakeholders.

As regards **operational improvements**, the CNMV achieved 88% of the eight objectives in 2017. This means that the only objective that has not been met is that relating to protecting staff against any liabilities they may incur in doing their job. Nevertheless, work towards achieving this objective has begun in the form of a professional risk assessment so as to estimate the budget for the contract in order to ensure that it covers the specific needs of the CNMV's staff.

With regard to the 15 objectives included under the heading of **market supervision**, 67% were completed while five of them were not achieved. Nevertheless, the CNMV has been working on these objectives and some of them are at a very advanced stage.

Specifically, the CNMV submitted to public consultation the proposal to amend Circular 5/2013, establishing the standard forms for the annual corporate governance report. This review could not be carried out by the expected deadline as a result of the delay in publication of Spanish legislation² transposing Directive 2014/95/EU, of 22 October 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

In addition, with regard to the objective of strengthening software support tools for market abuse investigations, although the CNMV has not been able to achieve this objective by the deadline, it has already begun the procedure to acquire a new data analysis tool. In addition, new investigation monitoring soft-

2 Royal Decree-Law 18/2017, of 24 November, amending the Code of Commerce, the recast text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Account Auditing, in the matter of non-financial information and diversity.

ware is being developed internally which will supplement the data tool and facilitate the CNMV's work in this area. However, it is necessary to wait for completion of the external procurement process in order to be able to accurately define the features of the internal software.

Similarly, the administrative process of approval of Iberclear as a central securities depository in accordance the Central Securities Depositories Regulation is at a very advanced stage. However, given the complexity of the authorisation process, the CNMV has deemed it necessary to establish longer deadlines than those initially set. This delay has had an impact on the review of Circular 9/2008 on accounting standards and confidential and public information statements of market infrastructures, which is being transferred to the Plan.

Lastly, the objective consisting of the critical review of the guides on issuance (equity, fixed income, securitisation and commercial paper) has been put back to 2018 as a result of approval of new European legislation on securitisations and prospectuses, which will enter into force in the beginning and in the middle of 2019, respectively, so that the guides might be revised incorporating the amendments of the new legislation.

In the area of **supervision of financial intermediaries**, 92% of the objectives included in the 2017 Activity Plan have been achieved, with the only one outstanding being that relating to the drafting of a proposal on the reform of legislation on crowdfunding platforms. In view of the special cases that are being developed in the market, the CNMV has deemed it appropriate to postpone this initiative until 2018 in order to put forward a more complete proposal that includes the CNMV's supervisory experience in this area.

Finally, all the objectives included in the section on **relations with investors and other stakeholders** have been achieved.

3 Update of strategic areas 2017-2018

When preparing the 2017 Activity Plan, the CNMV decided to lay out its strategic areas on a two-year horizon.

Accordingly, based on the CNMV's duties and the features of the environment in which it must perform them, the strategic areas were defined for 2017 and 2018.

In view of the advances made in 2017 and the expected regulatory, macroeconomic and financial environment for 2018, the CNMV has decided to reaffirm the same four strategic areas defined in the previous year, although adding an additional area in order to reflect the growing impact of technological developments in financial services.

1. Prioritisation of supervision and promotion of market transparency

This area was set as a priority in a context marked by entry into force, application and implementation of the new common European rules on market abuse (MAD/MAR), the extension of investor protection measures (MiFID II, PRIIPs, etc.) and new European regulations in other areas, such as CSDR, EMIR and the rules on prospectuses.

This context remains applicable and it should be remembered that the key justification for the existence of the CNMV is its role as an oversight body that **promotes integrity, market transparency and the protection of investors' interests**.

As indicated one year ago, the essential objective is to strengthen, through rigorous use of its supervisory powers, the general perception of the Spanish market as a **market of integrity** where the legitimate interests of individuals interact within the rules of the game in the most transparent manner and with high standards of investor protection. Meeting this objective, worthwhile in itself, should also be of benefit to all stakeholders, attracting and retaining investors' funds in the market and thereby making the Spanish market deeper and more resilient to episodes of financial instability.

Consequently, the CNMV will be paying special attention to improving market transparency, the **proper functioning of its infrastructures** and compliance with the most important standards of **conduct and investor protection**.

To do this, it will continue to strictly supervise compliance with regulations on the financial information provided by issuers. It will continue to focus on the fight against market abuse by making full use of the new capacities resulting from European legislation and strengthening investigation tools. In addition, it will pay particular attention to the proper functioning of market infrastructures and the information provided to retail investors either by investment firms or securities issuers.

Accordingly, and without prejudice to maintaining regulatory stability in this area following the changes of 2014 and 2015, the CNMV will continue to pay special at-

tention to **corporate governance** of listed companies, with the aim of continuing to support improvements in corporate cultures and promoting the commitment of companies to ethical and social values.

At the same time, the CNMV will maintain its **policy of publishing technical guides and criteria** to increase transparency in its areas of action and make it easier for supervised firms to comply with regulations, which is particularly important bearing in mind the existence of new areas in which the issuing of criteria is even more necessary. It will also work to promote **fluid interactions with the sector** focused on creating systems for dialogue to make sure the switchover to new regulations takes place efficiently.

2. Enhancing the attractiveness and competitiveness of Spanish securities markets

Work in this area remains a priority.

It is necessary to continue encouraging confidence in **Spanish securities markets as a source of company finance** and building a stable and competitive regulatory regime. The CNMV will continue working to this end in coordination with the sector and will continue to strive to ground regulatory policy in rigorous analysis of the underlying national and international situation.

In 2017, the CNMV worked on preparing the institution and sector for entry into force of the new European regulations. To do this, it paid special attention in this area to its role in presenting regulatory proposals and advice to the Government and the Ministry of the Economy, Industry and Competitiveness in matters relating to securities markets and, specifically, adaptation of the Securities Market Act to MiFID II and the new market abuse regulation. It will continue to carry out this work in 2018. This task will be performed with the aim of providing clarity and legal certainty and pursuing a simplification of regulations that minimises the necessary procedures and requirements, but without compromising the level of investor protection.

In parallel, the CNMV will continue **to work with other European supervisors** to ensure that implementation of European legislation is carried out as uniformly as possible so as to avoid possible regulatory or supervisory arbitrage between countries.

Furthermore, the CNMV will continue **promoting measures, in coordination with other bodies and institutions, that will help attract financial business to Spain.** This has meant defining specific procedures to attract companies and streamline their relationship with the CNMV. A range of other initiatives is also under way to make Spain an attractive option for companies. All of the above is carried out not only with a view to possible relocations of existing UK business, but also looking forward to future projects for investments and expansion which, until recently, would have been unlikely to consider an alternative location to London.

As mentioned, given the shifting context in Europe and worldwide, cooperation between different supervisory bodies remains essential. Among other actions, the CNMV will continue supporting initiatives by the International Organization of Securities Commissions (IOSCO) and seeking to raise the impact and visibility of the fact that this important international organisation is based in Madrid.

In parallel, the CNMV will continue to aim to **fulfil its functions and responsibilities as a supervisor effectively and efficiently**. To do this, the CNMV will continue to put forward proposals to ensure that it is a flexible institution with fast-moving procedures that can adapt quickly in response to the dynamism of financial markets and also to ensure that it has the necessary human resources to properly carry out its functions, whose scope has expanded very significantly over recent years as a result of the financial crisis and the consequent European and domestic regulations. Furthermore, it will continue with investment in technology and driving the project to adapt the CNMV to electronic administration and digitisation of documentation.

In short, these two strategic areas together aim to structure and streamline operations whilst maintaining strict compliance with rules on investor protection.

3. Developing the analysis and monitoring of financial stability in matters relating to capital markets

The CNMV also restates its commitment to this strategic area. As explained one year ago, the financial crisis has highlighted the growing interdependence of financial stability and capital markets. A major part of the work that the Financial Stability Board (FSB) is undertaking relates closely to securities markets. This work will be the **basis of the regulatory regime** that, in the medium term, will define the framework for the role of national securities supervisors.

The CNMV actively participates in IOSCO and the FSB. Also, in Europe, it is a member of ESMA, whose remit includes maintaining financial stability, and the European Systemic Risk Board (ESRB), which has issued recommendations stressing the need for EU Member States to put in place a framework for macro-scale action and tools by establishing macro-prudential authorities.

Given the importance of these questions, the CMMV must, over the next few years, intensify its analysis and monitoring of those areas of securities markets with the potential to have an impact on financial stability.

4. Strengthening financial education and support for investors

The CNMV has been working for some years within the framework of the **Financial Education Plan** alongside the Bank of Spain and with support from the General Secretariat of the Treasury and Financial Policy and the Directorate-General for Insurance and Pension Funds. The aim is to make the Spanish population more aware of the importance of financial education at all stages of life, with particular emphasis on its value as a fundamental element in stability and the protection of financial consumers. The development of the various initiatives under this plan has been supported by a wide range of partners playing an active part in achieving its aims.

In October 2017, the joint commitment of the Bank of Spain and the CNMV was renewed with the signing of a new agreement and following analysis of the results obtained thus far, work is being conducted on a detailed definition of the future strategy of the Plan for 2018-2021.

This strategy will be set out in various targets that will focus particularly on bolstering financial education in schools, increasing financial content in the school curric-

ulum, structuring and expanding the network of partners and consolidating a communication strategy for the Financial Education Plan that raises its profile and reaches more financial consumers

In parallel, the CNMV must continue to pay particular attention to the system for handling **complaints** which reach the institution. Following the recent entry into force of the legislation transposing into Spanish law the Directive on alternative dispute resolution for consumer disputes³, the CNMV will work with the Government and other financial supervisors in Spain to develop a system that better satisfies the demands of financial consumers.

5. Encouraging technological development and the prevention of its associated potential risks

The intensive application of new digital technologies is having a growing impact on the financial services industry, leading to the establishment of new lines of business and the emergence of new operators, both in the provision of services to issuers and investors and in back-office activities.

The new financial technologies, or fintech, also represent an opportunity to improve financial markets. Their application facilitates business models that are more orientated towards the final investor and which may increase efficiency and competitiveness in the financial industry and represent, in turn, a challenge for established firms. Similarly, it poses a challenge for regulators and supervisors, which have to assess its risks for compliance with investor protection objectives, transparency and orderly market functioning.

Supervisors have already started to develop initiatives in this area, both under the scope of international organisations (ESMA and IOSCO) and at a national level. In this context, the CNMV must continue working to follow the developments in this area and their implications, applying an approach which includes **encouraging innovation**.

The institution has enabled an innovation hub of fintech proposals in order to provide help to promoters and financial institutions on legislative aspects of securities markets which might affect their projects, as well as to create a space for communication with promoters and financial institutions about their initiatives in this area. This work must be intensified and organisationally structured so that the CNMV may contribute more effectively to the growing development of this innovative sector and in order to have the necessary information in order to comply with the fundamental objective of investor protection.

Similarly, the possibility of sandboxes in one or several areas may be set out in domestic or European legislation in 2018. The CNMV is paying particular attention to this possible development.

In addition, it is essential for the CNMV to set criteria for application of existing legislation and to detect the need for new regulation with regard to **new phenomena**, such as crypto-currencies or ICOs. The aim is to ensure that investors enjoy

3 Law 7/2017, of 2 November, incorporating into Spanish law Directive 2013/11/EU, of the European Parliament and of the Council, of 21 May 2013, on alternative dispute resolution for consumer disputes.

adequate levels of protection without hindering development of new ideas or projects which may be useful. In order to perform this task, it is essential to have the cooperation of other national and international supervisory bodies.

In addition, the CNMV **will increase the monitoring of aspects relating to technological developments in the markets**, working to ensure that the technology used by market participants is resistant to cyber risks. The CNMV will continue encouraging the use of new technologies in capital markets without neglecting its oversight of the associated risks.

Precisely in relation to **cyber-security**, and further to the work performed over recent years, the CNMV has analysed possible actions to improve cyber-security in the financial area and it has increased its participation in international working groups that are analysing this issue. It will also drive the adoption of measures by market infrastructure operators and the managers of supervised entities to raise standards in relation to cyber-security.

Finally, in order to ensure that all of these technological challenges may be undertaken efficiently, it is essential to emphasise aspects of **staff training** so that the CNMV may have the appropriate know-how in this field without prejudice to the possibility of incorporating new staff with specialised knowledge.

4 2018 Activity Plan

The objectives defined by the CNMV for 2018 are structured into four sections:

1. CNMV's operational improvements
2. Market supervision
3. Supervision of financial intermediaries
4. Relations with investors and other stakeholders

4.1 CNMV's operational improvements

In 2018, the CNMV will strive to continue being an efficient and flexible institution able to adapt to the changing environment of financial markets. As in recent years, the CNMV will continue to strive to offer the highest possible quality in the service that it provides to investors and market participants.

Digital transformation

The digital transformation is bringing significant competitive advantages to organisations. This transformation, which is profoundly changing society and the business world at a breath-taking rate and on a global basis, requires the CNMV to be subject to a constant process of updating.

In this regard, in 2018 (I)⁴ **the CNMV's digitisation process is expected to be completed** in order to culminate its full adaptation to the requirements of electronic administration. Aware of the importance of this process for improving its interaction with the parties falling under its scope, the CNMV has invested considerable technical resources over recent years that have led to over 85% of the incoming documents currently being received by electronic means.

In addition, in 2018 (I), the CNMV will implement a **software quality plan** that, through structured procedures, will contribute towards increasing the quality of the computer systems and tools that the CNMV uses to perform its activities. This plan will also form the basis for assessing the quality of any software developed by third parties for the CNMV.

In addition, the CNMV will **modernise, in 2018 (I), its computer and network environment**. Specifically, the CNMV will introduce significant improvements in tools for processing information, for document management and for high-speed access to networks both for employees and for external users.

Another objective which falls under the CNMV's intention to undertake a digital transformation is the **creation of a specific CNMV app for mobile devices** in order

4 Throughout this document, the first half year of 2018 is referred to as 2018 (I) and the second as 2018 (II).

to extend the target public for information and accessibility from different types of device. Its website is currently the CNMV's main channel of communication and it receives an average of 2 million visits per day and between 55 and 65 million visits per month. In order to achieve even greater dissemination and facilitate access to the most visited contents, the CNMV aims to design and launch this app in 2018 (II), bearing in mind that most Spanish people consult their smartphone on a daily basis and the use of apps is increasing by over 10% every year.

Finally, in 2018 (II), the CNMV will also carry out **digitisation of the CNMV's internal audit processes** with the implementation of a tool that will provide support in the audit performance planning, report and monitoring stages, which together with the strengthening of the staff, will contribute towards improving this vital function in the institution.

Improved efficiency

In 2018, the CNMV will continue to work on improving the efficiency of its actions, strengthening an internal culture of service and quick response.

In 2018 (I), the CNMV will **adapt to the General Data Protection Regulation**, which will apply as from 25 May 2018. To this end, it will review certain internal procedures, striving for an improved and safer management of significant data and it will implement some particularly important measures, such as designation of a person responsible for data protection and encryption of communications.

In addition, in 2018 (I), it will conduct a **study for a possible comprehensive reform of the disciplinary classifications set out in the Collective Investment Schemes Act**, in line with the recent proposal for a new disciplinary regime in the Securities Market Act, which will allow the CNMV to act more effectively in the event of improper behaviour.

Finally, in 2018 (II) a series of **key performance indicators (KPIs)** will be set in order to assess the CNMV's activity and performance. These indicators will make it possible to periodically compare the results obtained with the objectives set and thus improve the efficiency of the CNMV's processes. The new indicators will be included in the CNMV's annual report and periodic publications when they are significant.

CNMV Innovates

In order to implement the new strategic area relating to promoting technological development and preventing its associated potential risks, the CNMV will start up various initiatives aimed at making it an institution that is open to technological innovations.

In 2018 (I), it will conduct an organisational adaptation that involves adding a **new sub-directorate of fintech and cyber-security** to the Department of Strategy and Institutional Relations which will have experts in these fields. This new area will be responsible for internal coordination of the strategic analysis and assessment of fintech-related projects, focusing particularly on any possible impact that these new developments may have on the degree of innovation and competitiveness and on regulation. In addition, this sub-directorate will promote strategic projects related to cyber-security.

Over this year, the CNMV **will pay particular attention to the marketing to investors of crypto-currencies and ICOs**, which are gaining a great deal of attention and whetting the investment appetite of many people. As a result, in 2018 (I), the CNMV intends to publish its criteria to specify the most important aspects relating to the issuance and marketing of these products. In addition, the CNMV will analyse whether it would be recommendable, where appropriate, to make a legislative proposal in this regard that might contribute towards classifying the status and regulation of these phenomena.

It will also conduct a thorough analysis of the potential of new technologies to improve regulatory compliance and address the risks related to financial stability and integrity and the protection of consumer data. In 2018 (II), the CNMV will conduct a **detailed study of the possibilities for regtech**, laying down the conclusions in a report that will include possible specific actions in order to help the CNMV and the industry meet the obligations resulting from supervision and regulatory compliance. Similarly, the CNMV will open an area for this purpose on its website (regtech portal).

In addition, in 2018 (II), the CNMV, in partnership with renowned jurists and experts from the sector, will carry out an **analysis on the possible application of blockchain technology in the field of the securities market**. This technology serves as the basis for the aforementioned ICOs and crypto-currencies, but it is potentially applicable to many other areas of the securities market. Specifically, the CNMV aims to study the desirability and feasibility of using it to represent negotiable securities and, as the case may be, it will put forward the appropriate legislative proposals. In parallel, the CNMV will analyse the application of big data to securities markets with the aim of studying possible tools that might handle the vast amounts of data managed by financial institutions, market infrastructures and the supervisor more efficiently.

CNMV's operational improvements

TABLE 1

	Initiative	Planned timetable (*)
Digital transformation	Completion of the CNMV's digitisation process	2018 (I)
	Software quality plan	2018 (I)
	Modernisation of the CNMV's computer and network environment	2018 (I)
	Launch of an app for smartphones and mobile devices	2018 (II)
	Strengthening the CNMV's internal audit function	2018 (II)
Improved efficiency	Adaptation of the CNMV to the new General Data Protection Regulation	2018 (I)
	Study of a comprehensive reform of the disciplinary classifications of the Collective Investment Schemes Act	2018 (I)
	Publication of the CNMV's Key Performance Indicators	2018 (II)
CNMV Innovates	Institutional strengthening of fintech and cyber-security	2018 (I)
	Publication of criteria on crypto-currencies and Initial Coin Offerings (ICOs).	2018 (I)
	Analysis and promotion of regtech	2018 (II)
	Analysis of possible applications of blockchain technology to market infrastructures.	2018 (II)
	Internal training in new technologies	2018 (II)

(*) Half-year by which the commitment is to be completed.

Finally, in 2018 (II), the CNMV will design and implement a **specialised training programme** aimed at providing the CNMV's technical staff with the skills and knowledge necessary for addressing the challenges of new financial technologies (fintech, cyber-security, blockchain etc.). Increasing the level of training in this area is considered to be essential for bringing about the necessary cultural change in the organisation in order to adapt to new technologies.

4.2 Supervision of the markets

Corporate information

In 2018, the CNMV will continue to monitor firms' financial information.

As part of the annual plan for supervision of the financial information of issuers of securities under substantive review, in 2018 (II), the CNMV will conduct a **special analysis of the breakdowns in the 2017 annual accounts relating to implementation of IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers)**, as well as a review of the subsequent intermediate statements, particularly those of the first half of 2018. The CNMV will draw up a report with conclusions that will be included in the Annual Report on the CNMV's review of annual financial reports. This objective completes the work performed in 2017 to increase the quality and transparency of the breakdowns that issuers include with regard to IFRS 9 and IFRS 15.

In addition, the CNMV intends to perform in 2018 (II) a **specific review of the new Statement of non-financial information** approved by Royal Decree-Law 18/2017, of 24 November, and to draw up a report with conclusions that will also be included in the Annual Report on the CNMV's review of annual financial reports, indicating of reference that are mainly followed and the extent to which securities issuers decide to comply or explain, bearing in mind the non-binding guidelines of the European Commission.

Corporate governance

In this area, the CNMV has driven a significant change over recent years in the applicable framework (standards and recommendations) and it does not expect to make any major modifications, but rather to stress its appropriate application, also bearing in mind that the Circulars that specify the standard forms as well as the Annual Corporate Governance Report and the Annual Directors' Remuneration Report in order to improve the format, avoid duplication and increase their flexibility.

Furthermore, in 2018 (II), the CNMV plans to perform an **analysis of the practical functioning of appointments and remuneration committees**, including an international comparison, with the aim of assessing whether a technical guide should be drawn up with the criteria and practices that the CNMV considers appropriate in this area.

Market supervision

Central Counterparties (CCPs) are critical entities for markets as they manage delivery risk in trading with shares, certain derivatives and repos. In 2018 (II), the CNMV

intends to develop **software that will include ratios or alarms obtained using the periodic information received by Spanish CCPs** (currently, BME Clearing). Automation of the analysis of periodic and standardised reporting of activity data will facilitate more effective supervision.

In addition, in 2018 (II), the CNMV will review **the criteria on the publication of significant or insider information by securities issuers**. Specifically, the CNMV intends to update its criteria published in 2009 on the management of news and rumours spread about listed securities. This review will also take into account the legislative changes that have taken place in this area since 2009, particularly pursuant to the EU's Market Abuse Regulation (MAR). The CNMV will also consider publishing a technical guide as an instrument for setting out these updated criteria.

Data reporting

Article 26 of MiFIR establishes the transaction reporting requirements for investment firms which execute transactions in financial instruments. In 2018 (II), the CNMV intends to conduct a **greater statistical exploitation of the data received through Transaction Reporting** that will help improve its supervisory capacity and provide a full overview of trading in Spanish financial instruments and their derivatives in the European union.

Transaction reporting is essential for market abuse supervision and other obligations imposed by MiFID II and MAR. With the aim of improving its quality, in 2018 (II) the CNMV will carry out a sector supervision initiative through the development and implementation of **quality tests on the database of the FIRDS (Financial Instruments Reference Data System) and the SCORE (transaction reporting)**. The CNMV will report publicly on its monitoring and, as the case may be, will issue recommendations to financial institutions.

Supervision of market infrastructures

In 2018 (II), the CNMV will prepare a **periodic supervision plan for stock exchange governing companies** with specific objectives in relation to significant aspects introduced by MiFID II and MiFIR. Among other aspects, the CNMV believes it should focus on aspects of market microstructure, such as those relating to algorithmic trading, the new obligations of market-makers and publication of data on execution quality.

Furthermore, also in 2018 (II), the CNMV will conduct a review of Circular 9/2008 on accounting standards and **confidential and public information statements of market infrastructures** in order to incorporate a standard form of analytical accounting of Iberclear in order to meet the requirements of the Central Securities Depositories (CSD) Regulation. This will improve economic and financial monitoring by providing a breakdown of revenue and expenses on basic and ancillary services. This objective, which was initially set out in the 2017 Activity Plan, has been postponed as a consequence of the delayed authorisation of Iberclear as a CSD.

Finally, in 2018 (II), the CNMV will complete the analysis of the resolvability of BME Clearing in accordance with international standards (FSB) and resolution legislation in progress (Proposal for a Regulation of the European Parliament and of the Council on a framework for the recovery and resolution of central counterparties and amending Regulations EU No 1095/2010, EU No 648/2012, and EU

2015/2365). The CNMV will then prepare, as a preparatory measure and together with the entity, **the resolution plan of BME Clearing**.

Preparation of criteria

In 2018 (II), the CNMV will begin publication of questions and answers with **criteria on takeover bids and initial public offerings**. The aim is to foster greater dissemination of the criteria that have become consolidated in areas such as these, in which transparency and predictability are extremely important.

Market supervision

TABLE 2

	Initiative	Planned timetable (*)
Corporate information	Report on monitoring of breakdowns in implementation of IFRS 9 and 15	2018 (II)
	Report on the first completion of the non-financial information statement	2018 (II)
Corporate governance	Analysis of the practices of appointments and remuneration committees	2018 (II)
Market supervision	Development of software relating to alarms obtained from periodic information received from the CCP	2018 (II)
	Review of criteria on publication of significant or insider information by securities issuers	2018 (II)
Data reporting	Greater exploitation of Transaction Reporting data	2018 (II)
	Quality tests of the FIRDS database (instrument reference data) and the SCORE (transaction reporting)	2018 (II)
Supervision of market infrastructures	Periodic supervision plan for stock exchange governing companies on significant aspects introduced by MiFID II	2018 (II)
	Review of Circular 9/2018 on accounting standards and confidential and public information statements of market infrastructures	2018 (II)
	Resolution Plan of the Central Counterparty (CCP)	2018 (II)
Preparation of criteria	Questions and Answers (Q&A) about takeover bids and initial public offerings	2018 (II)

(*) Half-year by which the commitment is to be completed.

4.3 Supervision of Financial Intermediaries

New capacities and responsibilities

MiFID II and MiFIR attribute new responsibilities to supervisory authorities aimed at improving the investor protection that the CNMV provides. Specifically, in 2018 (I), the CNMV plans to approve **restrictive measures in relation to trading with binary options and contracts for differences (CFDs)** that are in line with the decisions of ESMA in this area.

In 2018 (II), the CNMV will initiate the **process of authorisation, registration and supervision of benchmark administrators**, as well as supervision of the use of benchmarks by supervised entities and the contribution of input data in compliance with the European Benchmarks Regulation. In parallel, in order to help supervised entities adapt to the new obligations, the CNMV plans to organise meetings and seminars and to prepare questions and answers.

In addition, in 2018 (II), the CNMV intends to **prepare a proposal for legislative reform in relation to crowdfunding platforms**. This objective, which was set out in the 2017 Activity Plan, has been postponed to 2018 in order to prepare a more complete proposal that will include the supervisory experience acquired to date.

Preparation of Circulars

In 2018 (I), the CNMV intends to amend **Circular 4/2008 on the content of collective investment scheme reports**. MiFID II requires that collective investment scheme management companies (SGIIC) inform CIS distributors of the costs not included in the key investor information document (KID) as regulated in UCITS legislation.

For this purpose, the CNMV will amend Circular 4/2008 in order to include additional costs (basically explicit and implicit transaction costs) given that European legislation does not allow modifications to the content of the KID.

In addition, the amendments introduced by MiFID II and supervisory experience make it appropriate to extend the confidential information on compliance with conduct of business rules received by the CNMV from entities that provide investment services. To this end, in 2018 (II), the CNMV intends to amend **Circular 1/2010 on confidential information of entities that provide investment services** in order to correct the deficiencies, such as the absence of information on the breakdown and volume of a large part of the financial instruments held by clients.

Horizontal reviews

In 2018, the CNMV plans to carry out a horizontal review of compliance in several areas of regulation. This will be done by analysing the compliance of all entities with a number of specific regulations or criteria.

In 2018 (I), the CNMV will review the level of compliance with the criteria contained in the Technical Guide published in January 2017 on related-party transactions relating to financial instruments made by collective investment scheme management companies. The CNMV intends to conduct a specific horizontal verification of compliance with the criteria on accreditation and the procedure for authorisation of related-party transactions, as detailed in the Guide.

Similarly, in 2018 (I), both when registering new funds and when updating funds with a target return, the CNMV will conduct a **advertising review**. For this purpose, it will ask the management company to provide all the advertising material that will be used and it will verify compliance with Order EHA/1717/2010, of 11 June, on regulation and control of the advertising material of investment products and services and Article 60 of Royal Decree 217/2008, of 15 February. This review will only be carried out during a limited period (several months) in order to set criteria that will guide the market.

In addition, in 2018 (II), the CNMV will perform horizontal reviews of compliance with the new **restrictions applicable to CFDs**. This review will consist of analysing compliance with the new restrictions approved by ESMA and the CNMV. In addition, in the event that the Circular on warnings is in force, the CNMV will incorporate a review of compliance with this Circular in its horizontal reviews.

Furthermore, in 2018 (II), the CNMV will conduct a review of the **level of adaptation of investment firms to the new information obligations relating to incentives and costs** in accordance with the contents of MiFID II.

This review will focus on the prior and subsequent information on incentives and costs of transactions in financial instruments, although it may be extended to compliance with other obligations or prohibitions relating to incentives, for example the prohibition on receiving incentives linked to portfolio management and advisory services provided on an independent basis. The aim will be to obtain information on firms' level of adaptation in these areas and to identify any weaknesses at an initial stage.

In 2018 (II), the CNMV will review compliance with the **obligations established in the PRIIPs Regulation**. In particular, the CNMV will, on the one hand, review the content of the KID of products of particular supervisory interest, other than CIS, such as structured products and OTC derivatives and, on the other hand, it will review the content of the KID established for certain venture capital entities.

Finally, in 2018 (II), the CNMV will review the **selection procedures of financial intermediaries in the scope of CIS management companies** (related to the rule on best execution). The review will focus on analysing the intermediaries with which each management company is operating, paying particular attention to the fees applied, the effective provision of the service in the case of matched principal trading and adequate selection of the intermediate, in particular where there are conflicts of interest.

Supervision of financial intermediaries

TABLE 3

	Initiative	Planned timetable (*)
New capacities and responsibilities	Approval of national measures restricting trading with binary options and CFDs	2018 (I)
	Implementation of new CNMV powers relating to benchmarks	2018 (II)
	Proposal for regulatory reform relating to crowdfunding platforms	2018 (II)
Preparation of Circulars	Amendment of Circular 4/2008 on the content of collective investment scheme reports	2018 (I)
	Amendment of Circular 1/2010 on confidential information of entities that provide investment services	2018 (II)
Horizontal reviews	Review of compliance with the Technical Guide on related-party transactions relating to financial instruments made by CIS management companies.	2018 (I)
	Review of advertising material on registration of funds	2018 (I)
	Review of compliance with new restrictions applicable to CFDs	2018 (II)
	Review of investment firms' level of adaptation to new MiFID II information obligations relating to incentives and costs	2018 (II)
	Review of compliance with the obligations of the PRIIPs Regulation	2018 (II)
	Review of the selection procedures for financial intermediaries in the context of CIS management companies (best execution)	2018 (II)

(*) Half-year by which the commitment is to be completed.

Relations with the industry and investors

With the aim of promoting good practices in the publication of information, the CNMV plans to complete in 2018 (I) the analysis that it began in 2017 on **practices of publication of information by issuers, the media and the relations between them** and, where appropriate, pass on both to associations representing the media and the media and issuers themselves the conclusions and some identified good practices.

In 2018 (II), the CNMV plans to open a **regional office in Bilbao**, which will work in an integrated manner with the central offices located in Madrid. This measure is taken in order to strengthen the CNMV's presence in financial centres other than Madrid and Barcelona.

In addition, in 2018 (II), the CNMV will conduct the **review of the 2003 Code of Conduct of non-profit entities** for performing investments in order to update it and adapt it to changes that have arisen in the regulatory framework and in the codes of conduct and good governance.

Studies and reports on securities markets

The CNMV will carry out in 2018 (II) an **analysis of the director remuneration policy in Spain**, in comparison with other countries, studying to what extent it is in line with good practices according to international standards and relating it to company and market indicators.

In addition, in 2018 (II), the CNMV will perform an **analysis of the non-banking financial sector in Spain (financial intermediaries)** with the aim of analysing their situation and outlook, key figures, strengths and weaknesses, and their potential implications with regard to non-bank financing of Spanish companies. The work will also include a comparative study with other jurisdictions.

Finally, the CNMV will start up in 2018 (II) a **half-yearly publication** that will characterise the entities, activities and products making up the **shadow banking sector in Spain**. It will monitor the most important figures and indicators, as well as those aspects that might have an impact on financial stability or which may require macro-prudential regulation measures to be designed.

Investor education

In 2017, the CNMV reviewed and updated the content of the Investor Factsheets and Guides, which are small-format publications that provide a practical overview on specific aspects of securities markets which are of direct and immediate interest to individual investors.

In 2018 (I), the CNMV will carry out a **dissemination strategy** which will allow their content to reach all investors and interested parties through new channels and formats. For this purpose, it plans to renew the format of the **Factsheets and Guides** to make them more visual and adapt them to new trends in digital reading (ebook). In addition, the CNMV will increase its use of multimedia resources with videos and podcasts and it will intensify dissemination of content through social networks.

In 2018 (II), the CNMV plans to perform a **detailed analysis of the results of the Financial Skills Survey** conducted over 2017. This macro-survey on the population's level of financial literacy is a joint initiative between the Bank of Spain and the CNMV in the framework of the Financial Education Plan and included in the National Statistics Plan which was carried out in order to measure the financial skills of the adult population in Spain. Once the data are published by the National Institute of Statistics (Spanish acronym: INE), the CNMV plans to exploit the information, preparing studies or statistics that provide an overview of the financial literacy of Spanish families from the point of view of securities markets.

Finally, the CNMV plans to publish, based on the work contained in a sheet to this effect published in August 2017, a **guide with recommendations on investor protection based on the findings of behavioural economics**, which will serve as the basis to determine future actions in the area of investor education. This guide will analyse the main conclusions of the studies relating to behavioural finance that apply scientific research to human and social cognitive and emotional trends so as to allow a better understanding of economic decision-making and an analysis of how they affect market prices, profits and resource allocation.

Encouraging cooperation

As in recent years, the CNMV will continue maintaining an attitude of active cooperation with all supervisors and with important international bodies with regard to securities markets.

The CNMV is aware of the growing importance of the decisions of international bodies in financial markets and believes that it is appropriate to lay down mechanisms in 2018 (II) to **promote the presence of Spanish staff on international bodies, with particular emphasis on European bodies, related to the financial sector**. To this end, among other measures, the CNMV will promote secondments of CNMV staff to these bodies and it will provide greater publicity through its website to the information on available positions, encouraging Spanish professionals from the sector to present their candidacies.

In addition, in 2018 (II), the CNMV will promote the signing of the new **IOSCO MMoU (Multilateral Memorandum of Understanding)**, which will strengthen the sharing of information between supervisors and which requires the signatory competent authorities to hold new powers of execution to respond to the challenges arising in international financial markets.

Finally, in 2018 (II), the CNMV plans to promote the **signing of fintech and regtech cooperation agreements** with various countries (particularly in Latin America). The aim of these MoUs is to strengthen investor protection when receiving investment services provided through financial technology institutions or companies that use technically innovative resources.

Claims and complaints area

In 2018 (I), the CNMV will adapt the **complaints handling procedure** in order to comply with the provisions of Law 7/2017, of 2 November, which incorporates into Spanish law Directive 2013/11/EU, of the European Parliament and of the Council, of 21 May 2013, on alternative dispute resolution for consumer disputes.

In addition, in 2018 (I), the CNMV will improve the **whistleblowing procedure**. For this purpose, it will enable a whistleblowing channel on its website, which may be anonymous, in order to report all types of infringements, without prejudice to the existence of other channels, and it will study the possibility of establishing a specific inbox for reporting companies that are operating without the corresponding licence (usually referred to as “boiler rooms”).

Finally, the CNMV plans to hold in 2018 (II) meetings with the heads of the **Customer Service Departments** of at least ten financial institutions, selecting them based on criteria such as the institution’s importance and the number of complaints received. The aim of these meetings will be to inform the entities of the assessment that the CNMV makes of their functioning and to discuss possible improvements that may be implemented in order to reduce the number of complaints proceedings that must be remedied. In addition, the CNMV will consider the possibility of establishing fast-track communication channels to coordinate, when appropriate, mutually agreed resolutions for the complaints submitted by their customers.

Relations with investors and other stakeholders

TABLE 4

		Planned Initiative timetable (*)
Relations with the industry and investors	Promotion of good practices and the dissemination of information relating to securities issuers	2018 (I)
	Opening of a regional CNMV office in Bilbao	2018 (II)
	Review of the 2003 Code of Conduct on investments of non-profit entities	2018 (II)
Studies and reports on securities markets	Study on the director remuneration policy in Spain	2018 (II)
	Analysis of the non-bank financial sector in Spain (financial intermediaries)	2018 (II)
	Creation of a shadow banking monitor in Spain	2018 (II)
Investor education	New dissemination strategy for CNMV Factsheets and Guides	2018 (I)
	Exploitation of the microdata from the Financial Skills Survey	2018 (II)
	Guide of recommendations on investor protection based on the findings of behavioural finance	2018 (II)
Encouraging cooperation	Promotion of the presence of Spanish staff on European bodies in the financial sector	2018 (II)
	Signing of IOSCO’s Enhanced MMoU	2018 (II)
	Signing of MOUs in the field of fintech and regtech	2018 (II)
Claims and complaints area	Adaptation of the complaints procedure to Law 7/2017, on alternative dispute resolution	2018 (I)
	Improvement of the whistleblowing channel	2018 (I)
	Customer Service Departments	2018 (II)

(*) Half-year by which the commitment is to be completed.

