



# 2020 Activity Plan





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National Securities Market Commission  
Edison, 4  
28006 Madrid

Passeig de Gracia, 19  
08007 Barcelona

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# 1 Introduction

The National Securities Market Commission (CNMV), following its annual practice since 2007, presents its 2020 Activity Plan (hereinafter, the Plan) detailed in this document, with the aim of improving its effectiveness, enhancing transparency and encouraging the sharing of information with the market, investors and supervised entities.

As in previous years, the Plan refers only to a limited part of the work of the CNMV, and it only includes certain objectives selected on the basis of timeliness or innovation with respect to its usual functions and their public reach. A large part of the tasks carried out by the CNMV in its usual function of authorisation, registration and supervision of entities and market supervision, its role as a trade repository and the control of regulated information are not included in the Plan. Nor does the Plan include the regular actions related to disciplinary measures or handling investor enquiries or complaints, the international activity of the CNMV, the publication of studies and statistics or its usual initiatives concerning financial education.

When preparing the 2019 Activity Plan, the institution's strategy was reviewed, defining its strategic lines of action for a period of two years, 2019 and 2020. These strategic lines reinforced the direction in which the institution had already been advancing in the previous two-year period.

Therefore, the 2020 Plan has been developed within the context of the strategic lines defined for the 2019-2020 period that the CNMV considers appropriate to reaffirm.

For the first time, the Activity Plan includes the CNMV Annual Regulatory Plan, which is attached as an Appendix to this document. This is consistent with the entity's new Internal Rules and Regulations (IRR), which were approved by a resolution adopted at the board meeting held last December. Article 38 of the IRR establishes that the CNMV will approve an annual regulatory plan containing the regulatory initiatives to be submitted for approval in the following year and published on its Transparency Portal. This inclusion in the IRR responds to the provision set down in article 132 of Law 39/2015, of 1 October, concerning the Common Administrative Procedure of Public Administrations.

## Economic and financial environment

### Events in 2019

In macroeconomic terms, 2019 was marked by a slowdown in global growth, which is likely to be close to 3%, below the figure of 3.6% achieved in the previous year. This downturn was the result of the negative effects on activity of the restrictions established on trade, but was also influenced by a series of other events and uncertainties. The slowdown in activity coupled with low inflation rates on both sides of the Atlantic caused both the Federal Reserve and the European Central Bank (ECB)

to return to an accommodative monetary policy. In the US, this was manifested in three reductions in official interest rates and in the euro area the change took place progressively. This went from the expectation of a first increase in rates to not ruling out further reductions, which finally took place at the end of the year (for deposits), and additionally a new round of financing for banks (TLTRO) was implemented. The debt repurchase programme was also restarted.

In this context, the **international financial equity markets** rallied strongly, especially at the start and the end of the year, with uncertainties weighing more heavily during the central months. Gains exceeded 20% in most major indexes (particularly in the US, where, for example, the Nasdaq Composite rose by 35%). In Europe, index gains were close to or greater than 25%, except for the Spanish index, which gained 11.8%, and the UK index, with 12.1%. The performance of the stock markets was also marked by declines in trading and low levels of volatility, which partly contributed to the lower trading levels. On the European stock exchanges, trading volumes decreased by around 20% in many cases, with volatility indicators standing at 12.5% on average.

In the **debt markets**, the annual balance reveals decreases in yields, especially in the longer dated segments, despite the increase observed in the last part of the year after the reduction of several uncertainties (for example, the closing of a first phase of a trade agreement between the US and China, the increased possibility of a Brexit deal and the improved economic situation in Germany). In the euro area, the 10-year sovereign debt yield fell between 43 bp for the German bond and 290 bp for the Greek bond. These movements put debt yields at very low levels at the end of the year. In fact, they were in negative territory in Germany and the Netherlands (although this extended to seven countries in October) and below 0.5% in Spain, France, Ireland, Portugal, Belgium, Austria and Finland. Outside Europe, the US bond yield closed the year at 1.91%, 78 bp less than at the end of 2018, while Japanese yields barely changed.

In Spain, activity was not immune to the forces that led to a worldwide slowdown and also began to decline, although GDP growth rates remained above 2%, maintaining a positive differential compared to the euro area average. Employment continued to increase, although at a slower pace, leading to further falls in the unemployment rate, which stood at 13.9% of the active population in the third quarter – a high level, but the lowest since 2008. Inflation fell sharply from the highs seen in April (1.5%) to 0.8% where it ended the year, due to the reduction in prices of energy products. Underlying inflation, which offsets the most volatile elements, remained at close to 1% for most of the year. Turning to the public accounts, the latest forecasts indicate a deficit of between 2.2% and 2.5% of GDP at the year end (2.5% in 2018) and that the debt level will remain close to 100% of GDP.

The performance of the **national financial markets** was relatively similar to that of other key markets, although with some nuances, especially in the equity market, where gains were significant (as indicated, the Ibex 35 rose by 11.8%) but much lower than those registered in other locations. This is due to the different composition of the indexes and to domestic uncertainties, such as the delay in the formation of the new government and the prolongation of the conflict in Catalonia. It was also a particularly bad year for IPOs, in line with the trend observed in other markets.

The gains made by Spanish shares in 2019 caused the price-to-earnings ratio (PER) of the Ibex 35 to increase over the year (from 10.5 to 12.4), although it remains lower

than that of neighbouring markets and the main international benchmarks. Spanish stock market volatility levels were low, as were those of the other international markets and as a result, they closed the year at around 10% (historical lows), putting the annual average volatility at 13.7%.

**Trading in Spanish equities** stood at 805 billion euros for the whole year, its lowest since 2013, and trading on the Spanish regulated market (which fell by almost 21%, to 460 billion euros) continued to be redistributed to other trading venues and competing markets, where volumes were barely reduced (down 1.5% to 345.6 billion euros). Consequently, the market share of the latter registered an increase between 2018 and 2019, from 37.4% to 42.6%. However, observing the performance of this indicator during the year, suggests that it may have reached a cap. This seems to be the case in other European economies in which the market share of the competing venues reached values close to 40% in previous years, tending to stabilise from 2018 (or even decrease) conditioned, in part, by the low level of volatility, which discourages some trading formats that are more common in these competing venues (for example, high frequency trading).

Yields in **Spanish debt markets** declined, as in other European economies, and set new historic lows. In the case of government debt, negative rates extended to the 5-year bond at the end of 2019 and stood at 0.47% for the 10-year (having reached near-zero lows in September). The sovereign risk premium fell from 118 bp at the end of 2018 to 66 bp, as did the risk premiums applied to the private subsectors of the economy (measured as the average of the 5-year CDS). In the case of banks, the risk premium ended the year at 65 bp (108 bp in 2018) and for non-financial institutions it closed the year at 52 bp (78 bp in 2018). This performance was driven by the measures adopted by the ECB (round of financing for banks and resumption of the debt purchase programme) as well as a certain perception of strength in relation to the risk of some companies.

Primary debt market activity data showed a further contraction in 2019. In particular, the volume of fixed income issuances registered with the CNMV stood at 90.07 billion euros, 11% less than in 2018 and the lowest level in recent years. The decrease was widespread among the different types of debt, except for securitisation bonds, which increased by 3%. Within this last type of assets, it should be noted that in 2019 the first securitisation issuances made by Spanish issuers that comply with STS recognition<sup>1</sup> took place for an amount of 4.573 billion euros. The largest decline in debt issuance took place in non-convertible bonds, affected by the sharp decline (31%) in issuances made by the SAREB. It should be noted that debt issuances made in the Alternative Fixed Income Market (MARF) stood at 10.3 billion euros in 2019, an increase of 66% compared to 2018. Most of the issuances made in this market are short term (promissory notes).

On the other hand, fixed income issuances made by Spanish issuers abroad, based on data up to November, continued to increase at a rate of 6.7%, standing at 91.13 billion euros. This is higher than the amount registered with the CNMV for the year and represents 50.3% of the total issuances (46.9% in 2018). It is worth highlighting the good performance of long-term debt issuances abroad, which advanced 29% to more than 48.5 billion euros.

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1 Simple, Transparent and Standardised (STS).

Finally, the **collective investment industry** in 2019 gradually recovered from the market turbulence experienced at the end of 2018, which resulted in significant redemptions by investors. Subscriptions increased as the year progressed, but the presence of several uncertainties made the nature of the investments more conservative and they were directed at fixed income funds to the detriment of other fund categories. The stock market gains seen in the year prompted the recovery of fund assets, which at the end of November stood at more than 276 billion euros, 17 billion more than at the end of 2018. There was also an increase of 413,000 in the number of unitholders, which put the total figure at 11,631,000. Likewise, the growth in foreign collective investment schemes continued, where assets exceeded 177 billion euros in the third quarter of the year, which represents almost 37% of the total CIS assets traded in Spain.

### Outlook for 2020

According to IMF estimates, **global GDP growth** will intensify in 2020 towards rates close to 3.3%, following the slowdown experienced in 2019. The most significant improvements will occur in emerging economies, affected in the past by certain political and social tensions, and in Europe, which will be boosted by the resolution – in principle favourable – of Brexit, the disappearance of specific factors that negatively affected German production and, above all, the recovery of international trade. For the **Spanish economy**, some slowdown in activity is expected to continue, with growth of between 1.5% and 1.6%, due to the decline in domestic demand.

The resolution of some past uncertainties, which, in Spain, relate mainly to the formation of a new government, give rise to moderate optimism regarding the **performance of the financial markets**, which in 2020 face the third year of MiFID II regulations. However, it is necessary to be cautious, as there are still relevant **sources of risk** of a different nature, which may impair its performance or lead to a re-emergence of instability. These include the existence of certain geopolitical conflicts and the possible accumulation of financial imbalances in the current context of low interest rates.

The interest rate environment will clearly be one of the most relevant factors in the development of the financial markets. It is true that the situation is having a mitigating impact on the financial burden of the most indebted agents, but it also drives indebtedness and investment decisions in higher risk assets (**search for yield**).

The monitoring of these imbalances and other financial risks, such as that related to the liquidity conditions of the assets, is key. In this regard, the identification, evaluation and mitigation of financial risks in the area of **non-bank financial intermediation** is becoming increasingly important, in a context in which there is consensus on the appropriateness of increasing the participation of market funding in the financing of the economy, demonstrated by the relaunch by the new European Commission of the **Capital Markets Union** project, which the CNMV is following with the utmost interest.

Also, given the existing incentives, which are driving the assumption of greater risks, it will still be important to monitor the type of financial products issued by entities and how they are marketed among **retail investors**.

Lastly, one event that may have an effect on local stock markets is the **possible change in the control of the Spanish market infrastructure manager** following the takeover bid presented by the Swiss market operator.

## Regulatory context

The past year in Spain has been marked by regulatory stability with regard to the stock market. In 2019, there could have been significant changes as a result of the application of certain European standards, but political circumstances prevented their transposition or adaptation to the Spanish legal system.

Now that parliamentary activity has been resumed, it is expected that this year will see the inclusion in the internal system of certain European standards such as the Directive on shareholder rights,<sup>2</sup> the Securitisation Regulation<sup>3</sup> or the new Prospectus Regulation.<sup>4</sup>

The **Shareholders Directive**, the transposition of which expired last June 2019, includes measures aimed at promoting the long-term engagement of shareholders to contribute to a more sustainable development of companies. Currently, the Directive is still being transposed and last June saw the end of the period of public consultation organised by the Ministry of Economy and Business (currently the Ministry of Economic Affairs and Digital Transformation) on the draft bill which would amend the recast text of the Spanish Corporate Enterprises Act, as well as other rules, to transpose this European standard. The CNMV has been collaborating – and will continue to do collaborate – actively in all the work related to this important initiative.

Work is also being done to incorporate the **Securitisation Regulation** into Spanish Law. This has been in force since 1 January 2019 and the objective is to establish a general framework for securitisation, in addition to introducing a specific category of simple, transparent and standardised securitisations (STS).

In addition, in 2019 several European standards were approved, including the review of the European System of Financial Supervision and the review of the **EMIR Regulation**.

The **review of the European System of Financial Supervision**<sup>5</sup> within the framework of the Capital Markets Union, resulted in the modification of the regulations

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

3 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.

4 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 on a regulated market, and repealing Directive 2003/71/EC.

5 Regulation (EU) 2019/2175 of the European Parliament and of the Council, of 18 December 2019, amending Regulation (EU) No. 1093/2010 establishing a European Supervisory Authority (European Banking Authority), Regulation (EU) No. 1094/2010 establishing a European Supervisory Authority

governing the three European supervisory authorities, including the European Securities and Markets Authority (ESMA), and has reinforced its governance and functions with the aim of establishing a more effective and efficient financial supervisory system.

The **EMIR** (European Market Infrastructure Regulation) review, better known as EMIR II, resulted in two Regulations, one of which, **EMIR REFIT**, updates the transparency and clearing obligations of over the counter (OTC) derivatives and entered into force in June 2019; and the other, **EMIR 2.2**,<sup>6</sup> on the supervision of central counterparties (CCPs), includes the treatment of counterparty clearing houses in third countries and entered into force on 1 January.

Lastly, the end of 2019 saw the approval of the new **European Directives<sup>7</sup> and Regulations<sup>8</sup> that regulate the solvency obligations of IFs**, the transposition of which will foreseeably be implemented throughout 2020.

At European level, work will continue on promoting the **Capital Markets Union** project. After completing the original action plan, the European Commission is currently assessing the status and milestones achieved, and is contemplating possible additional actions.

In addition, and as part of the action plan for sustainable financing, in 2020, the pending legislation on **sustainability** should continue to be negotiated, highlights of which include the new taxonomy on sustainable investment.

Throughout 2020 the work scheduled by the European Commission for the possible review of some aspects of recent European regulations is also expected to progress significantly, such as the **MiFID II-MiFIR** package and the **Market Abuse Regulation**. The CNMV, in particular, wishes to contribute to this reflection and actively supports the Ministry of Economic Affairs and Digital Transformation in the analysis of their effects and possible amendments to the MiFID II Directive, which was incorporated into Spanish law in 2018.

Lastly, at **national level**, in 2020 a **tax on financial transactions** (generally referred to as such, but similar to the French and Italian tax already in force, taxing the acquisition of shares in Spanish large cap companies) could be established and a **draft bill for the digital transformation of the financial sector** could be approved, which will include the creation of a sandbox or controlled testing space.

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(European Insurance and Occupational Pensions Authority), Regulation (EU) No. 1095/2010 establishing a European Supervisory Authority (European Securities and Markets Authority).

6 Regulation (EU) 2019/2099 of the European Parliament and of the Council, of 23 October 2019, amending Regulation (EU) No. 648/2012 as regards the procedures and authorities involved for the authorisation of CCPs and requirements for the recognition of third-country CCPs.

7 Directive (EU) 2019/2034 of the European Parliament and of the Council, of 27 November 2019, on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2019/36/EU, 2014/59/EU and 2014/65/EU.

8 Regulation (EU) 2019/2033 of the European Parliament and of the Council, of 27 November 2019, on the prudential requirements of investment firms and amending Regulations (EU) No. 1093/2010, (EU) No. 575/2013, (EU) No. 600/2014 and (EU) No. 806/2014.

## 2 Implementation of the 2019 Activity Plan

In the 2019 Activity Plan, the CNMV formulated 44 actions or objectives aimed at developing the strategic areas of the institution. Up to the date of publication of the 2020 Activity Plan, **37 (84%) had been completed**. Therefore, in 2019, a degree of completion of the Activity Plan was achieved in line with that of the previous years: 78% in 2018, 86% in 2017, 82% in 2016 and 79% in 2015.

The follow-up of the objectives set in the 2019 is detailed below according to the Plan's different sections: i) the CNMV's operational improvements, ii) market supervision, iii) supervision of financial intermediaries and iv) relations with investors and other stakeholders.

With regard to the section on the **CNMV's operational improvements**, five of the nine planned objectives (56%) were fully met during 2019 and significant progress was made in relation to another two (22%) that will be completed in the coming months.

Regarding each of the objectives completed:

- In 2019, the CNMV developed **multiple initiatives in the area of social responsibility**. Specifically, initiatives such as increasing recycling points at headquarters, reducing paper consumption, conducting mindfulness sessions for employees and developing financial education campaigns, including some aimed at disadvantaged groups and talks given at schools about financial sustainability. In addition, charging points for electric vehicles were installed at the CNMV's offices in Madrid.
- With the aim of introducing **improvements in the governance of risk management at the CNMV**, an internal risk committee was created in 2019 and a chief risk officer appointed with a direct line of communication with the CNMV Chairman. Once the governance in this area had been reinforced, progress was made in the development of a new management and identification policy for relevant risks, which will redefine and simplify the institution's risk map.
- Following the training effort rolled out in recent years, in 2019, **specific training actions for new technologies were carried out aimed at a significant number of CNMV technicians**. Various training sessions were held on key issues such as blockchain, cybersecurity or automated advice (robo advisors), which were attended by a large number of CNMV technicians. As part of the new objective of the Digital Transformation Plan, included in the Plan for 2020, comprehensive training actions will continue to be taught and courses are already planned on cloud computing and crypto-assets.

- The institution has made decisive progress to achieve the **full adaptation of the CNMV to the requirements of electronic administration**. During 2019, all CNMV procedures were reviewed and where necessary adapted to legal requirements. This is despite the fact that within the context of the objective defined for 2020 regarding the digital transformation process, progress continues to be made that goes beyond the legally required minimums.
- **Regarding the standardisation of requests related to the official records of the CNMV**, specifications have been defined and the corresponding developments carried out.

The objectives in this area, where progress has been made, but which have not been completed, are the following:

- In 2019, progress was made on the launch of a **survey among market participants concerning the operations of the CNMV**. After the corresponding public bidding process, the CNMV awarded the contract for the design, execution and analysis of the results of the survey to SIGMADOS, which will start work early in 2020 with the aim of finalising the process during the first half of the year.
- With the aim of **promoting and strengthening internal communication channels**, in 2019 a comprehensive review was carried out of the CNMV intranet, which is the main means of communication with employees. A document is about to be published to start the public procurement process for the company to execute the project.

Lastly, there are two objectives where no progress was made:

- **Acquisition of a new technological tool to facilitate the treatment and analysis of large volumes of data for monitoring purposes**. The CNMV has decided not to acquire this new tool for the moment, taking into account that it has identified the need to undertake a global strategic plan for information systems (action included in the Plan for 2020). One of the objectives of the Plan is to define the technological tools and infrastructure to be used in the different areas of action of the CNMV and analyse which is the most appropriate tool for the treatment of large volumes of data.
- Neither has the **implementation of the regulatory testing bench or sandbox** been carried out, since the corresponding regulations have not been approved. The Draft Bill for the digital transformation of the financial system was approved in the first instance by the Council of Ministers on 22 February 2019, but has not advanced past this stage.

In relation to the nine objectives included in the **market supervision** section, 8 (89%) can be considered to be complete; the remaining objective could not be achieved, as the necessary prerequisites were not met.

The completed objectives are as follows:

- In 2019, the necessary changes were made to the CNMV website and electronic office to allow the **automatic publication of notifications on voting rights and financial instruments**. Specifically, the pages of voting rights

notifications, previous notifications and the inclusion of the issuer's LEI have been adjusted.

- Regarding the **review of certain recommendations of the Code of Good Governance**, the task can be considered complete taking into account the scope foreseen in the 2019 Activity Plan. Towards the end of the year, a decision was taken to add a series of additional modifications to the works that have already been completed from the perspective of the initial objective, as per the indications in the CNMV notice of 25 November 2019, related to certain cases of irregular practices in some listed companies. This extension of the scope of the review has determined that this initiative shall once again be included as one of the objectives for 2020, notwithstanding its completion in 2019. On 15 January 2020, the complete review proposal was submitted for public consultation and examined by the Advisory Committee on 20 January.
- **Analysis of the application of IAS 33 (Earnings per share)**. The result of the analysis, together with recommendations to improve the application of the standard, are detailed in the annual report on the supervision of financial information provided by issuers corresponding to the 2018 financial statements, which will be published in February 2020.
- In October 2019, with the attendance of more than 200 people – associated with companies and professionals –, the CNMV held an **information day on the implications of the submission of the annual financial report in the European Single Electronic Format from the 2020 report onwards**, in order to facilitate the use of this new format in Spanish companies.
- **Specific analysis of the statement of non-financial information for 2018**. The result of the analysis, together with corresponding recommendations are detailed in the annual report on the supervision of financial information provided by issuers with regards to the information from 2018, which will be published in February 2020.
- In June 2019, the CNMV published its *Operational guide for Internalised Settlement Reporting to CNMV*, which includes **criteria related to the implementation of the settlement internalisation system**. Additionally, the CNMV is preparing a supplementary FAQ document, which will contain more detailed explanations.
- In November 2019, the CNMV published Circular 2/2019 amending **Circular 1/2017 on liquidity contracts**, to review the accepted market practice contained in this standard, so that it facilitates, while attending to the demands of the market participants, access to liquidity contracts by a greater number of issuing companies, especially those with shares listed on markets such as the Alternative Stock Market (MAB).
- **Analysis and, where appropriate, review of the CNMV's recommendations on discretionary trading in treasury stock**. After the analysis was carried out during the year, on 13 January a statement was issued withdrawing and nullifying the 2013 criteria on discretionary trading in own shares.

As regards the sole objective of this chapter which has **not yet been met**, the **Annual Corporate Governance Report and the Annual Report on Directors' Remuneration**

**models** must be changed to include the amendments derived from the review of the recommendations of the Code of Good Governance and of Directive (EU) 2017/828. The reason is the delay, as previously explained, in the approval of the amendments of the Code of Good Governance and failure to transpose the Directive.

Turning to the **supervision of financial intermediaries**, 93% of the 15 objectives included in the 2019 Activity Plan have been met, with only the mystery shopping exercise pending completion, as detailed below.

A brief summary of each of the objectives met is included below:

- First, in relation to the development of technical guides, the CNMV has completed the three planned for 2019:
  - **Technical guide for CIS management companies on best execution and the selection of intermediaries**, which was published on 3 February 2020. The objective of this guide is to convey a series of criteria derived from the supervisory experience of the CNMV on the procedures established in the selection of financial intermediaries and counterparties involved in the execution of transactions made by CISs and other managed portfolios, to ensure the best possible results, as required by regulations.
  - **Technical guide on ancillary activities of investment firms**, published in June 2019. This guide has identified the main aspects that investment firms should consider when deciding to carry out ancillary activities and, in particular, the interpretation of the CNMV concerning the scope with which such services can be developed, to ensure that the corporate purpose of these types of entities is not distorted.
  - **Technical guide on the authorisation procedure for new firms**, which was published in November 2019. This guide contains recommendations and good practices to facilitate and expedite the authorisation processes of IFs, CISMCS, closed-ended investment scheme management companies (CEISMCS) and crowdfunding platforms (CPs).
- **Review of entity authorisation procedures (authorisation manuals)**. The review of the IF, CISMCS, CEISMCS and CP authorisation manuals has been carried out.
- **Review of compliance with ESMA's decision on CFDs and binary options**. In 2019, the CNMV carried out supervision tasks to analyse compliance by the entities that operate in Spain with the measures included in the ESMA decision regarding CFDs. The CNMV also approved intervention measures in relation to binary options and CFDs at the end of June 2019. The content and scope of the measures is substantially equivalent to those agreed by ESMA, which, after numerous extensions, ceased to apply. These measures apply to all entities that market these products in Spain, regardless of their country of origin.
- **Horizontal review on investments by CIS in other CIS managed by their management company**. The proceedings have been completed and the corresponding report was submitted to the Executive Committee in December 2019; a statement on practices to be followed in this area was disseminated.

- **Performance of specific inspection actions related to the quality and coherence of the information collected from customers to assess suitability and appropriateness.** The actions have been carried out and the communications with the facts detected sent to the affected entities.
- **Horizontal review regarding the online operations of entities providing investment services.** In 2019, a review of online operations was performed on the main financial instruments (CIS, ETF and listed shares and derivatives) carried out by eight credit institutions that account for 54% of the total transactions on these instruments carried out online. The review focused on the fulfilment of the different information obligations in the reception and transmission of orders (RTO), advisory and portfolio management services.
- **Horizontal review of non-quantitative information included in periodic public information (PPI) of the CISs.** To facilitate and expedite the revision of the PPI content, an automation process has been implemented using Python programming language, which provides direct access to all available databases, obtaining the result (or output) immediately, which in this case would be the identification of CISs that present deficiencies in regard to any of the different quantitative and qualitative content required in the PPI. The analysis was carried out on the basis of the first six month report for 2019, with a total universe of 1,668 registered funds, which is a vast improvement on the samples in previous analyses.
- **Strengthening the monitoring of the activity carried out in Spain by entities that operate under the freedom to provide services.** A unit created for this purpose carried out an action to obtain and follow-up the activity performed in Spain by entities that operate under the freedom to provide services, especially in the area of CFDs. Any incidents detected were transferred to the corresponding supervisors, and there are plans to disseminate a statement describing the bad practices identified.
- **Horizontal review of the entities included in the CNMV's list of titles or certificates that accredit the qualification to inform or advise.** The documentation of a representative sample of entities was selected and requested.
- **At the request of the CNMV, in 2019, a company was contracted to collaborate in specific investigations using mystery shopping techniques.** The horizontal action that will be carried out in the first half of 2020 has already been designed to involve a **monitoring exercise (through mystery shopping), of the marketing process for financial products in the commercial networks of a sample of entities.**
- **In October 2019, a conference was held to discuss the preparation and adaptation to the reform of interest rate indexes,** which was well received and in which representatives from the private sector and public institutions such as the ECB, the European Commission and ESMA participated.
- **A questionnaire** was submitted, prepared in collaboration with the National Cryptologic Centre (CCN), to collect information on **cybersecurity in IFs and CISMCS** (all entities, not just a sample, as originally established in the Plan), to assess their level of maturity in this area. In the first quarter of 2020, the infor-

mation received will be analysed and progress will be made on the objective to publish a technical guide with recommendations in this area during the year.

Lastly, 11 objectives were included in the section on **relations with investors and other stakeholders**, of which 10 (91%) were completed. The corresponding actions were initiated for the remaining objective.

A brief summary of each of the objectives considered to have been met is included below.

- All objectives related to **financial stability** have been achieved. Specifically:
  - In July, a **report on macroprudential policy was published from the perspective of the securities markets and the role of the CNMV** in this regard.
  - Also in July, an **internal committee was created for the monitoring and analysis of systemic risks in the securities markets**. This internal committee is also in charge of assisting the CNMV's representatives on the Macroprudential Authority Financial Stability Board (AMCESFI).
  - Lastly, in December, an **analysis of interconnections in the financial system** was presented at an internal seminar, which is due to be published in the first quarter of 2020.
- There have also been multiple **actions aimed at strengthening international cooperation in the area of information exchange**. Specifically, a computer tool was acquired for the encryption of communications with other authorities and contacts have been reinforced, through calls and *ad hoc* meetings, with the authorities with which the largest flow of requests is held.
- A **study was performed on the costs and returns of Spanish investment funds compared to European funds**. The *CNMV Bulletin* for the third quarter of 2019 included an exhibit that summarised the preliminary results of the study, which will be published in the first quarter of 2020 (and offers a positive view regarding the costs but not the returns of Spanish funds).
- In the area of **financial education**, the CNMV has also completed its planned actions. Firstly, a **guide aimed at university students** was prepared and, secondly, a **sheet on Fintech** was published in January 2020, highlighting the most relevant issues for investors.
- In 2019, monitoring and the issuance of alerts concerning **unauthorised entities** were stepped up through two main actions:
  - Firstly, in March and July two **agreements** were signed with the **General Directorate of the Police and the Civil Guard**, which include collaboration on investigations in this area as a matter of importance.
  - Secondly, personnel were increased in the corresponding department, which has allowed the CNMV to intensify its activities to identify entities, the general monitoring of the phenomenon and collaboration with other related internal and external bodies.

- **Possible measures aimed at restricting the advertising of CFDs and other complex financial products among the general public.** An analysis of the advertising of CFDs and other particularly complex financial products among the general public was carried out. The conclusion of this analysis is that it would be appropriate to establish limitations on the advertising of CFDs and binary options (BOs) and prohibit certain types of targeted advertising among the general public, in line with the measures implemented in other European countries. This would also be consistent with the intervention measures approved by the CNMV in 2019, which set restrictions on the marketing of these products among retail investors.

The objective that has not yet been achieved is the **Circular on the advertising of services and investment products**, which would implement, specifying certain aspects, the applicable Ministerial Order (Order EHA/1717/2010, of 11 June). At this time, work continues on the preparation of a proposal.



### 3 Strategic areas 2019-2020

On preparing the Activity Plan for 2019, it was decided, as on previous occasions, to review and establish the strategic areas of the CNMV for a period of two years, specifically for the years 2019 and 2020. The established strategic areas reinforce or deepen the direction in which the institution was already advancing in the previous two year period, namely:

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

Within the context of the preparation of the CNMV Activity Plan for 2020, it was considered whether to maintain or amend the strategy for these three main areas and, in view of the developments made during 2019 and forecast environment for 2020, it was decided that they should be continued under the same terms.

#### 1. Supervision as a priority

Regarding the first strategic area, among the multiple activities and functions performed by the CNMV, **the supervisory function will continue to be given full priority**, with the objective of promoting the integrity and transparency of the markets and the protection of investor interests.

This supervision must be decisive and the principle of scepticism must be taken into account. Emphasis should be also placed on those supervisory actions that generate added value, focusing on relevant aspects and making an efficient use of resources. Among other aspects, in order to contribute to raising the degree of transparency of the markets, special attention will continue to be given to the quality of financial information and relevant information.

The public presence of the CNMV as a supervisor should continue to be encouraged in order to strengthen the preventive supervision and visibility of the institution, by promoting communication activities and the dissemination of messages of interest.

Further, within a context in which supervisory convergence is a priority, all supervisory work must be carried out in a coordinated manner with Europe.

#### 2. Promoting competitiveness and strengthening the Spanish market

Regarding the second strategic area, **promoting competitiveness and strengthening the Spanish market**, work will continue to make the Spanish financial market

as competitive as possible, so that companies are able to turn to it as a source of financing. To do this, it is necessary to continue to develop a culture of providing services to investors and other market participants, streamlining processes and simplifying requirements and procedures, whenever possible.

It is necessary for the CNMV's actions to be predictable, as this creates legal certainty, and for the regulatory framework to be competitive and comparable in all areas with those of other major European countries.

Regarding corporate transactions, the CNMV must continue to maintain an open attitude and exercise its supervisory function with quality and technical rigour and avoid unjustified delays.

Lastly, the CNMV will continue to pay attention to new trends and, where appropriate, promote the incorporation of sustainability into its actions in relation to aspects such as the corporate governance of listed companies or certain characteristics of investment products.

### 3. Attention to changes and new market phenomena driven by technology

Regarding the strategic line related to **attention to changes and new market phenomena driven by technology**, the CNMV will continue to maintain a favourable view of innovation and the use of new technologies, but, at the same time, will act with the necessary caution and without neglecting the supervision of risks.

In this area, everything related to the digital transformation of the CNMV's activity is also relevant.

\* \* \*

The selection of these three strategic areas at the beginning of 2019 did not imply decreasing the importance of other objectives, such as continuing to work in the area of **financial education** or paying special attention to **financial stability**, an approach that is expected to be maintained in 2020.

The increasing attention given to **financial stability** by specialised international bodies was already recognised in the 2019 Activity Plan.

The CNMV was already working on the analysis and monitoring of systemic risk, but in 2019 this function was reaffirmed and, to a greater extent, formalised with the creation and CNMV's participation in AMCESFI. An internal committee has been set up for the purpose of identifying, analysing and monitoring the factors that may cause systemic risk in the securities markets, as well as proposing the implementation of appropriate risk management measures that could affect financial stability and support CNMV representatives in AMCESFI.

In this area, the CNMV's analysis focuses on various aspects, including the liquidity of fund portfolios or investors' risk appetite, in order to detect potential weaknesses. Also of particular note is the monitoring of new risks such as crypto-assets and non-bank financial intermediation in general.

The detection and mitigation of systemic risk is clearly linked to the supervisory function carried out by the CNMV. Protecting financial stability also helps to make securities markets stronger and more competitive and protects investors and, conversely, actions aimed at protecting investors have positive effects in terms of financial stability. These considerations make it reasonable not to incorporate a specific strategic area related to financial stability.

It also highlights the relevance that all matters related to **sustainability** have acquired as a form of value creation in the short- and long-term. Specifically, in the area of finance, multiple initiatives are being carried out at national and international level in order to incorporate environmental, social and governance factors into investment decision-making.

This process affects all market participants: investors, securities issuers and intermediaries. As a supervisory entity, the CNMV must pay attention to these new trends and contribute decisively so that the non-financial information disseminated by issuers on these aspects is clear and reliable and that investors are adequately informed. Likewise, paying attention to new trends, and especially to sustainability, is related to promoting competitiveness and strengthening the Spanish market.

Of particular note, in 2019, the CNMV participated very actively in different forums related to sustainable finance, both nationally and internationally, and also set up an internal committee to identify, analyse and monitor the various initiatives, support the representatives of the institution in the various forums and identify and analyse possible internal initiatives.

All this is compatible with the fact that it has not been considered necessary to include a specific strategic area referring to the work being carried out by the CNMV in relation to sustainability.

In short, although 2019 confirmed the growing importance of all aspects related to financial stability and sustainability, the CNMV considers that both these issues are covered in the strategic areas already defined for the 2019-2020 period.



## 4 2020 Activity Plan

### 4.1 CNMV's operational improvements

The 2020 Activity Plan details a set of objectives aimed at making the CNMV a more efficient institution, capable of responding to the demands of markets that are undergoing relevant change. In this sense, and following the strategic lines established for 2019-2020, the digital transformation of the institution should be a priority.

#### Digital transformation

The CNMV will shore up its efforts to ensure it has the technological resources required by a modern supervisor and strengthen the procedures and operating channels made possible by new technologies.

To this end, the design and implementation of a **comprehensive plan for the digital transformation of the CNMV** is projected for 2020 (II). In 2018 and 2019, as reflected in the corresponding activity plans, the CNMV invested a great deal of effort to develop its digitalisation process. The institution has decided to intensify the work in this area in 2020 by giving priority to the need to address the required actions in a consistent and systematic manner through a comprehensive Plan. The Plan will focus on increasing the efficiency of the processes and promoting the use of new technologies, in order to increase the CNMV's agility, flexibility and innovation capacity.

To do this, the CNMV has already set up a Digital Transformation Committee, formed by the institution's most senior officers, which will be the body driving and supervising the process. This Committee will be responsible for approving the Plan, which will affect all departments of the organisation, and create a Digital Transformation Office for the detailed execution of the Plan, assisted by a specialised external provider.

Directly related to the previous objective, the CNMV has proposed for 2020 (II) the implementation of a **strategic information systems plan**, to analyse the current situation of its information systems and determine the medium-term needs of the institution, taking into account the Digital Transformation Plan.

#### Sustainability

The CNMV is highly committed to sustainable finance and, in general, to sustainability, a phenomenon that is increasingly of interest to investors and affects securities issuers and the providers of investment and asset management services. Investors are increasingly demanding reliable information on environmental, social and governance aspects and the CNMV must ensure that they can access this informa-

tion and that it is clear, sufficient and of high quality. All this in a context in which European regulations have recently been approved or are about to be implemented.

The CNMV also pays attention to sustainability as an organisation. In 2019, in accordance with the provisions of the Activity Plan for the year, several concrete actions were carried out to make it a more sustainable organisation, such as the installation of charging points for the electric vehicles of employees, the promotion of initiatives aimed at reducing the consumption of paper and plastic and the launch of certain measures to support health and well-being at work.

Continuing these efforts, and notwithstanding any additional concrete actions that may be implemented, in 2020 (I) the CNMV will carry out a **general evaluation of its sustainability position**, defining an action plan in this regard, a coordinated and standardised action plan for the whole institution that includes efforts to achieve a greater impact.

### Staff related measures

The CNMV considers that its human capital is an essential asset to be able to carry out its functions in an agile and effective way.

In 2020 (I), **the current teleworking policy of the institution will be analysed** and reinforced, continuing with its commitment to teleworking for a large group of the workforce that the CNMV has provided in recent years.

The teleworking policy will always be subject to guaranteeing the provision of services. This measure is also related to the general principle of sustainability mentioned in the previous objective.

Additionally, in 2020 (II), the CNMV will formally establish an **internal whistleblowing channel** similar to those that exist in companies that stand out for their best practices. Specifically, ahead of European regulations,<sup>9</sup> an internal procedure will be developed and an adequate tool will be established so staff may report irregular behaviour or infractions of the legal system within the CNMV. These complaints may be anonymous.

### Boosting competitiveness

In order to strengthen the Spanish market, measures will continue to be taken to make the Spanish financial market as competitive as possible, so that companies increasingly use it as a source of financing.

In 2020 (I), a proposal to **update the CNMV's fees** will be prepared. More than four years after the entry into force of the law that regulates them,<sup>10</sup> developments in market operations and the application of new European regulations such as MiFID II have revealed some possible imbalances in taxable events, applicable fees and

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9 Directive 2018/0106 on the protection of persons reporting on breaches of Union law (<https://data.consilium.europa.eu/doc/document/PE-78-2019-INIT/en/pdf>)

10 Law 16/2014, of 30 September, regulating the fees of the National Securities Market Commission (<https://www.boe.es/boe/dias/2014/10/01/pdfs/BOE-A-2014-9895.pdf>)

certain nomenclature and, in addition, the extent to which the surplus generated in previous years may have a structural component. The review will also take into account the objective of ensuring that the CNMV's fees system contributes to the competitiveness of Spanish markets.

In 2020 (II), the CNMV intends to **streamline certain authorisation processes by enabling specific procedures on the CNMV website (Electronic Office)**. Specifically, it will begin by applying these procedures to a series of non-complex files, for instance, those related to changes of members of the governing bodies of regulated entities and mergers of investment funds.

These files require a high administrative workload and it has been observed that the documentation, despite the existence of models, frequently has deficiencies. Therefore, filters will be included to ensure that the information and documentation are presented correctly. This initiative is proposed as a pilot, so that it can be extended to other procedures in the future, including procedures for authorising entities.

### CNMV's operational improvements

TABLE 1

	Initiative	Calendar (*)
<b>Digital transformation</b>	CNMV comprehensive digital transformation plan	2020 (II)
	Strategic information systems plan	2020 (II)
<b>Sustainability</b>	Analysis and global sustainability plan (ASG) of the CNMV as an organisation	2020 (I)
<b>Staff related measures</b>	Review and promotion of teleworking policy	2020 (I)
	Formal establishment of an internal whistleblowing channel	2020 (II)
<b>Boosting competitiveness</b>	Update of the CNMV fees	2020 (I)
	Streamlining of authorisation processes through specific procedures on the website (Electronic Office)	2020 (II)

(\*) Six month period in which the commitment is to be completed.

## 4.2 Market supervision

The 2020 Activity Plan contains several specific objectives related to market supervision, as in previous years.

### Financial and non-financial information

In 2020 (II), the CNMV will carry out a **horizontal review of the degree of compliance with IFRS 16 (Leases)**.

The entry into force of IFRS 16 on 1 January 2019 (the scope of which is transversal, since it affects companies from very different sectors), will represent a great change in the accounting treatment of leases that have been classified up to now as operational and bring a certain degree of complexity with regard to aspects such as the lease term, the discount rate used to measure the liability and its impact on the possible impairment of the assets arising from the rights of use.

Given its relevance and that the review of this IFRS is a common supervisory priority agreed by ESMA, a horizontal review will be carried out, with special emphasis

on substantive reviews of compliance with the standard in the financial information for 2019. This action will be reported in the 2019 annual monitoring report.

Additionally, in 2020 (II) a **horizontal review of the degree of compliance with the law on non-financial information will be carried out.**<sup>11</sup>

Considering that this law only has only been in force for one year and taking into account the requirements and recommendations made by the CNMV in relation to the review of the statement non-financial information for 2018, it has been decided to continue paying special attention to the review of this information to observe how its quality, comparability and consistency evolve. Therefore, a horizontal review will be carried out, which will be reported in the 2019 annual monitoring report.

### Corporate governance

The CNMV's work area on corporate governance will continue to play a significant role in 2020.

In 2019, the CNMV set out to review certain recommendations of the Code of Good Governance of listed companies. The work carried out under the initial approach, which was completed during 2019, led to a broader review of the Code as an objective for 2020. At the time of publication of this document, the modification proposal was already in the public consultation phase.

Therefore, in 2020 (II), the CNMV intends to finalise the process and publish **amendments of some recommendations of the Code of Good Governance.**

In addition, taking into account the next transposition of European regulations on promoting the long-term engagement of shareholders,<sup>12</sup> in 2020 (II), the CNMV **will analyse, with the collaboration of a group of experts, the possible drafting and content of a code that includes instructions or recommendations regarding the long-term engagement of shareholders** (greater involvement of institutional investors). This action will involve the production of a report.

### Market supervision

In 2020 (II), the CNMV will proceed with **the analysis and identification of improvements in the quality monitoring system for data reported to the CNMV.**

The quality of the data required by various legislative elements such as MiFID/MiFIR, MAR, EMIR and SFTR and submitted by markets, systematic internalisers, approved publication arrangements (APA) and investment services entities is a

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11 Law 11/2018, of 28 December, amending the Code of Commerce, the recast text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on accounts auditing, regarding non-financial information and diversity (<https://www.boe.es/buscar/doc.php?id=BOE-A-2018-17989>).

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

necessary condition for some key aspects of the legislation to work<sup>13</sup> and for the authorities to carry out supervision and analysis tasks for risk prevention.

Based on the experience obtained after two years of MiFID II/MiFIR supervision and several of EMIR, a report will be prepared to analyse the procedures and resources of the CNMV for the supervision of the quality of the data submitted by Spanish infrastructure and intermediaries, with recommendations, where appropriate, for improvements to supervisory procedures and mechanisms.

Additionally, as announced in 2019, in 2020 (I), the CNMV will publish **criteria on the dissemination of insider information to investors through social media** (Twitter, Facebook, etc.). The CNMV considers it convenient for this issue to be coordinated at European level, but there is no current plan to do so.

Lastly, part of the 2020 Activity Plan (I) is the execution of a **market communication action to adapt CNMV procedures for the reception, publication, dissemination and consultation of insider information and other relevant information**.

In order to implement the reform of the Securities Market Act, which refers to insider information (article 226) and also other relevant information (article 227), the CNMV will modify its procedures related to the registration and dissemination of both types of information.

Additionally, the CNMV will reflect these changes on its website and its app. This action will be explained through planned informative sessions with issuers and advisers and a trial period for CNMV systems used for the submission of communications, prior to the implementation of the reform.

### Primary markets

In 2020 (II), the CNMV will prepare a **situation report with possible measures to boost IPOs**. The report will focus on the causes of the reduced number of IPOs in recent times and possible measures (regulatory or otherwise) to encourage them, to help achieve the objective of companies being financed to a greater extent through the market and through own funds.

In relation to this initiative, meetings will be held with market participants (financial institutions and professionals specialised in the subject and issuers) and market infrastructures. This initiative is in line with the objectives of the Capital Markets Union.

In addition to the above, in 2020 (II), the CNMV will carry out an **analysis to assess responsibility for the information contained in the issuance or IPO prospectus**.

The objective is to contribute to providing the greatest possible clarity on an issue that the CNMV considers to be of great importance as a quality factor in information prospectuses and for reasons of legal certainty. This is a complex matter, in which general norms and principles (on contractual and non-contractual liability)

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13 For example, transparency in trading; transparency in orders and quoted prices; double volume cap for non-transparent trading; obligations of settlement internalisers; and limits on commodity derivative positions.

and special European and national rules apply, and in relation to which court decisions of various kinds have been passed, although there is no uniform jurisprudence at present. The process of preparing the report will involve the collaboration of academics of recognised prestige.

In 2020 (II), the CNMV intends to **update the procedures for sending electronic messages to ESMA containing prospectuses and other required documents.**

Although ESMA was already facilitating access to a consolidated register, in which it is possible to consult the prospectuses and supplements approved by the national competent authorities, the new Prospectus Regulation imposes greater obligations on the latter by establishing ESMA as a hub in which certain data associated with such prospectuses and supplements must be incorporated.

ESMA is currently working with the competent authorities to complete all the necessary steps to comply with these requirements. Therefore, it is necessary to develop new processes within the CNMV to ensure that the information is sent within the legally stipulated period and in accordance with the established technical standards. In order to automate this process as much as possible, the aim is for a large part of the data that must be relayed to ESMA to be previously sent to the CNMV by electronic means by the person responsible for the prospectus, so that human intervention is minimised and, consequently, the risk of error. In so far as is possible, the data received by the CNMV by electronic means can also boost internal efficiency and facilitate the production of documents.

Lastly, **the FAQ section on the primary securities market system of the CNMV website will be reviewed and updated in 2020 (II).** The purpose is to adjust its content to the new Prospectus Regulation,<sup>14</sup> which entered into force in July 2019.

### Securities depositories

Following the authorisation of Iberclear in accordance with the European Regulation on Central Securities Depositories (CSDs), an **initial monitoring plan** will be prepared in 2020 (I), in which the recommendations for the CSD adopted by the CNMV Board will be reviewed in its license renewal agreement.

Secondly, a **review of its information system (PTI) is planned** in 2020 (II), in coordination with the Spanish CSD.

The CSD information system for equities was launched after the reform of the settlement, clearing and registration system in Spain in 2016. Subsequently, European Union legislation has undergone reforms that affect the services that the PTI was intended to provide. Among the new rules, MiFID II and MiFIR establish a new transaction reporting system for the prevention and punishment of market abuse. Additionally, the CSD Regulation introduces a new settlement discipline system, with developments in reporting obligations to professional customers to prevent settlement fail and a new penalty system.

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<sup>14</sup> Regulation 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 on a regulated market, and repealing Directive 2003/71/EC.

Additionally, the reform of the Directive on shareholder rights has incorporated a new regime concerning information on the identity of the shareholders of listed companies.

All these reforms to European Union legislation require the adaptation of some of the information flows provided for in the Spanish CSD procedure.

## Market supervision

TABLE 2

	Initiative	Calendar (*)
<b>Financial and non-financial information</b>	Horizontal review of the degree of compliance with IFRS 16 (Leases)	2020 (II)
	Horizontal review of the degree of compliance with the Law on non-financial information	2020 (II)
<b>Corporate governance</b>	Compliance with certain recommendations of the Code of Good Governance	2020 (I)
	Analysis and production of at least one report on a possible code of good practice to encourage long-term engagement of shareholders	2020 (II)
<b>Market supervision</b>	Analysis and identification of improvements in the quality monitoring system for data reported to the CNMV	2020 (II)
	Criteria on the dissemination of insider information for investors through social networks	2020 (I)
	Communication to the market of the adaptation of CNMV procedures for the reception, publication, dissemination and consultation of insider information and other relevant information	2020 (I)
<b>Primary markets</b>	Status report and possible measures to boost IPOs	2020 (II)
	Analysis of the responsibility for information contained in the issuance or IPO prospectus	2020 (II)
	Update the procedures for sending electronic message to ESMA containing the prospectus and other required documents	2020 (II)
	Review and update of the section of the CNMV website "Frequently Asked Questions and Answers" on the primary securities market system	2020 (II)
<b>Securities depositories</b>	Central securities depository supervisory plan	2020 (I)
	Review of the central securities depository information system (PTI)	2020 (II)

(\*) Six month period in which the commitment is to be completed.

### 4.3 Supervision of financial intermediaries

#### CIS liquidity management and control

In 2020 (II), the CNMV will prepare a **Technical guide on the management and control of liquidity of CISs** that collects supervisory experience in relation to the analysis of the CISM procedures for controlling the liquidity of CIS portfolios. The Guide will address issues such as swing pricing (possible modulation of the subscription or redemption price in certain cases considering the costs generated by the subscriptions or redemptions), the criteria to follow for the sale of the positions, the contingency plans entities should have, etc.

In addition, and following the supervisory efforts in this area, **supervisory action** will be carried out in 2020 (II), **in coordination with ESMA, on the liquidity**

**management of UCITS.** ESMA is currently coordinating a common action for managing the liquidity risk of UCITS, in which the CNMV is participating.

### Other technical guides and circulars

In 2020 (II), the preparation of a **Technical guide on the designation of unregistered consultants in CISs** is planned. The CNMV has been allowing CISMCS to appoint people or entities that do not have the status of advisors registered as a financial advisory firm (FAF) or, in general, as an entity authorised to provide this service, as advisors to a CIS provided they have knowledge and experience, they offer their services exclusively to the CIS and that the advisor's integrity has been assessed.

In view of this experience, it is considered appropriate to collect the criteria relating to this area in a technical guide and publish guidelines aimed at strengthening controls and ensuring the proper management of conflicts of interest.

In 2020 (II), **Circular 7/2008 on IF and CISMCS accounting** will be amended to include the changes to be introduced in the General Chart of Accounts regarding the regulation of IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers). The CNMV is assessing different adaptation alternatives, including the possibility of amending the Circular by introducing a change in approach so that a general referral to the General Chart of Accounts is established, without prejudice to maintaining the specific financial statements that are relevant for supervision and, where appropriate, some specific accounting requirements of special supervisory interest.

### Adaptation to new solvency regulations for IFs

In October 2019, the new European regulation (Directive and Regulation) on solvency obligations for IFs was approved, which represents a very significant change to the current system.

In 2020 (II) the CNMV will work on the **adaptation to the new IF solvency regulations**. Firstly, the sector will be informed about the impact of the new regulations. Secondly, a significant amendment to the supervision systems must be addressed to adapt these to the new regulations and the planned developments. It will also collaborate with the Ministry of Economic Affairs and Digital Transformation in the transposition and adaptation of these regulations to the Spanish legal system.

### Horizontal reviews

In 2020, the CNMV plans to carry out several horizontal reviews, referring to all or a significant sample of entities, of compliance with specific rules or criteria.

Firstly, in 2020 (II), the CNMV will conduct a **review of the annual obligation to provide cost information**.

Article 50 of Commission Delegated Regulation 565/217 (EU) establishes the obligation of entities to provide their customers with detailed information on an annual basis of the costs and expenses associated with their services and the products they sell (obligation also referred to in the article 65 of Royal Decree 217/2008). In 2019,

the CNMV reminded the entities of this obligation and recently published a question and answer document stating that the information should be sent to customers every year no later than 31 March.

The review proposed will be to verify (for a sample of entities) compliance with this obligation in due time and proper form in 2020. Specifically, it will be analysed whether the total costs have been reported, distinguishing between the costs of the products, the costs of the services provided and the incentives received.

In addition, **in coordination with ESMA, a review of the suitability assessment** will be carried out in 2020 (II). This review will include aspects that go beyond the strict assessment of customers, such as a review of whether entities recommend or acquire products with lower costs for their managed customers, taking into account their level of complexity.

For the first time, in 2020 (II), the CNMV will carry out an **automated horizontal review of advertising and information related to CISs**. This involves a supervisory action on the advertising and information that managers include in their web pages or that appears in those of their distributors, using algorithm-based information search processes.

Lastly, in 2020 (II), there will be a **review of the advertising activity of the main entities that operate in Spain under the freedom to provide investment services**. This type of operation has become increasingly important, so it is advisable to carry out a transversal supervision procedure.

Using the map of entities prepared in 2019, particularly active entities in Spain that provide investment services from other countries of the European Union under the freedom to provide services system will be selected and their advertising will be reviewed in order to identify possible deficiencies, with the aim of rectifying them directly or through the authorities at source.

### CFDs and binary options

After the reflection carried out in 2019, which concluded on the appropriateness of applying restrictions to the mass advertising of this type of product, in line with the measures taken by other European countries, in 2020, work will be carried out on concrete proposals, including bans on direct and indirect advertising through sponsorship or collaboration with sports teams, as these are advertising channels directed indiscriminately at the general public, including young people.

The development of a concrete proposal to establish restrictions of this type would require determining their specific scope; the type of rule that should be approved (if it should be legally binding and to what extent, on a provisional or permanent basis, those currently existing in the Securities Market Act or in MiFIR could be used); in addition to a transitional regime for existing contracts.

### Cybersecurity

Lastly, in 2020 (II), the CNMV will prepare a **Technical guide with recommendations on cybersecurity**.

In 2019, the CNMV implemented an action to ascertain the measures that IFs and CISMCS have adopted in regard to technological risks and cybersecurity.

Based on this analysis, a preliminary technical guide will be developed, which will include some initial cybersecurity recommendations for IFs and CISMCS. This guide will take into account that some of these entities belong to banking groups, an area in which various developments have already taken place.

### Supervision of financial intermediaries

TABLE 3

	Initiative	Calendar (*)
<b>CIS liquidity management and control</b>	Technical guide on liquidity management and control of CISs	2020 (II)
	Supervisory action in coordination with ESMA on the liquidity management of the UCITS	2020 (II)
<b>Other technical guides and circulars</b>	Technical guide on the designation of unregistered consultants in CISs	2020 (II)
	Amendment of Circular 7/2008 on the accounting of IFs and CISMCS	2020 (II)
<b>Adaptation to the new regulations</b>	Adaptation to new solvency regulations for IFs	2020 (II)
<b>Horizontal reviews</b>	Review of the annual obligation to provide cost information	2020 (I)
	Review in coordination with ESMA of the suitability assessment	2020 (II)
	Horizontal review of CIS advertising and information	2020 (II)
	Review of the advertising activity of the main entities that operate in Spain under the freedom to provide services system	2020 (II)
<b>CFDs and binary options</b>	Proposal to restrict the advertising of CFDs and binary options directed at the general public	2020 (I)
<b>Cybersecurity</b>	Technical guide with cybersecurity recommendations	2020 (II)

(\*) Six month period in which the commitment is to be completed.

## 4.4 Relations with investors and other stakeholders

### Laws and regulations

Some time has passed since the first time application of several relevant European regulations related to the stock market (such as MiFID II/MiFIR), and the CNMV wishes to support the Ministry of Economic Affairs and Digital Transformation by contributing to the reflection and debate that is taking place at European level about their effects and possible amendments and areas for improvement. This is a debate that is related to the planned reviews that these regulations usually involve.

To this end, in 2020 (II), an **evaluation of the effects of certain European regulations under review** will be performed, for which it is planned to contact the sector entities to obtain their opinions on the effects – especially the undesirable effects – of the corresponding regulations. The result of these analyses, which may be published, will be the basis for the advisory service provided to the Ministry of Economic Affairs and Digital Transformation on possible amendments to the regulations assessed.

Likewise, actions will be carried out such as the promotion of academic works with an empirical approach to assess the effects of MiFID II.

In addition to the above, in 2020 (II), the CNMV plans to carry out a **study that analyses the extent to which tax rules are aligned with the objectives of the regulations related to the distribution of financial products and, in general, to the provision of investment services.**

This exercise is in line with the conclusions of the latest report on the Capital Markets Union,<sup>15</sup> which highlights the importance of the suitability and harmonisation of tax regimes to boost long-term savings and investment opportunities.

The conclusions of the analysis can be used to formulate proposals aimed at ensuring that fiscal regulations are more aligned with the objectives of financial regulation (transparency, investor protection and capital market efficiency as a source of financing for companies and an alternative for long-term savings).

### Financial stability

In line with the work done by ESMA<sup>16</sup> and the ECB,<sup>17</sup> in 2020 (II) the CNMV **will design and perform stress tests on investment funds.** This type of exercise has a macroprudential purpose, given the increasing size of investment funds and their relationship with financial institutions, the market and the real economy.

Also, in 2020 (I), an **analysis will be carried out on the scope of the macroprudential tools available to the CNMV.** In particular, Royal Decree-Law 22/2018 establishes two new macroprudential tools for the CNMV:

- Ability to adopt measures aimed at strengthening the liquidity of collective investment schemes and entities.<sup>18</sup>
- Ability to establish limitations on the activities of supervised entities that generate an excessive increase in risk or indebtedness of economic agents.<sup>19</sup>

Specifically, it will reflect on the scope and specific way in which these tools could be used. This analysis will be shared with the Spanish macroprudential authority (AMCESFI) and will be useful for the peer review that the FSB plans to carry out in 2020 on Spain and which will probably include a review of these tools.

Lastly, in 2020 (II), an **analysis of the information on the leverage of alternative investment funds in relation to systemic risk will be carried out.**

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15 *Savings and Sustainable Investment Union*. The Next CMU High-Level Group. [https://nextcmu.eu/wp-content/uploads/2019/10/The-Next-CMU-HL\\_DO.pdf](https://nextcmu.eu/wp-content/uploads/2019/10/The-Next-CMU-HL_DO.pdf)

16 ESMA (2019). *Stress simulation for investment funds*. Technical report

17 Gourdel, R., Maqui, E. and Sydow, M. (2019). *Investment funds under stress*. Technical report, ECB Working Paper.

18 Articles 1 and 3 of Royal Decree-Law 22/2018 amend, respectively, Law 35/2003, of 4 November, on Collective Investment Schemes and Law 22/2014, of 12 November, governing venture capital firms, other closed-ended collective investment schemes and closed-ended investment scheme management companies amending Law 35/2003, of 4 November, on Collective Investment Schemes.

19 Article 5 of Royal Decree 22/2018 amending the recast text of the Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October.

This objective is in line with the provisions of the Alternative Investment Fund Managers Directive (AIFMD 2011/61/EU), which obliges the competent authorities of the states of origin to use the information they receive under the reporting established in its article 24 and in Commission Delegated Regulation (EU) 231/2013 to determine whether the leverage of alternative funds contributes to the generation of systemic risk.

To perform its analysis, the CNMV will apply the action protocol currently being developed by ESMA.

### Web page

Following the trend of other benchmark supervisors, in 2020 (II), **an Investor Portal will be created**, establishing a portal or a specific website that groups all the contents of the current CNMV website for retail investors (financial education content, claims, anonymous complaints, warnings about unauthorised entities, etc.).

The new portal will include a multimedia space with content for new channels and virtual assistants.

In addition, in 2020 (I), **the “Sustainable Finance” section of the CNMV website will be strengthened**. The content of this section, which was created in November 2019, will be significantly expanded and reinforced. Among other developments, a channel will be set up to allow the CNMV to submit queries, questions and suggestions about all issues relating to sustainable finance.

### Conferences and seminars

The CNMV will continue to organise conferences and seminars on the most important aspects of the capital markets.

In this sense, in 2020 (II), a **conference on empirical studies on remuneration systems and incentives for executives and directors of listed companies** will be organised. This conference will be coordinated in collaboration with SUERF (The European Money and Finance Forum), a public-private not-for-profit association.

In addition, a **seminar on Fintech and cybersecurity** will be held in 2020 (II), in which trends in the use of new technologies in the area of providing investment services and the new initiatives and emerging business models will be discussed, as well as the regulatory aspects affecting them.

Finally, in 2020 (II), a **seminar on sustainable finance** will be organised, to analyse the impact of the new supervisory standards and priorities in the area of sustainable finance and the stock market, and disseminate them.

### Boosting international cooperation

In 2020 (II), the **IOSCO’s Enhanced MMoU (Multilateral Memorandum of Understanding)** is expected to take place, which strengthens the exchange of information between supervisors and requires the signatory authorities to have certain reinforced powers. This would place the CNMV in the initial group of signatory countries.

In 2020 (II) the CNMV will prepare a **Guide on core competencies for investors**.

This guide will be inspired by the Core Competencies Framework (MCB) for investors published by IOSCO and will define the knowledge, behaviour and attitudes desirable in investors, classified by areas of knowledge (such as the characteristics of investment products, the product purchase or sale process and the rights and responsibilities of investors).

The guide will be disseminated among the entities that collaborate with the Financial Education Plan and other parties in order to help them guide their initiatives.

Additionally, in 2020 (II), a **document containing frequently asked questions and other questions of interest to the investor** will be prepared that shows, in question and answer format and as a compendium, the content that is included in the files and guides that the CNMV has been publishing since 2005 with information on the main investment products and services.

The experience gained so far (for example, through the queries received by the CNMV) allows the most popular content to be determined and set down in question and answer format the issues that are most useful for investors.

#### Relations with investors and other stakeholders

TABLE 4

	Initiative	Calendar (*)
<b>Laws and regulations</b>	Assessment of the effects of certain European regulations under review	2020 (II)
	Study on the alignment of tax rules with the objectives of the financial regulations	2020 (II)
<b>Financial stability</b>	Stress tests on investment funds	2020 (II)
	Analysis of the scope of macroprudential tools available to the CNMV	2020 (I)
	Analysis of the information on the leverage of alternative investment funds in relation to systemic risk	2020 (II)
<b>Web page</b>	Creation of an investor portal	2020 (II)
	Strengthening of the "Sustainable Finance" section of the CNMV website	2020 (I)
<b>Conferences and seminars</b>	Conference on empirical studies on remuneration systems and incentives for executives and directors of listed companies	2020 (II)
	Seminar on Fintech and cybersecurity	2020 (II)
	Seminar on sustainable finance	2020 (II)
<b>Boosting international cooperation</b>	Signature of the IOSCO Enhanced MMoU	2020 (II)
<b>Financial education</b>	Guide on basic investor skills	2020 (II)
	Frequently asked questions and other questions of interest to the investor	2020 (II)

(\*) Six month period in which the commitment is to be completed.



## Appendix CNMV Annual Regulatory Plan 2020

In accordance with the provisions of article 21 of the recast text of the Spanish Securities Market Act, the CNMV, in order to adequately exercise its powers, may establish the rules required for the development and execution of the norms contained in the royal decrees approved by the government or in the orders of the Ministry of Economy and Competitiveness, provided that these enable it to do so.

The regulations issued by the CNMV, known as *circulars*, are prepared with the appropriate technical and legal reports of its competent services and approved by its Board. These circulars take effect once published in the *BOE* (Official State Gazette) and enter into force in accordance with the provisions of article 2.1 of the Civil Code.

Likewise, the CNMV has the capacity to draw up technical guides, directed at the supervised entities and groups, indicating the criteria, practices, methodologies and procedures that it considers appropriate to comply with the regulations that are applicable to them. These guides are made public and may include the criteria that the CNMV will follow in the exercise of its supervisory activities.

Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Administrations established the obligation to disclose an Annual Regulatory Plan containing all proposals that are legally binding or that will be submitted for approval the following year. This is intended to improve *ex ante* regulatory planning, promoting greater legal certainty and the predictability of the system. This Annual Regulatory Plan will be published on the Transparency Portal.

Lastly, article 38 of the CNMV Internal Rules and Regulations, approved by a resolution of its Board of Directors on 19 December 2019, establishes that the CNMV will annually approve a regulatory plan containing the regulatory initiatives to be submitted for approval in the following year. This annual plan will be published on the CNMV Transparency Portal once it has been approved.

In compliance with the above, the CNMV has proceeded to prepare its Annual Regulatory Plan for 2020 in order to provide stakeholders with prior knowledge of the provisions proposed or issued during the current tax year.

In 2020, the CNMV expects a total of five initiatives to be approved, of which two will have the status of circulars and three will technical guides. These projects are listed below.

### Circulars

- i) Circular amending Circular 5/2013, of 12 June, establishing models for the Annual Corporate Governance Reports of listed public limited companies, savings banks and other entities that issue securities admitted to trading on official

securities markets, and Circular 4/2013, of 12 June, establishing models for annual reports on directors' remuneration for listed public limited companies on remuneration of members of the boards of directors and of the control committees of savings banks that issue securities admitted to trading on official securities markets.

Objective: adaptation of the annual corporate governance report to changes in certain recommendations of the Code of Good Governance and to those arising from the implementation of Directive 2017/828, on shareholder rights.

Six month Board approval period: second half, subject to the implementation in Spanish legislation of Directive 2017/828 and to the amendment of the Code of Good Governance.

- ii) Circular amending Circular 7/2008 on the accounting of IFs and CISMCS.

Objective: incorporate the forthcoming changes in the General Chart of Accounts on the regulation concerning IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts with customers).

Six month Board approval period: second half.

#### Technical guides

- i) Technical guide on liquidity management and control of CISs.

Objective: collect supervisory experience in relation to the analysis of the procedures of CISMCS for controlling of the liquidity of CIS portfolios.

Six month Board approval period: first half.

- ii) Technical guide on the designation of unregistered consultants in CISs.

Objective: collect the criteria in this area and transmit guidelines aimed at strengthening the controls established by the CISMCS and management of conflicts of interest.

Six month Board approval period: second half.

- iii) Technical guide with cybersecurity recommendations.

Objective: collect initial recommendations on cybersecurity for IFs and CISMCS.

Six month Board approval period: second half.

Range of the norm	Project	Six month Board approval period
Circulars	Circular amending Circular 5/2013, of 12 June, establishing models for the Annual Corporate Governance Reports of listed public limited companies, savings banks and other entities that issue securities admitted to trading on official securities markets, and Circular 4/2013, of 12 June, establishing models for annual reports on directors' remuneration for listed public limited companies on remuneration of members of the boards of directors and of the control committees of savings banks that issue securities admitted to trading on official securities markets	II, conditional
	Circular amending Circular 7/2008 on the accounting of IFs and CISMCS	II
Technical guides	Technical guide on liquidity management and control of CISs	I
	Technical guide on the designation of unregistered consultants in CISs	II
	Technical guide with cybersecurity recommendations	II

