CNMV
Comisión
Nacional
del Mercado
de Valores

CNMV BULLETIN
Quarter IV
2019

CNMV BULLETIN

Quarter IV
2019

The CNMV publishes this Bulletin to spread research in order to contribute to the best knowledge of the stock markets and their regulation.

The opinions in these articles are the sole responsibility of the authors and do not necessarily coincide with those of the CNMV.

The CNMV distributes its reports and publications via the Internet at www.cnmv.es.

ISSN (digital edition): 1988-2025

Layout: Cálamo y Cran

Contents

Abbreviations

AA. PP.	Public Administration Services
ABS	Asset-Backed Security
ACGR	Annual Corporate Governance Report
AFC	Atypical Financial Contract
AIAF	Association of Financial Asset Brokers
AIF	Alternative Investment Funds
ANCV	Agencia Nacional de Codificación de Valores (Spain's national numbering agency)
ARDR	Annual Report on Director Remuneration
ASCRI	Asociación Española de Entidades de Capital, Crecimiento e Inversión (Spanish Association of Capital, Growth and Investment Entities)
ASR	Accelerated Share Repurchases
AV	Broker
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BME	Bolsas y Mercados Españoles
BMN	Banco Mare Nostrum
BO	Binary Options
BTA	Bono de titulización de activos (Asset-backed bond)
BTH	Bono de titulización hipotecaria (Mortgage-backed bond)
CADE	Central de Anotaciones de Deuda del Estado (public debt book-entry trading system)
CC. AA.	Autonomous communities
CCC	Central Counterparty Clearing House
CCP	Central Counterparty
CCVO	Contrato de compraventa de opciones (Options trading contract)
CDS	Credit Default Swap
CDTI	Centro para el Desarrollo Tecnológico Industrial (Centre for the Development of Industrial Technology)
CFD	Contract For Differences
CIS	Collective Investment Scheme
CJEU	Court of Justice of the European Union
CNMV	Comisión Nacional del Mercado de Valores (Spain's National Securities Market Commission)
CSD	Central Securities Depository
CSDR	Central Securities Depository Regulation
DC	Defensor del cliente (Customer ombudsman)
DGSFP	Dirección General de Seguros y Fondos de Pensiones (Directorate-General of Insurance and Pension Funds)
EAF	Empresa de asesoramiento financiero (Financial advisory firm)
EBA	European Banking Authority
EC	European Commission
ECA	Entidad de crédito y ahorro (Credit and savings institutions)
ECB	European Central Bank
ECR	Entidad de capital riesgo (Venture capital firm)

EEA	European Economic Area
EFAMA	European Fund and Asset Management Association
EFSM	European Financial Stabilisation Mechanism
EICC	Entidad de inversión colectiva de tipo cerrado (Closed-ended collective investment entity)
EIOPA	European Insurance and Occupational Pensions Authority
EIP	Entidad de interés público (Public interest entity)
EMIR	Regulation (EU) No. 643/2012 / European Market Infrastructure Regulation
EMU	Economic and Monetary Union (euro area)
EP	European Parliament
ESAS	Other European supervisory authorities
ESFS	European System of Financial Supervisors
ESI	Empresa de servicios de inversión (IF Investment firm)
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange-Traded Fund
EU	European Union
EuSEF	European Social Entrepreneurship Fund
EuVECA	European Venture Capital Fund
FATF	Financial Action Task Force
FCR	Fondo de capital riesgo (Venture capital fund)
FCR-pyme	Fondo de capital-riesgo pyme (SME venture capital fund)
FI	Fondo de inversión de carácter financiero (Mutual fund)
FICC	Fondo de inversión colectiva de tipo cerrado (Closed-ended investment firm)
FII	Fondo de inversión inmobiliaria (Real estate investment fund)
FIICIL	Fondo de instituciones de inversión colectiva de inversión libre (Fund of hedge funds)
FIL	Fondo de inversión libre (Hedge fund)
FIN-NET	Financial Dispute Resolution Network
FINTECH	Financial Technology
FOGAIN	Fondo General de Garantía de Inversiones (Investment Guarantee Fund)
FOMC	Federal Open Market Committee
FRA	Forward Rate Agreement
FROB	Fondo de Reestructuración Ordenada Bancaria (Fund for Orderly Bank Restructuring)
FSB	Financial Stability Board
FTA	Fondo de titulización de activos (Asset securitisation fund)
FTH	Fondo de titulización hipotecaria (Mortgage securitisation fund)
GDI	Gross Disposable Income
GLEIF	Global Legal Entity Identifier Foundation
GRV	Garantizados de renta variable (Guaranteed equity fund)
HFT	High Frequency Trading
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Board
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
ICO	Initial Coin Offerings
IESBA	International Ethics Standards Board for Accountants
IF	Investment Firm
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators

IFRS	International Financial Reporting Standards
IICIL	Institución de inversión colectiva de inversión libre (Hedge fund)
IIMV	Instituto Iberoamericano del Mercado de Valores (Ibero-American Securities Market Institute)
IMF	International Monetary Fund
INFO Network	International Network of Financial Services Ombudsman Schemes
IOSCO	International Organization of Securities Commissions
IRR	Internal Rate of Return
ISIN	International Securities Identification Number
KID	Key Investor Document
Latibex	Latin American Stock Market
LEI	Legal Entity Identifier
LMV	Ley del Mercado de Valores (Securities Market Act)
MAB	Mercado Alternativo Bursátil (Alternative Stock Market)
MAD	Market Abuse Directive
MAR	Market Abuse Regulation
MARF	Mercado Alternativo de Renta Fija (Alternative Fixed-Income Market)
MEFF	Mercado Español de Opciones y Futuros Financieros (Spanish Financial Futures and Options Market)
MFP	Maximum Fee Prospectus
MG	Monitoring Group
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MMU	CNMV Market Monitoring Unit
MOU	Memorandum of Understanding
MRO	Main Refinancing Operations
MTS	Market for Treasury Securities
NCA	National Competent Authority
NPGC	Nuevo Plan General de Contabilidad (New General Chart of Accounts)
OECD	Organization for Economic Cooperation and Development
OIS	Overnight Indexed Swaps
OPS	Public offering (for subscription of securities)
OPV	Public offering (for sale of securities)
OTC	Over the Counter
PER	Price-to-Earnings Ratio
PFP	Participatory Financing Platform
PIOB	Public Interest Oversight Board
PPI	Periodic Public Information
PSR	Pre-emptive Subscription Right
PUI	Préstamo de Última Instancia (Loan of Last Resort)
REIT	Real Estate Investment Trust
RENADE	Registro Nacional de los Derechos de Emisión de Gases de Efecto Invernadero (Spain's National Register of Greenhouse Gas Emission Allowances)
RFQ	Request for Quote
ROC	Regulatory Oversight Committee
ROE	Return on Equity
SAC	Servicio de atención al cliente (Customer service)
SAMMS	Sistema Avanzado de Monitorización de Mercados Secundarios (Advanced Secondary Market Tracking System)
SAREB	Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (Asset Management Company for Assets Arising from Bank Restructuring)

SAV	Broker and broker-dealer companies
SCLV	Servicio de Compensación y Liquidación de Valores (Spain's Securities Clearing and Settlement System)
SCR	Sociedad de capital riesgo (Venture capital company)
SCR-pyme	Sociedad de capital riesgo pyme (SME venture capital company)
SEC	Securities Exchange Commission
SENAF	Sistema Electrónico de Negociación de Activos Financieros (Electronic Trading Platform in Spanish Government Bonds)
SEND	Sistema Electrónico de Negociación de Deuda (Electronic Debt Trading System)
SEPBLAC	Servicio Ejecutivo de la Comisión de Prevención del Blanqueo de Capitales e infracciones monetarias (Bank of Spain Unit to Combat Money Laundering)
SGC	Sociedad gestora de carteras (Portfolio management company)
SGECR	Sociedad gestora de entidades de capital riesgo (Venture capital firm management company)
SGEIC	Sociedad gestora de entidades de inversión colectiva de tipo cerrado (Closed-ended investment scheme management company)
SGFT	Sociedad gestora de fondo de titulización (Asset securitisation trust management company)
SGIIC	Sociedad gestora de instituciones de inversión colectiva (CISMC Collective investment scheme management company)
SIBE	Sistema de Interconexión Bursátil Español (Spanish Stock Market Interconnection System)
SICAV	Sociedad de inversión de carácter financiero (Open-ended collective investment scheme)
SICC	Sociedad de inversión colectiva de tipo cerrado (Closed-ended investment undertaking)
SII	Sociedad de inversión inmobiliaria (Real estate investment company)
SIL	Sociedad de inversión libre (Hedge fund in the form of a company)
SLV	Sistema de liquidación de valores (Securities settlement system)
SMN	Sistema multilateral de negociación (MTF Multilateral trading facility)
SNCE	Sistema Nacional de Compensación Electrónica (National Electronic Clearing System)
SON	Sistema organizado de negociación (organised trading facility)
SRB	Single Resolution Board
SSB	Standard-Setting Boards
STOR	Suspicious Transaction and Order Report
SV	Sociedad de valores (Broker-dealer)
T2S	Target2-Securities
TER	Total Expense Ratio
TLTRO-III	Targeted Longer-Term Refinancing Operations
TRLMV	Consolidated text of the Securities Market Act (Royal Legislative Decree 4/2015, of 23 October)
TVR	Theoretical Value of Rights
UCITS	Undertakings for Collective Investment in Transferable Securities
WB	World Bank
WTO	World Trade Organization

I Market survey (*)

(*) This report has been prepared by the Department of Studies and Statistics of the Directorate General for Strategic Policy and International Affairs of the CNMV.

Table of contents

1 Overview

In macroeconomic terms, 2019 was marked by a slowdown in global growth, which is expected to be close to 3%, significantly below the figure of 3.6% achieved in the previous year. This slowdown was mainly due to trade restrictions resulting from the decisions taken by the US administration, but a number of other events and uncertainties also played a role. 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 USA, this was reflected in three official interest rate cuts and in the euro area this phenomenon took place progressively, in response to changes in the tenor of the messages transmitted by the monetary authority. This went from trying to pinpoint the time of the first rate increase, to not to ruling out further reductions, which finally took place at the end of the year (in deposit facility) and additionally a new round of financing for banks (TLTRO) was implemented, and there were further debt repurchases.

In this environment, 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 part. Thus, most indices saw gains of over 20% (even more in the USA), all accompanied by low levels of volatility. In the debt markets, the balance for the year reveals a fall in yields, especially in the longer-dated segments, despite a slight increase in the final part of the year, as various uncertainties appeared to be resolved (for example, closure of the first phase of the trade agreement between the USA and China, the increased possibility of a Brexit deal and the improvement of the economic situation in Germany). In the euro area, 10-year sovereign debt yields were again at historic lows, with several economies in negative territory, and with no prospect of significant increases in the coming quarters.

In Spain, where economic activity also tended to slow down in 2019, although maintaining a positive differential compared with the euro area average, the performance of the financial markets was relatively similar to that of other major markets, although there were some differences, especially in the equity markets. In this sense, there was a notable rise in quoted prices (the Ibex 35 gained 11.8%), but much less than the gains seen in other markets, basically due to the different composition of the indices, although some domestic political uncertainties could also have had an influence. 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 of the 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 trading venues and competing markets, where ware barely reduced (down 1.5% to 345.6 billion euros). As a result, the market share of the latter increased between 2018 and 2019 from 37.4% to 42.6%, although based on the performance observed during the year, a ceiling seems to have been reached.

Yields in Spanish debt markets declined, as in other European economies, and marked new historical lows. In the case of government debt, negative rates were extended to the 5-year terms at the end of 2019 and stood at 0.45% for the 10-year term (having reached near-zero lows in September). The sovereign risk premium fell from 118 basis points (bp) at the end of 2018 to 66 bp, in addition to the risk premiums applied to the private subsectors of the economy.

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%. The largest decline in debt issuance took place in non-convertible bonds, affected by the sharp reduction (31%) in issues made by the SAREB. 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 and represents 50.3% of the total (46.9% in 2018).

Summary of financial indicators

TABLE 1

	I 19	II 19	III 19	IV 19
Short-term interest rates[1] (%)				
Official interest rate	0.00	0.00	0.00	0.00
3-month Euribor	-0.31	-0.33	-0.42	-0.40
12-month Euribor	-0.11	-0.19	-0.34	-0.26
Exchange rates[2]				
Dollar/euro	1.12	1.14	1.09	1.12
Yen/euro	124.5	122.6	117.6	121.9
Yield on medium and long-term government bonds[3]				
Germany				
3 year	-0.54	-0.71	-0.83	-0.62
5 year	-0.39	-0.62	-0.81	-0.54
10 year	0.06	-0.27	-0.57	-0.27
USA				
3 year	2.37	1.77	1.58	1.64
5 year	2.37	1.82	1.55	1.68
10 year	2.57	2.07	1.68	1.86
Private debt risk premiums: spread over 10-year public debt[3] (bp)				
Euro area				
High yield	546	660	543	489
BBB	173	165	155	137
AAA	76	37	81	66
USA				
High yield	423	508	462	430
BBB	166	168	168	141
AAA	53	71	58	46
Equity markets				
Return of main international stock indices[4] (%)				
Eurostoxx 50	11.7	3.6	2.8	4.9
Dow Jones	11.2	2.6	1.2	6.0
Nikkei	6.0	0.3	2.3	8.7
Return of other indices (%)				
Merval (Argentina)	10.5	24.9	-30.5	43.4
Bovespa (Brazil)	8.6	5.8	3.7	10.4
Shanghai Comp. (China)	23.9	-3.6	-2.5	5.0
BSE (India)	5.8	0.9	-2.8	5.7
Spanish stock market				
Return of Ibex 35 (%)	8.2	-0.4	0.5	3.3
PER of Ibex 35[5]	11.6	11.8	11.6	12.4
Volatility of Ibex 35[6] (%)	14.9	13.9	13.8	12.3
SIBE trading volumes[7]	1,696	2,094	1,522	1,979

Source: CNMV, Thomson Datastream and Madrid Stock Exchange.

1 Monthly average of daily data. The official interest rate corresponds to the marginal rate of the weekly auction at the close of the period.

2 Data at the close of the period.

3 Monthly average of daily data. In the euro area, the spread is calculated against the German government bond.

4 Cumulative quarterly yields in each period.

5 Price-earnings ratio (PER).

6 Implied volatility. Arithmetic average of the quarter.

7 Daily average, in million euros.

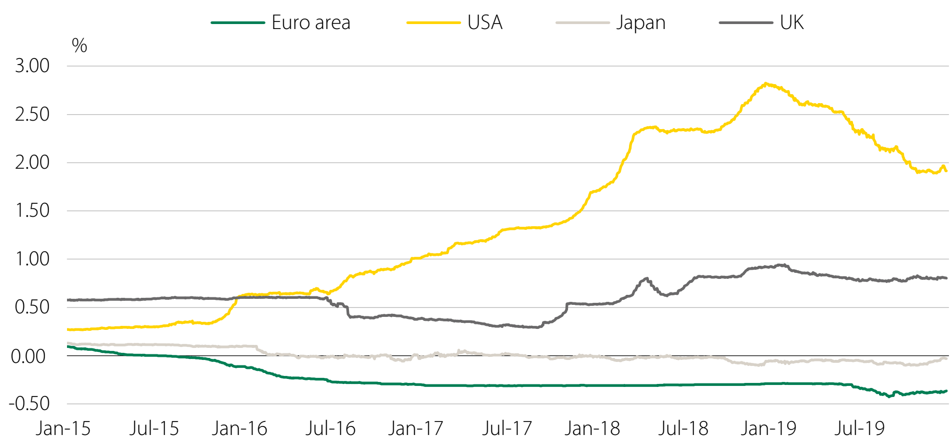
2 International financial environment

2.1 Short-term interest rates

Short-term interest rates in the main advanced economies continued to show large differences during 2019, although these tended to decline throughout the year in an environment characterised by the renewed expansionary nature of monetary policy on both sides of the Atlantic. This expansive nature is justified by the presence of different uncertainties and a context of downward growth shaped by trade tensions. In the USA, the Federal Reserve, which had made four rate hikes in 2018, reduced the official interest rate three times in 2019 to a range of 1.50%-1.75%, and in September began to increase the size of its balance sheet.[1] As a result, 3-month interest rates marked a downward trend throughout the year, reaching 1.91% at the end of December,[2] 88 bp less than at the end of 2018 (see Figure 1).

In the euro area, the ECB, which in December 2018 had announced the end of its asset purchase programme, signalling the beginning of a new and less expansive stage of monetary policy, gradually changed its approach. Thus, after announcing a delay in its first rate hike, the central bank announced that it would launch a fresh provision of liquidity to the banking sector, also indicating that it did not rule out further interest rate cuts. These reductions came in September for the deposit facility, which stood at -0.5% (10 bp lower), while the official and marginal credit facility rates remained unchanged at 0% and 0.25% respectively. In addition, net debt purchases resumed on 1 November at a monthly rate of 20 billion euros as part of a programme that will remain in place for as long as necessary to reinforce the accommodative impact of the bank's official rates. In this context, 3-month interest rates in the euro area decreased by 8 bp compared to 2018 and ended the year at -0.40%.

3-month interest rates FIGURE 1



Source: Thomson Datastream. Data up to 31 December.

1 In July 2017, the Federal Reserve started the process of reducing its balance sheet, which decreased by approximately 16% up to September 2019. From then until the end of December, the balance sheet has increased by approximately 11%.

2 Monthly average.

3-month interest rates in the United Kingdom decreased to 0.79% in December (11 bp less than at the beginning of the year), although in 2019 the Bank of England changed neither its official interest rate, which remains at 0.75%, nor its asset purchase policy. Meanwhile, in October the Bank of Japan partially changed its discourse to indicate that it expects official rates to remain at the same level and even lower for as long as is necessary to achieve the objective of price stability. In 2019, 3-month interest rates showed a slight downward trend, especially in the second half, although they ended the year at around -0.06% (4 bp more than in December 2018).

As shown in Table 2, in the last quarter of the year short-term interest rates were considerably higher in the USA than in the rest of the advanced economies. With the exception of Japan, all areas saw a decline in interest rates in 2019, in line with the monetary policy decisions taken by the respective central banks, although the scope for rate cuts in Europe was smaller due to the low starting levels. In the USA, 6- and 12-month interest rates were 1.90% and 1.97% respectively in December (the cumulative fall for the year was 99 and 111 bp respectively) and in the euro area they were -0.34% and -0.26% for the same periods (9 bp and 13 bp lower than in December 2018). 6- and 12-month interest rates also fell in the UK in 2019. In December they stood at 0.87% and 0.97% respectively, compared to 1.03% and 1.16% in 2018. However, in Japan, variations in benchmark rates at 6 and 12 months were negligible.

Short-term interest rates[1] TABLE 2

%

	Dec-16	Dec-17	Dec -18	Dec- 19	Mar-19	Jun-19	Sep-19	Dec-19
Euro area								
Official[2]	0.00	-0.00	0.00	0.00	0.00	0.00	0.00	0.00
3 months	-0.32	-0.33	-0.31	-0.40	-0.31	-0.33	-0.42	-0.40
6 months	-0.22	-0.27	-0.24	-0.34	-0.23	-0.28	-0.39	-0.34
12 months	-0.08	-0.19	-0.13	-0.26	-0.11	-0.19	-0.34	-0.26
USA								
Official[3]	0.75	1.50	2.50	1.75	2.50	2.50	2.00	1.75
3 months	0.98	1.61	2.79	1.91	2.61	2.40	2.13	1.91
6 months	1.31	1.77	2.89	1.90	2.67	2.30	2.05	1.90
12 months	1.67	2.05	3.08	1.97	2.82	2.28	2.00	1.97
United Kingdom								
Official	0.25	0.50	0.75	0.75	0.75	0.75	0.75	0.75
3 months	0.37	0.52	0.90	0.79	0.84	0.78	0.77	0.79
6 months	0.54	0.58	1.03	0.87	0.97	0.86	0.83	0.87
12 months	0.79	0.77	1.16	0.97	1.10	0.97	0.91	0.97
Japan								
Official[4]	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
3 months	-0.04	-0.02	-0.10	-0.06	-0.07	-0.07	-0.09	-0.06
6 months	0.01	0.02	0.00	0.01	0.01	-0.01	-0.05	0.01
12 months	0.12	0.11	0.11	0.11	0.10	0.06	0.03	0.11

Source: Thomson Datastream.

1 Monthly average of daily data, except official rates, corresponding to the close of the period. Data up to 31 December.

2 Minimum bid rate at weekly auctions.

3 Federal funds rate.

4 Monetary policy rate.

In terms of interest rate expectations, forward rates (FRAs) suggest that short-term benchmarks in the euro area and the USA will continue to show a significant difference, although somewhat less than in previous quarters. In the euro area, interest rates are expected to remain at current levels during the coming quarters, while for the USA further declines are expected over the next year, which could be in the region of 25 bp.[3]

3-month forward interest rates (FRAs)[1] TABLE 3

%

	Dec-16	Dec-17	Dec-18	Dec-19	Mar-19	Jun-19	Sep-19	Dec-19
Euro area								
Spot	-0.32	-0.33	-0.31	-0.38	-0.31	-0.35	-0.42	-0.38
FRA 3x6	-0.31	-0.32	-0.30	-0.39	-0.31	-0.44	-0.47	-0.39
FRA 6x9	-0.29	-0.31	-0.29	-0.38	-0.31	-0.47	-0.51	-0.38
FRA 9x12	-0.28	-0.28	-0.28	-0.38	-0.30	-0.49	-0.53	-0.38
FRA 12x15	-0.26	-0.23	-0.25	-0.36	-0.29	-0.49	-0.54	-0.36
USA								
Spot	1.00	1.69	2.81	1.91	2.60	2.32	2.09	1.91
FRA 3x6	1.08	1.78	2.70	1.73	2.53	2.00	1.89	1.73
FRA 6x9	1.24	1.94	2.68	1.69	2.45	1.89	1.65	1.69
FRA 9x12	1.39	2.06	2.66	1.64	2.40	1.70	1.54	1.64
FRA 12x15	1.55	2.15	2.64	1.62	2.28	1.62	1.47	1.62

Source: Thomson Datastream. Data up to 31 December.

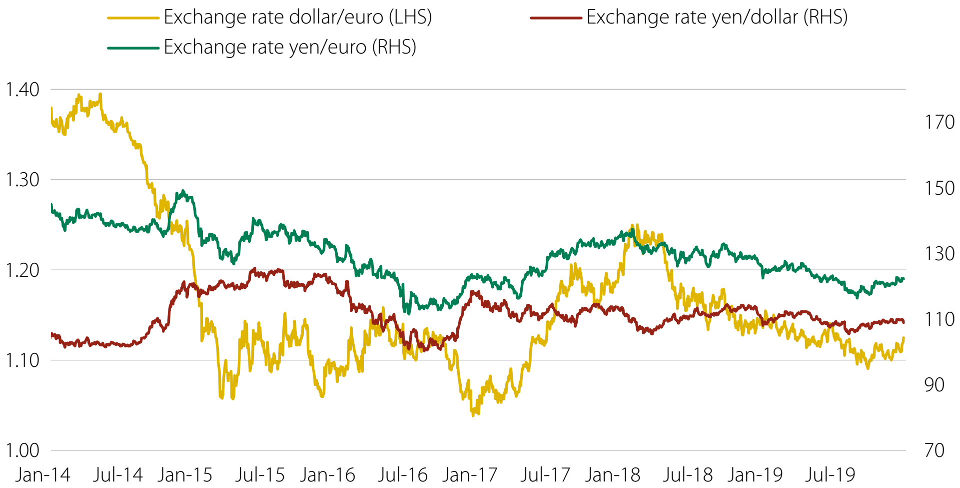
2.2 Exchange rates

The euro/dollar exchange rate, which started the year at 1.15 dollars per euro, was around 1.12 in December (see Figure 2). During the year, the exchange rate fluctuated between the two figures, although the euro depreciated slightly, most notably in September. The appeal of the US currency vis-à-vis its European counterpart is partly explained by the better macroeconomic data In the USA (notably the strong growth and low unemployment rate), which are reflected in higher interest rates, and due to the existence of political and economic uncertainties in Europe (Brexit, slowdown in activity etc.), which have weakened the euro. The way in which the trade agreement between the USA and China develops is likely to mark part of the euro/dollar exchange rate trend in 2020, as a favourable trading environment would boost the European currency. The euro/yen exchange rate followed a pattern similar to that of the dollar/euro: hence, between December 2018 and December 2019 the exchange rate moved from 126 yen to 122 yen per euro. The trend followed

3 At its last meeting in December, the Federal Reserve made the decision to keep the official interest rate unchanged after the three rate cuts implemented in 2019 (totalling 75 bp). In the forecasts made after this meeting by the participants of the Fed's Federal Open Market Committee (FOMC), it was announced that no rate cuts are expected for 2020 and four of the 18 members even predicted a 25 bp increase in the official interest rate.

by the euro/pound exchange rate was marked at all times by the Brexit negotiations and moved from 0.89 pounds per euro at the end of 2018 to 0.85 pounds at the end of 2019, following the appreciation of the British currency after the December elections.

Dollar/euro and yen/euro exchange rate FIGURE 2



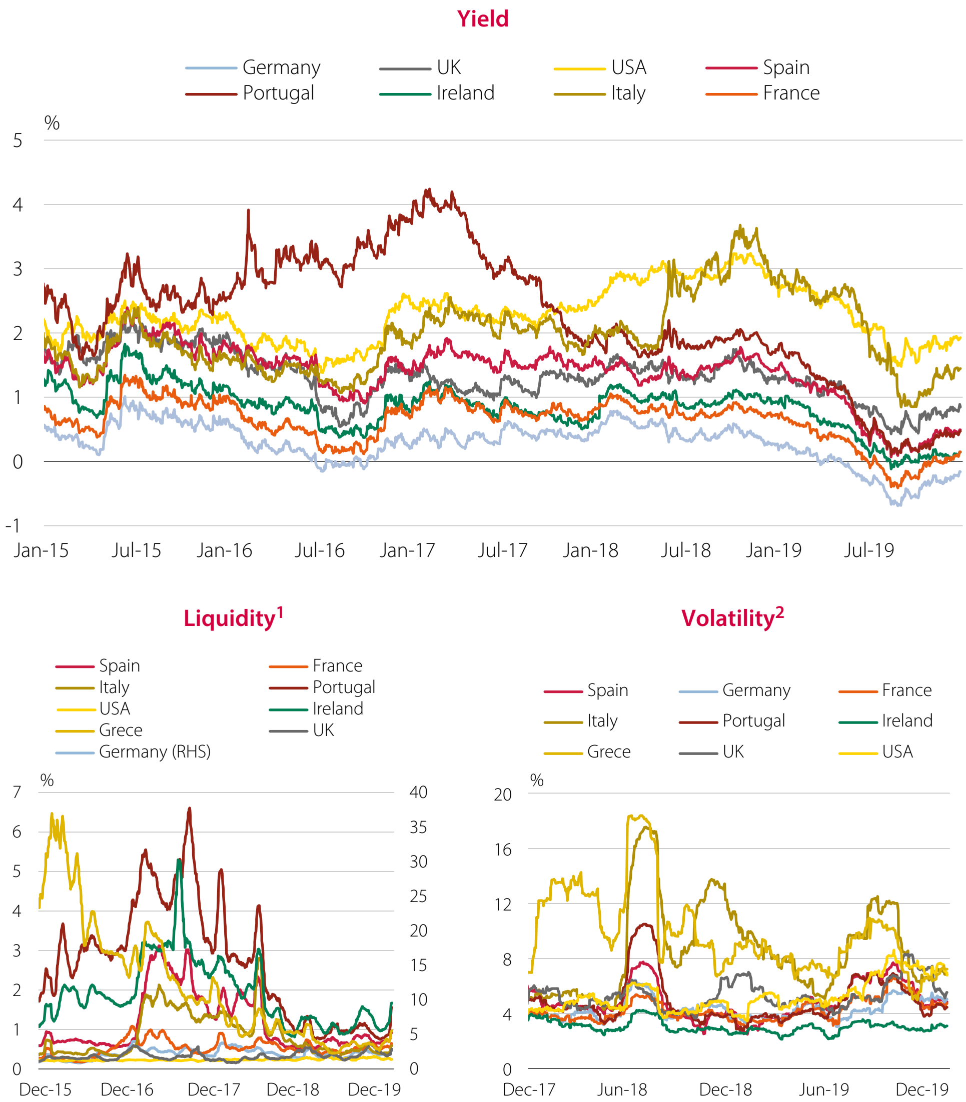
Source: Thomson Datastream. Data up to 31 December.

2.3 Long-term interest rates

Long-term sovereign bond rates in most advanced economies performed relatively consistently during the year, with widespread declines over more than half the year (in line with the slowdown in activity and the various uncertainties) and rallies in recent months, as shown in the upper panel of Figure 3. The progress made at the end of the year was mainly due to the reduction of some of the existing political and economic uncertainties. For instance, the possibility that the USA and China could reach a full trade agreement in the short term; the victory of the UK prime minister in the December elections, giving him sufficient votes to push through the UK's exit from the EU (which he has already negotiated with Brussels); and the improved economic outlook in Germany, where GDP increased slightly in the third quarter of the year[4] (after falling in the previous quarter).

4 The German ZEW index, which reflects investor confidence, stood at 10.7 points in December compared to -2.1 points observed in November and the figure of -22.8 points marked in October. Therefore, there has been a notable improvement in the short-term economic outlook, as the total increase in this indicator since October is the highest seen since it was first compiled (difference of 33.5 points from October to December). Similarly, the confidence index for the euro area has also risen substantially, from -23.5 points in October to 11.2 in December.

10-year sovereign bond market indicators FIGURE 3



Source: Bloomberg, Thomson Datastream and CNMV. Data up to 31 December.

1 Monthly deviation of the daily bid-ask spread of 10-year sovereign bond yields.

2 Annualised standard deviation of daily changes in the prices of 40-day sovereign bonds.

In Europe, increases in interest rates on 10-year public debt in the last quarter ranged between 11 bp in Greece to 60 bp in Italy (in Spain, and also in Germany and France, advances in the last quarter were around 32-39 bp). However, these increases were not enough to compensate for the falls in the previous quarters, so the annual balance marked a decline. The decrease in the yields on these benchmarks during the year ranged between 43 bp for the German bond and 290 bp for the Greek bond (95 bp for the Spanish bond). The annual decrease was 59 bp for the French bond and 44 bp for the UK bond, while in Italy and Portugal the decline was somewhat higher, 135 bp and 128 bp respectively. With these declines, debt yields were at very low levels and at the end of 2019 they moved into negative territory in Germany and the Netherlands, below 0.5% in Spain, France, Ireland, Portugal, Belgium, Austria and Finland and slightly below 1% in the United Kingdom.

In the USA and in Japan, sovereign bond interest rates also increased during the last months of the year (24 bp and 20 bp compared to the third quarter respectively). In the case of the USA, the yield on the bond ended the year at 1.91%, 78 bp less than at the end of 2018, while in Japan the comparison between the end of 2018 and 2019 revealed few variations (decrease of 2 bp).

Medium- and long-term government bond yields[1] TABLE 4

%

	Dec-16	Dec-17	Dec-18	Dec-19	Mar-19	Jun-19	Sep-19	Dec-19
Germany								
3 year	-0.71	-0.58	-0.53	-0.62	-0.54	-0.71	-0.83	-0.62
5 year	-0.46	-0.30	-0.27	-0.54	-0.39	-0.62	-0.81	-0.54
10 year	0.29	0.36	0.25	-0.27	0.06	-0.27	-0.57	-0.27
USA								
3 year	1.49	1.95	2.68	1.64	2.37	1.77	1.58	1.64
5 year	1.95	2.18	2.68	1.68	2.37	1.82	1.55	1.68
10 year	2.49	2.41	2.83	1.86	2.57	2.07	1.68	1.86
United Kingdom								
3 year	0.19	0.51	0.74	0.53	0.76	0.55	0.40	0.53
5 year	0.57	0.74	0.90	0.58	0.88	0.62	0.40	0.58
10 year	1.39	1.22	1.27	0.78	1.15	0.84	0.58	0.78
Japan								
3 year	-0.14	-0.13	-0.14	-0.14	-0.17	-0.22	-0.31	-0.14
5 year	-0.08	-0.11	-0.13	-0.11	-0.16	-0.24	-0.33	-0.11
10 year	0.06	0.05	0.04	-0.02	-0.04	-0.13	-0.23	-0.02

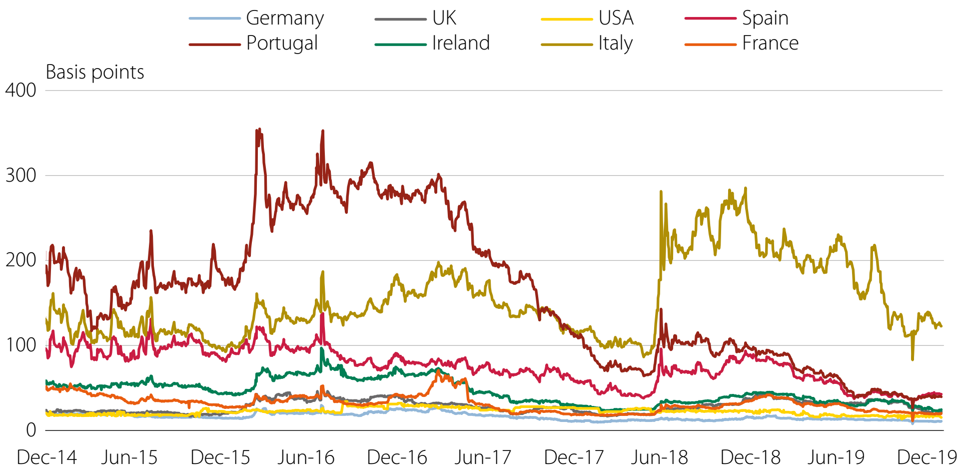
Source: Thomson Datastream.

1 Monthly average of daily data. Data up to 31 December.

Sovereign credit risk premiums (measured through 5-year CDS contracts) of advanced economies decreased slightly, in general terms, throughout 2019, although in the case of peripheral euro area countries this decrease was greater. Thus, in Greece the risk premium, which has been falling since the beginning of the year, decreased more sharply after the European elections in May and the Greek elections in July, which led to a change in government. The total fall in the accumulated figure for the year was 346 bp, to stand at 112 bp at the end of December. The Italian risk premium also experienced a significant decrease, ending the year at a similar figure to that of Greece: 121 bp (205 bp at the end of 2018). In Spain, on the other hand, the premium decreased around 40 bp in the first 6 months of the year and subsequently remained fairly stable, ending the year at 41 bp (80 bp at the end of 2018). The Portuguese risk premium marked a similar performance, decreasing by 51 bp from December 2018 to 38 bp.

In the other European economies, the risk premiums experienced a smaller decline throughout 2019. For example, in France and the United Kingdom there were falls of close to 20 bp and in Germany, of merely 5 bp The US sovereign risk premium stood at 13 bp at the end of December, 9 bp below the figure of 22 bp seen at year-end of 2018 (see Figure 4).

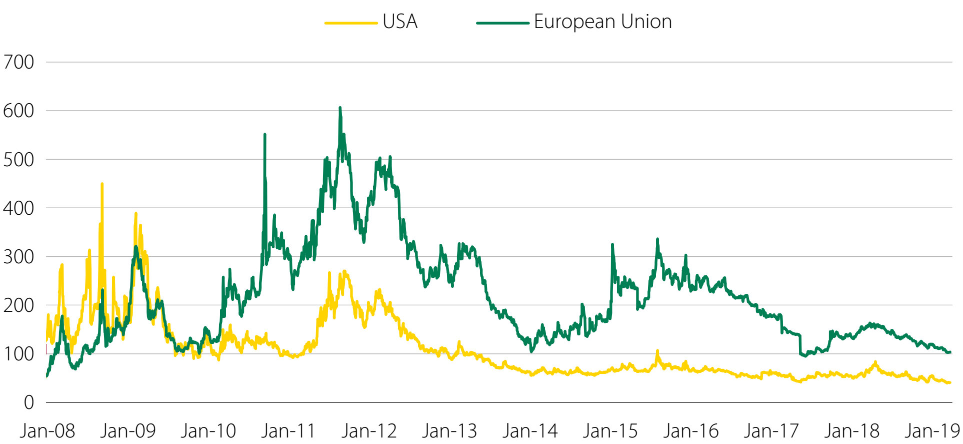
Sovereign debt credit risk premiums (5-year CDS) FIGURE 4



Source: Thomson Datastream. Data up to 31 December.

The risk premium applied to euro area credit institutions declined throughout 2019, as the same factors that contributed to lower sovereign risk premiums (the first phase of the trade agreement between China and the USA, the possibility of a Brexit deal and the slight improvement in the economic outlook in Germany) triggered positive changes in the outlook for the banking sector. Therefore, the risk premium applied to the euro area banking sector as a whole decreased by 54 bp in 2019, to stand at 101 bp at the end of December. In the USA, the risk premium for the banking sector fell by 35 bp, to stand at 37 bp.

Banking sector credit risk premiums (5-year CDS) FIGURE 5



Source: Thomson Datastream, indices prepared by CMA. Data up to 31 December.

Corporate debt risk premiums also fell in 2019, although unevenly throughout the year, with greater irregularity observed in the first half and significant decreases during the second. Both in the euro area and in the USA the fall was especially noted in lower credit quality segment (116 bp in Europe and 54 bp in the USA), reflecting the general increase in risk appetite. Hence, at the end of December the risk premium for high yield bonds in the euro area stood at 489 bp, marking a decrease of 171 bp between June and December, and in the USA it was at 430 bp, with a fall of 78 bp in the same period. In general, the very low rate environment, especially in the euro area, continues to favour the search for returns through investment in higher risk assets (see Table 5).

Corporate debt risk premiums[1] TABLE 5

Spread vs. 10-year government debt, basis points

	Dec-16	Dec-17	Dec-18	Dec-19	Mar-19	Jun-19	Sep-19	Dec-19
Euro area[2]								
High yield	469	398	605	489	546	660	543	489
BBB	143	104	199	137	173	165	155	137
AAA	75	54	86	66	76	37	81	66
USA								
High yield	408	377	485	430	423	508	462	430
BBB	141	122	192	141	166	168	168	141
AAA	56	44	72	46	53	71	58	46

Source: Thomson Datastream.

1 Monthly average of daily data. Data up to 31 December.

2 Spread vs. the German bond.

Gross debt issuances in international markets amounted to 11.7 billion US dollars in 2019, 5% more than in 2018, with no standard pattern observed between regions or issuers (see Figure 6). Therefore, debt issuances in the USA increased by 24.6%, to 5.33 billion US dollars, while in the rest of the areas analysed there were decreases of 12.1% in Europe and 4.2% in Japan, to stand at 2.68 trillion US dollars and 1.33 trillion US dollars respectively. By sector, uneven behaviour was also observed, with issuances increasing most substantially in the non-financial sector, where they stood at 2.0 trillion US dollars (up 15.7%) and in sovereigns, for an amount of 7.4 trillion US dollar (up 4.2%), while they remained practically stable in the financial sector (2.3 trillion US dollars, 0.3% less than in 2018).

In the USA, the increase in debt issuances in 2019 was widespread among the different sectors and is explained both by the decisions of the government of that country and by the decrease in interest rates, which makes this form of financing more attractive. The increase in sovereign issuances was 29%, with a significant boost in the second half of the year; the increase in issuances by non-financial companies was 32.8%; and the increase in issuances by financial institutions was somewhat more modest, at 1.9%.

In Europe, the decline in debt issuance is mostly explained by the performance of the public sector, where issuances fell by nearly 20% to 1.4 trillion US dollars,[5]

5 In fact, net issuance of these instruments (i.e., discounting the maturities) was in negative ground.

although the figure for financial institutions also fell (by 4.3% to 744 billion US dollars). The latter are likely to have lower funding requirements and also have alternative low-cost sources. In contrast, non-financial companies took advantage of a further fall in interest rates and saw an increase in issuances of 2.9% in 2019 to 527 billion euros, the highest figure in recent years.

Gross international debt issuance FIGURE 6

Source: Dealogic. Half-yearly data up to 31 December.

2.4 International stock exchanges

The main international equity indices experienced significant rises in the fourth quarter of the year as a result of the widespread perception of less economic and political uncertainty, as discussed in the section on debt securities. In this context, the Japanese Nikkei and Topix indices, along with the US indices, showed the strongest gains. The former increased 8.7% and 8.4% respectively and the latter by between 6.0% and 12.2%. In Europe, most stock indices registered notable increases in the last quarter of the year, with the exception of the UK's FTSE 100 index, where progress was weaker although it offset the fall seen in the previous quarter (see Table 6). Among the European indices, the largest quarterly increases were posted by the German Dax 30 index (6.6%) and the Italian Mib 30 index (6.3%). The French

Cac 40 and the Spanish Ibex 35 also showed increases in the last three months, of 5.3% and 3.3% respectively (see Table 6).

Return of the main stock market indices[1] TABLE 6

%

	2016	2017	2018	2019	Mar-19	Jun-19	Sep-19	Dec-19
World								
MSCI World	5.3	20.1	-10.4	25.2	11.9	3.3	0.1	8.2
Euro area								
Eurostoxx 50	0.7	6.5	-14.3	24.8	11.7	3.6	2.8	4.9
Euronext 100	3.0	10.6	-11.2	24.9	13.7	2.8	2.6	4.1
Dax 30	6.9	12.5	-18.3	25.5	9.2	7.6	0.2	6.6
Cac 40	4.9	9.3	-11.0	26.4	13.1	3.5	2.5	5.3
Mib 30	-10.2	13.6	-16.1	28.3	16.2	-0.2	4.1	6.3
Ibex 35	-2.0	7.4	-15.0	11.8	8.2	-0.4	0.5	3.3
United Kingdom								
FTSE 100	14.4	7.6	-12.5	12.1	8.2	2.0	-0.2	1.8
USA								
Dow Jones	13.4	25.1	-5.6	22.3	11.2	2.6	1.2	6.0
S&P 500	9.5	19.4	-6.2	28.9	13.1	3.8	1.2	8.5
Nasdaq-Cpte	7.5	28.2	-3.9	35.2	16.5	3.6	-0.1	12.2
Japan								
Nikkei 225	0.4	19.1	-12.1	18.2	6.0	0.3	2.3	8.7
Topix	-1.9	19.7	-17.8	15.2	6.5	-2.5	2.4	8.4

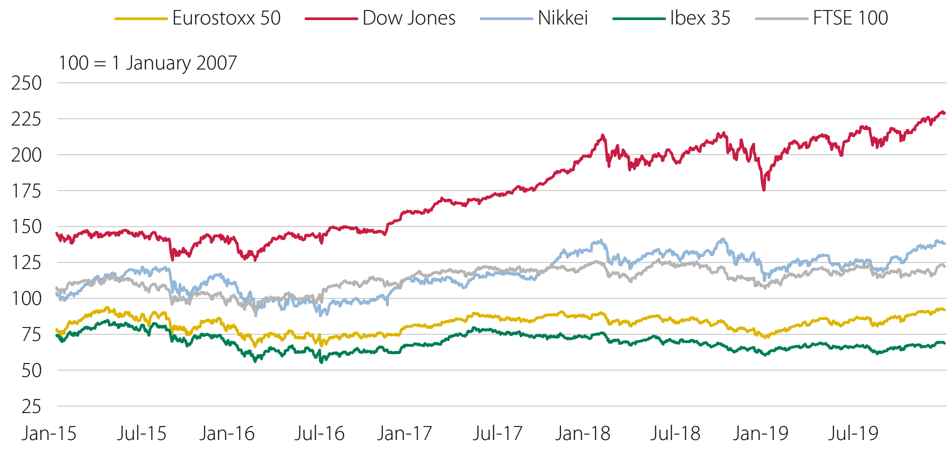
Source: Datastream.

1 In local currency. Data up to 31 December.

In the year as a whole, the main stock market indices recorded significant gains with respect to 2018. In general, the highest increases occurred in the first and last quarters of the year, with the lowest rises occurring in the central months of 2019 (with certain indices, such as the Spanish, Italian and UK indices, even falling). In Europe, the annual assessment shows index gains of more than 20%, with the exception of the Ibex 35, which recorded a more moderate increase (11.8%), and the UK's FTSE 100, which rose 12.1%. Apart from these two cases, the gains reported by European indices ranged from 24.8% (Eurostoxx 50) to 28.3% (Mib 30). Similarly, the US and Japanese exchanges experienced substantial gains: between 15.2% (Topix) and 18.2% (Nikkei) in Japan and between 22.3% (Dow Jones) and 35.2% (Nasdaq Composite) in the USA.

Performance of the main stock exchange indices

FIGURE 7

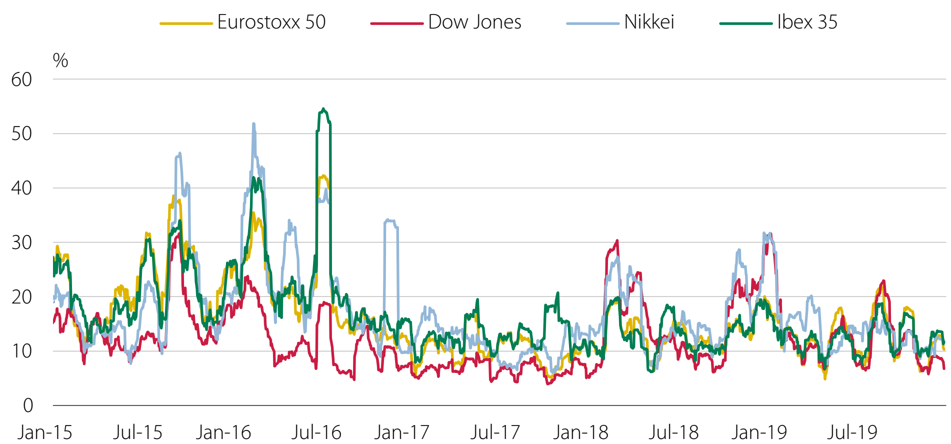


Source: Thomson Datastream. Data up to 31 December.

The historical volatility measures of the most relevant stock market indices were at lower levels during 2019, if we compare the annual average to their historical averages. The volatility indicators of the Ibex 35 and the Eurostoxx registered an annual average of around 12.5%, while the historical average for both is approximately 20%. The volatility of these indices, which ended 2018 at levels close to 20%, decreased as 2019 progressed but experienced a slight rally at the end of August. The average historical volatility of the Dow Jones in 2019 was also lower than its historical average (12.4% vs 15%) and showed a more pronounced downward trend compared to the European indices, starting the year at 30% and ending it at 6.4%. Similarly, the Japanese index, which started the year with higher volatility levels, ended 2019 at around 11.6% (see Figure 8). The implied volatility measures of the most relevant stock market indices followed the same line as the historical measures, with annual averages of between 12% and 16% in the main indices.

Historical volatility of main stock indices

FIGURE 8



Source: Thomson Datastream. Data up to 31 December.

Dividend yields showed similar behaviour among the main indices, with across-the-board decreases compared to the previous year, ranging from 0.3 percentage points (pp; Topix) to 0.8 pp (Eurostoxx 50). As we can see in Table 7, the dividend yields of the European indices remained higher than those of the US or Japanese indices. Thus, at the end of December, both the dividend yield of the S&P 500 and Topix index stood at 2.3% (2.8% and 2.6% respectively at the end of 2018), while the average for the European indices was 3.6%. The trend marked by the latter was, of course, downward, with the most significant variations seen in the French Cac 40 (-0.7 pp, down to 3%), the Italian Mib 30 (-0.5 pp, down to 4.2%) and the German Dax 30 (-0.5 pp, down to 3%). The dividend yield of the Spanish index went from 4.6% in 2018 to 4.2% in 2019.

Dividend yield of major stock market indices[1] TABLE 7

%

	2016	2017	2018	2019	Mar-19	Jun-19	Sep-19	Dec-19
S&P 500	2.5	2.2	2.8	2.3	2.5	2.4	2.4	2.3
Topix	1.9	1.8	2.6	2.3	2.3	2.5	2.4	2.3
Eurostoxx 50	4.1	3.9	4.1	3.3	3.7	3.6	3.5	3.3
Euronext 100	4.4	4.1	3.7	3.0	3.3	3.2	3.2	3.0
FTSE 100	4.1	4.0	4.8	4.4	4.6	4.4	4.6	4.4
Dax 30	2.7	2.6	3.4	3.0	3.3	3.2	3.2	3.0
Cac 40	4.9	4.4	3.8	3.0	3.4	3.3	3.2	3.0
Mib 30	3.9	3.5	4.7	4.2	4.3	4.3	4.2	4.2
Ibex 35	3.9	3.8	4.6	4.2	4.2	4.3	4.4	4.2

Source: Thomson Datastream.

1 Data up to 31 December.

The performance of the price-to-earnings ratio (PER) of the main equity indices throughout the year was largely even, with across-the-board gains in line with the increase in quoted prices (see Table 8). The indices that showed the greatest gains were the US S&P 500, which stood at 18.4 (14.3 at the end of the previous year), and the Japanese Topix, which reached 14.4 in December (10.7 at the end of 2018). In Europe, the PER ratio of the Euronext 100 index showed the most significant increase (3.5), standing at 15.7, followed by the French Cac 40 index, which ended the year at 14.6 (with an increase of 3.4), and the Dax 30, which increased 3.2 times to 14.2. The rises in the PER ratio in Italy and Spain were more moderate (2.4 and 1.9 respectively), attaining values of 12.2 and 12.4. On a broad time perspective, the US indices show the greatest difference with respect to the historical average for this ratio, standing well above that figure (see Figure 9).

PER[1] of the main stock market indices

TABLE 8

	2016	2017	2018	2019	Mar-19	Jun-19	Sep-19	Dec-19[2]
S&P 500	17.2	18.5	14.3	18.4	16.5	16.8	17.0	18.4
Topix	14.8	15.0	10.7	14.4	12.6	12.4	13.2	14.4
Eurostoxx 50	14.0	14.0	11.4	14.4	12.8	13.1	13.5	14.4
Euronext 100	15.3	15.8	12.2	15.7	14.3	14.6	14.8	15.7
FTSE 100	14.3	14.4	11.2	13.3	12.5	12.4	12.3	13.3
Dax 30	13.4	13.3	11.0	14.2	12.2	12.6	13.2	14.2
Cac 40	14.2	14.5	11.2	14.6	13.2	13.5	13.7	14.6
Mib 30	14.3	13.8	9.9	12.2	11.0	11.0	11.2	12.2
Ibex 35	14.3	13.6	10.5	12.4	11.6	11.8	11.6	12.4

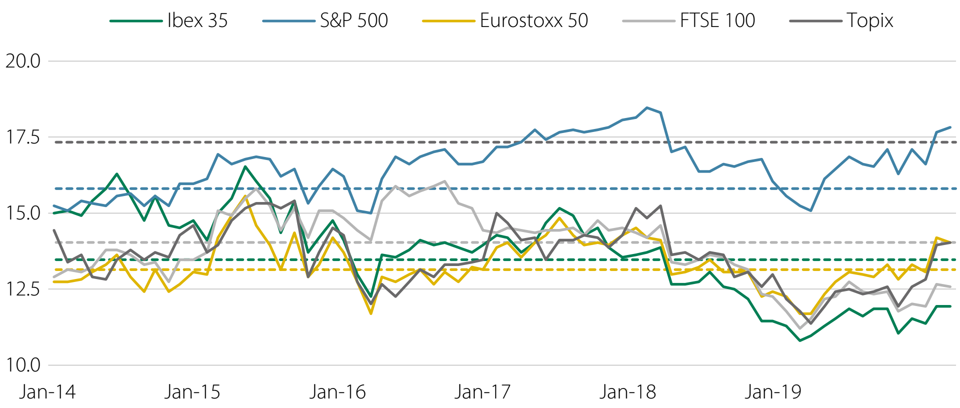
Source: Thomson Datastream.

1 Earnings per share in the denominator of this ratio are based on 12-month forecasts.

2 Data up to 31 December.

PER[1] of the main stock indices

FIGURE 9

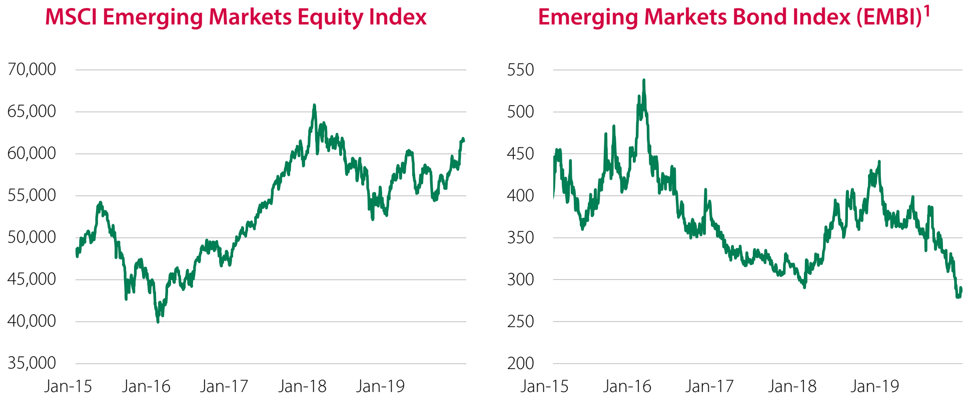


Source: Thomson Datastream. Data for the last session of each month. Data up to 31 December.

1 Earnings per share in the denominator of this ratio are based on 12-month forecasts. The dotted lines represent historical averages for each index since 2000.

The behaviour of stock market prices in emerging economies was uneven during 2019: buoyant in the first and last quarters of the year and declining in the central months. The year was marked by the development of trade tensions between China and the USA and due to political uncertainty in South America, especially in Chile. Nevertheless, the MSCI Emerging Markets Equity Index rose by 15% for the year as a whole (9% in the last quarter) and the risk premium (EMBI) reduced by 150 bp to stand at 284 bp in December (see Figure 10).

Risk valuation in emerging economies FIGURE 10



Source: Thomso0n Datastream and Bloomberg. Data up to 31 December.

1 This is a country risk indicator (Emerging Markets Bonds Index) calculated on the basis of interest rate spread for different maturities between dollar-denominated bonds issued by emerging economies and US debt bonds.

Emerging markets generally showed a somewhat irregular performance over 2019 as a whole, with gains in the first and last quarters of the year and losses in the central quarters, as shown in Table 10. By region, the Latin American indices increased with respect to the previous quarter and December 2018, with the exception of the Chilean IGPA index, which lost 9.9% in the year as a result of the political instability in the country. The rest of the indices showed gains during the year that reached 31.6% in the case of Brazil's Bovespa index and 37.6% for Argentina's Merval index, which, after falling 30.5% following the primary elections held in the country and the collapse of the peso in the third quarter, rose by 43.4% in the last months of the year. In Asia, most equity indices also saw gains, with the stand-out being Shanghai Composite, which, after two quarters of falls and as a result of the favourable progress in the trade negotiations with the USA, with the suspension of the tariffs planned for mid-December, increased by 5.0% in the last quarter. The annual balance of this index shows a gain of 22.3%. In Eastern Europe, the Russian (RTS Index) and Romanian (Romania BET) indices were up 45.3% and 35.1% respectively for the year as a whole.

According to data published by the World Federation of Exchanges and the Federation of European Exchanges, the trading volumes of the main exchanges and multilateral trading facilities (MTFs) showed a general downward trend common to all the main geographical areas throughout 2019. Thus, in the USA, trading fell by 9%, to 34.9 trillion euros, as a result of the decrease in trading in NYSE and BATS Global Markets, which was larger than the increase in activity seen by the Nasdaq OMX.[6] Among the European platforms, the largest decline was recorded at Cboe Equities, with 29%, although the rest of the European trading venues also experienced some decrease in trading activity, as did the Japanese venues (see Table 10). Even the Turquoise MFT was not spared from this trend, with a drop in trading activity of nearly 50% in 2019.

6 The annual variation rates presented have been calculated with the information available on the closing date of this report, which is November for most trading venues, except for the NYSE (October) and BME (full year) and taking into account the trading for the same period in 2018.

Return of other international stock market indices[1]

TABLE 9

	Index	2016	2017	2018	2019	Mar-19	Jun-19	Sep-19	Dec-19
Latin America									
Argentina	Merval	44.9	77.7	0.8	37.6	10.5	24.9	-30.5	43.4
Brazil	Bovespa	38.9	26.9	15.0	31.6	8.6	5.8	3.7	10.4
Chile	IGPA	14.2	35.0	-7.3	-9.9	2.7	-3.2	-1.3	-8.1
Mexico	CPI	6.2	8.1	-15.6	4.6	3.9	-0.3	-0.3	1.2
Peru	IGRA	58.1	28.3	-3.1	6.1	9.0	-2.3	-4.9	4.7
Asia									
China	Shanghai Comp.	-12.3	6.6	-24.6	22.3	23.9	-3.6	-2.5	5.0
India	BSE	3.6	31.5	1.2	9.6	5.8	0.9	-2.8	5.7
South Korea	Korea Cmp. Ex	3.3	21.8	-17.3	7.7	4.9	-0.5	-3.2	6.5
Philippines	Manila Comp.	-1.6	25.1	-12.8	4.7	6.1	1.0	-2.8	0.5
Hong Kong	Hang Seng	0.4	36.0	-13.6	9.1	12.4	-1.8	-8.6	8.0
Indonesia	Jakarta Comp.	15.3	20.0	-2.5	1.7	4.4	-1.7	-3.0	2.1
Malaysia	Kuala Lumpur Comp.	-3.0	9.4	-5.9	-6.0	-2.8	1.7	-5.3	0.3
Singapore	SES All-S'Pore	-0.1	18.1	-9.8	5.0	4.7	3.4	-6.1	3.3
Thailand	Bangkok SET	19.8	13.7	-10.8	1.0	4.8	5.6	-5.4	-3.5
Taiwan	Taiwan Weighted Pr.	11.0	15.0	-8.6	23.3	9.4	0.8	0.9	10.8
Eastern Europe									
Russia	Russian RTS Index	52.2	0.2	-7.6	45.3	12.4	15.2	-3.4	16.1
Poland	Warsaw G. Index	11.4	23.2	-9.5	0.2	3.4	0.9	-4.8	0.9
Romania	Romania BET	1.2	9.4	-4.8	35.1	9.0	9.6	8.6	4.2
Bulgaria	Sofix	27.2	15.5	-12.3	-4.4	-1.8	0.7	-2.9	-0.4
Hungary	BUX	33.8	23.0	-0.6	17.7	6.5	-3.4	0.8	13.5
Croatia	CROBEX	18.1	-7.6	-5.1	15.4	2.8	4.7	4.3	2.7

Source: Thomson Datastream.

1 Data up to 31 December.

The volume of equity issuances in international financial markets stood at 719 billion US dollars in 2019, slightly below the 2018 figure (-0.3%). Issuance activity was weaker in the first months of the year, but gained intensity as the year progressed, with the standouts being the USA and China, where the last months were more active in line with the recovery of quoted prices. In these economies, equity issuances ended the year with increases, which stood at 2.3% (up to 227 billion US dollars) in the USA and 8.8% (up to 163 billion US dollars) in China. In Europe the second half of the year was also better than the first, but insufficient to prevent a decrease in the volume of issuances of 16.3%, to 122 billion US dollars. In Japan, the decline was even greater: 58.9% to 22 billion US dollars. The breakdown by sector showed a widespread rise in issuances, except for industrial companies, which recorded a fall of 9.9% compared to 2018. Issuances of bank shares increased by 57% and those of non-bank financial companies by 23.7%.

Trading volumes on the main international stock exchanges

TABLE 10

Billion euros

	2016	2017	2018	2019	Mar-19	Jun-19	Sep-19	Dec-19[1]
Market operator								
USA[2]	38,050	33,882	44,222	34,901	10,148	9,211	10,022	5,520
Nasdaq OMX	10,016	10,047	14,250	13,123	3,546	3,613	3,737	2,228
NYSE	15,659	12,921	16,397	10,917	3,669	2,732	3,161	1,356
BATS Global Markets	12,375	10,914	13,575	10,860	2,933	2,866	3,124	1,937
Japan Exchange Group	5,082	5,143	5,327	4,180	1,142	1,124	1,129	784
London Stock Exchange Group[3]	2,070	2,052	2,143	1,646	442	437	449	317
Euronext[4]	1.601	1,708	1,865	1,582	420	423	437	302
Deutsche Börse	1,184	1,301	1,538	1,247	333	345	334	235
BME[5]	652	650	591	469	108	131	101	128
Cboe Equities Europe[6]	2,396	2,119	2,377	1,572	503	443	378	247
Multilateral trading facility (MTF)								
Turquoise	1,224	810	621	299	109	93	59	38

Source: World Federation of Stock Exchanges, European Federation of Stock Exchanges and CNMV.

1 Data up to 30 November except for BME, where they are collected up to 31 December, and the NYSE, where they are collected up to 31 October.

2 Since 2009, the sum of the Nasdaq OMX, New York Stock Exchange (NYSE) and BATS Global Markets is considered.

3 Includes the London Stock Exchange and Borsa Italiana.

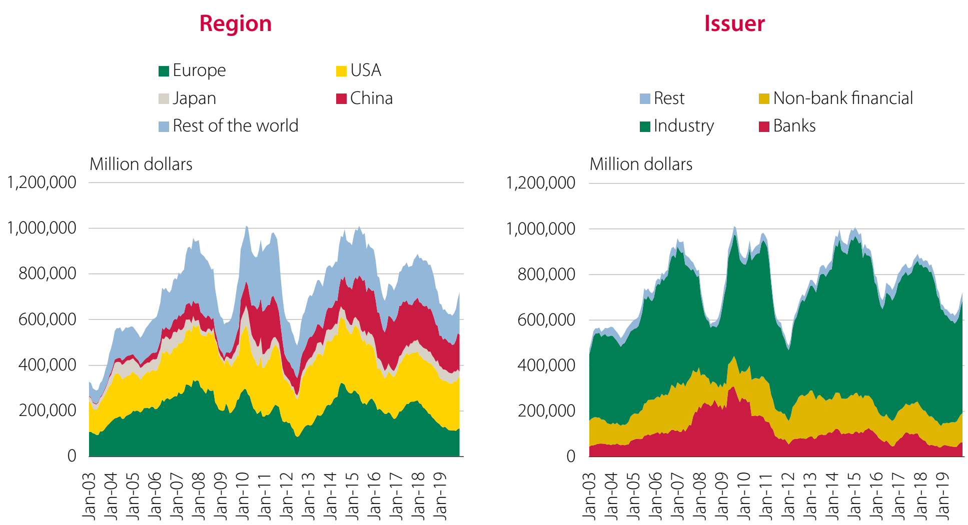
4 Includes Belgium, Holland, France, Portugal, Ireland and Euronext London.

5 BME Bolsas y Mercados Españoles. Does not include Latibex.

6 BATS Europe until February 2017, the date on which it was acquired by the Cboe Global Markets group.

International equity issuances

FIGURE 11

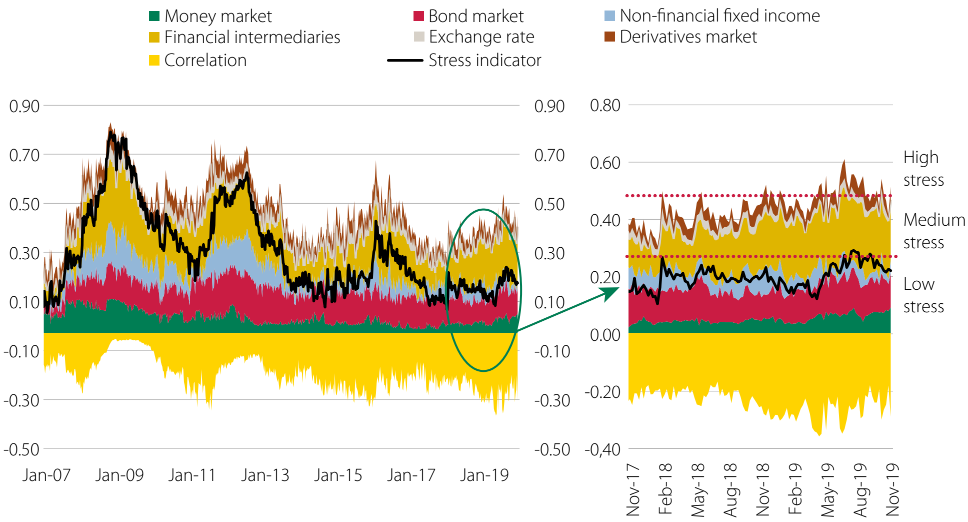


Source: Dealogic. Accumulated data for 12 months up to 31 December.

3 Recent trends in Spanish financial markets

The Spanish financial market stress indicator, which has oscillated around the benchmark values that separate the low and medium stress level (0.27) since August due to the existing uncertainties, ended the year on a slight downward trend. The year-end value of this indicator was 0.22[7] (see Figure 12), with the highest stress levels corresponding to the financial intermediary segment (0.66), the bond segment and the money market segment, both at 0.59.[8] In the case of financial intermediaries, the high level of stress is due to the low value of quoted prices for banks; in the debt segment it is due to a certain deterioration in liquidity, as well as temporary rises in volatility; and in the money market it is explained by the increased volatility of the Euribor and the widening of its spread with Spanish government bond yields. The degree of correlation between the six segments of the financial system contemplated tended to increase at times of greater uncertainty, but remains at low levels compared to its historical average.

Stress indicator of the Spanish financial markets FIGURE 12



Source: CNMV.

7 This indicator has a weekly frequency. The data presented in this report correspond to 3 January.

8 The stress indicator calculated by the CNMV provides a real-time measure of systemic risk in the Spanish financial system that ranges from zero to one. To do this, it evaluates stress in six segments of the financial system and makes an aggregate, obtaining a single figure that takes into account the correlation between these segments. Econometric estimates indicate that index values below 0.27 correspond to periods of low stress, while scores between 0.27 and 0.49 correspond to periods of medium stress, and values above 0.49 indicate periods of high stress. For further details on recent movements in this indicator and its components, see the quarterly publication of the *Financial Stability Note*, and the CNMV's statistical series (market stress indicators), available at http://www.cnmv.es/portal/menu/Publicaciones-Estadisticas-Investigacion.aspx. For more information on the methodology of this index, see Cambón, M.I. and Estévez, L. (2016). "A Spanish Financial Market Stress Index (FMSI)". *Spanish Review of Financial Economics,* Vol.14, No. 1, pp. 23-41 or as CNMV Working Document No. 60 (http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/Monografia_60_en.pdf).

3.1 Fixed income markets

Debt markets, which had been showing significant declines in bond yields for much of 2019 (reaching historical lows at longer maturities) showed slight upturns towards the end of the year, after some of the current uncertainties had subsided and it had been confirmed that the monetary authorities would not take additional expansionary monetary policy measures for the time being and would even consider reviewing their current strategy.[9] In this context, both public and private debt yields closed the year at levels below those of 2018 in most of segments of the curve, in which considerable flattening was observed. Likewise, the Spanish sovereign credit risk premium showed notable declines, favoured by the expansionary tone of the monetary policy, ending the year at 66 bp (118 bp in December 2018). On the other hand, the fixed income issuances registered with the CNMV, which had shown some growth in the first 9 months of the year, decreased sharply in the last quarter, resulting in an annual decline of 11% (to the amount of 90.07 billion euros). Meanwhile, debt issuance abroad continued to grow significantly. Based on information up to November, these issuances showed an increase of 6.7% and stood at 91.13 billion euros, which exceeded the amount recorded by the CNMV for the year as a whole.

Interest rates on short-term debt remained relatively stable in the fourth quarter, reaching historic lows in both the primary and secondary markets. Thus, the yield on public debt reported its fourth consecutive year in negative territory on the entire short section of the curve, as a result of the continuation of the ECB's ultra-expansive monetary policy (official rates are still at historic lows) and which, as has just been reiterated, will be maintained as long as the inflation outlook does not point to an increase.[10] The yield on the secondary market for 3-, 6- and 12-month treasury bills stood at -0.58%, -0.47% and -0.48% respectively at the end of December, very similar to the third quarter and in line with the yield set by the ECB for the deposit facility (-0.5%).

In addition, since September shorter-term rates have risen, which could be related to a feature of the application system in the deposit facility (known as the two-tier system), which reduces the amount of the funds affected by the negative rates and which, in practice, could lead to an increase in short-term rates. However, all the auctions of bills for the primary market continued to be awarded at negative rates, which have now been extended to securities with terms of 3 and 5 years. In the case of short-term private fixed income, the behaviour was different, with values that were higher than those of the previous quarter and the greatest increases seen in the 6- and 12-month segments.[11] Therefore, in December, the yields on commercial paper when issued ranged from 0.20% for the 3-month benchmark to 0.71% for the 6-month benchmark (see Table 11).

---

9 The new ECB President, Christine Lagarde, announced in December that the strategic review of the ECB's monetary policy objectives and instruments would begin in January 2020 (the previous strategy dates from 2003).

10 The new president reiterated in December that she expects rates "to continue at current levels, or at lower levels, until a solid convergence of the inflation outlook to a sufficiently close level is observed, although less than 2%".ECB forecasts put inflation in 2019 at 1.2% and do not expect it to reach 1.6% until 2022.

11 The increases in 6- and 12-month rates are partly a result of the small size of the sample of issuers in these periods, which is highly dispersed in terms of company characteristics, size and credit quality, with a large number of companies rated below investment grade.

Short-term interest rates[1]

TABLE 11

%

	Dec-16	Dec-17	Dec-18	Dec-19	Mar-19	Jun-19	Sep-19	Dec-19
Treasury bills								
3 months	-0.47	-0.62	-0.50	-0.58	-0.40	-0.47	-0.54	-0.58
6 months	-0.34	-0.45	-0.41	-0.47	-0.36	-0.38	-0.53	-0.47
12 months	-0.25	-0.42	-0.33	-0.48	-0.32	-0.38	-0.49	-0.48
Corporate commercial paper[2]								
3 months	0.18	0.39	0.24	0.20	0.25	0.21	0.16	0.20
6 months	0.20	0.26	0.19	0.52	0.41	0.58	0.17	0.52
12 months	0.15	0.19	0.07	0.71	0.65	1.06	0.43	0.71

Source: Thomson Datastream and CNMV.

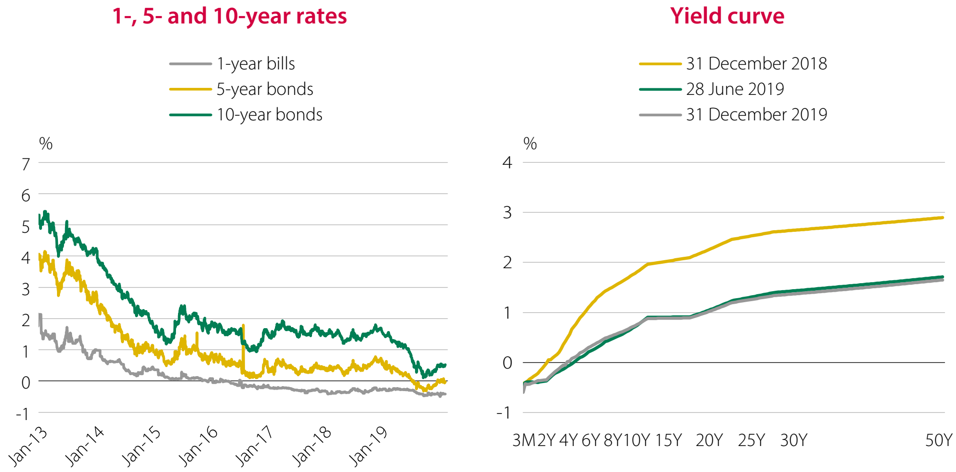
1 Monthly average of daily data.

2 Issuance interest rate.

After the declines in the last quarters due to the announcement of new accommodative measures and their implementation[12] by the ECB, medium and long-term public debt interest rates began the quarter with slight increases of between 16 and 25 bp,[13] which were consolidated throughout the period, given the current outlook for no further measures of an expansive nature. Even so, these yields are close to historical lows and are likely to remain in this area for some time. In this context, the yield on 3-, 5- and 10-year government bonds was -0.29%, -0.06% and 0.45%, respectively, which is between 26 and 98 bp less than in December 2018 (see Table 12). It is worth noting that the 10-year government bond yield hit a series low in August, at very close to zero. The yield curve, on the other hand, shows slightly positive values from the 6-year term, although this benchmark showed negative values for most of the year.

Spanish government debt yields

FIGURE 13



Source: Thomson Datastream and Bloomberg. Data up to 31 December.

12 At the end of December, the ECB had acquired public debt for a net amount of 2.20 trillion euros of which 259 billion euros corresponded to Spanish securities.

13 Quarterly calculation based on monthly average returns.

Corporate debt yields also rose slightly in the fourth quarter, as the effects of the start of a new corporate debt purchase programme by the ECB had already been factored in[14] from 1 November and the resolution of some of the uncertainties of previous months had a greater impact. Thus, at the end of 2019, the yields on 3-, 5- and 10-year private debt stood at 0.20%, 0.23% and 0.79% respectively, implying a risk premium of between 29 and 49 bp up to the 5-year term and 34 bp tor the 10-year term. Over the year as a whole, the yield on 10-year private debt fell by 73 bp, 5-year debt by 32 bp and 3-year debt by 47 bp (see Table 12).

Medium and long-term corporate bond yields[1] TABLE 12

%

	Dec-16	Dec-17	Dec-18	Dec-19	Mar-19	Jun-19	Sep-19	Dec-19
Public fixed income								
3 year	0.04	-0.09	-0.04	-0.29	-0.14	-0.31	-0.44	-0.29
5 year	0.35	0.31	0.43	-0.06	0.24	-0.10	-0.27	-0.06
10 year	1.44	1.46	1.43	0.45	1.14	0.50	0.20	0.45
Private fixed income								
3 year	0.69	0.44	0.67	0.20	0.44	0.19	-0.10	0.20
5 year	1.43	0.41	0.55	0.23	0.56	0.34	0.10	0.23
10 year	2.14	1.16	1.52	0.79	1.32	1.05	0.63	0.79

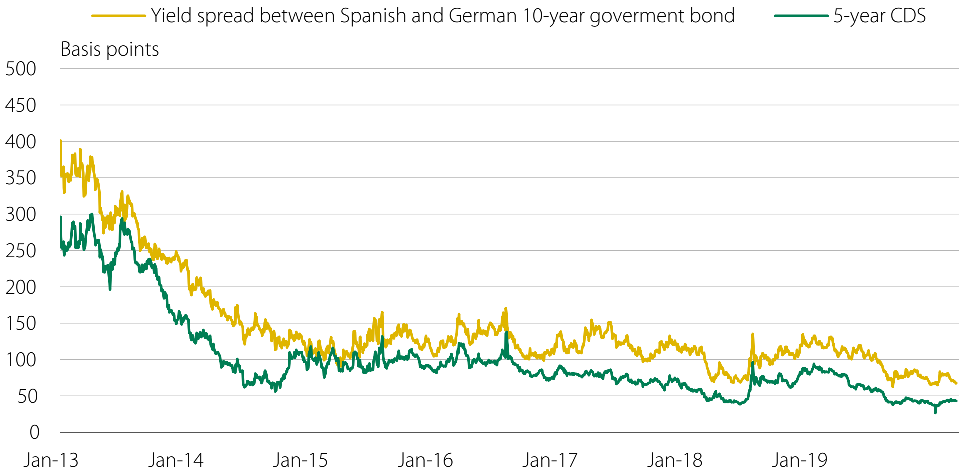
Source: Thomson Datastream, Reuters and CNMV.

1 Monthly average of daily data.

The sovereign risk premium (measured as the yield spread between Spanish and German 10-year sovereign bonds) remained relatively stable for most of the quarter, closing 2019 at 66 bp, close to its annual low of 60 bp reached in July and more than 50 bp below the 2018 close (118 bp). The reduction of this premium is a consequence of the announcements made and stimuli adopted by the European monetary authority, as well as the better relative performance of the Spanish economy compared to the rest of the major European economies. Likewise, the risk premium estimated using the CDS (Credit Default Swap) of the Spanish sovereign bond (where the market is less liquid than that of the German bond) also remained unchanged, standing at 41 bp at the end of 2019, compared to 80 bp at the end of the previous year (see Figure 14). In the short term, its performance, like that of the premiums applied to large Spanish issuers, will be conditioned by several factors, including those of a political nature and the progressive slowdown of the Spanish economy and, consequently, the trend in corporate earnings.

14 To the end of December, the corporate debt purchase programme accumulated a volume of purchases amounting to 184.34 billion euros, of which more than 18% was acquired in the primary market.

Risk premium paid by Spanish issuers: public sector FIGURE 14



Source: Thomson Datastream and CNMV. Data up to 31 December.

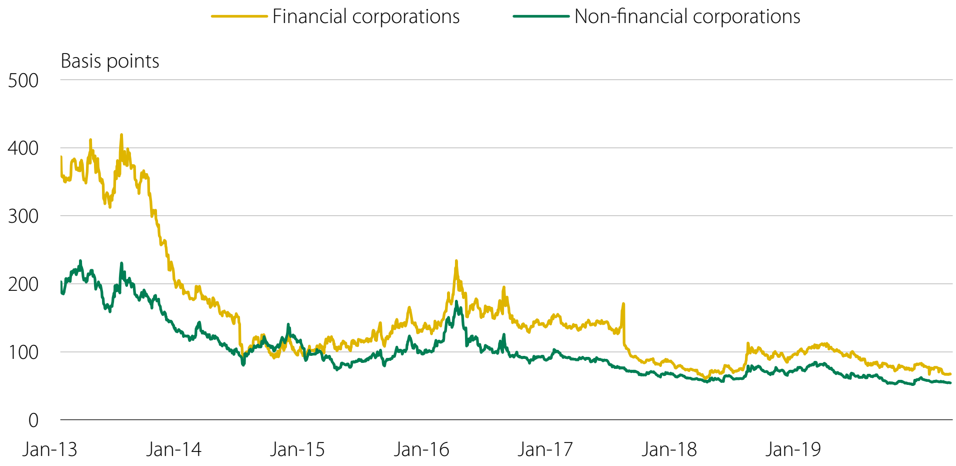
The risk premiums paid by the private subsectors of the economy showed moderate declines in the last quarter of the year, which were more pronounced for financial institutions. Despite the uncertainties affecting the latter (falling interest income as a result of the low interest rate environment) the average premium on banks' CDS contracts has been positively affected by the launch of the third round of ECB financing, which will allow them to access long-term, low-cost financing, while the low level of rates prevents any deterioration in their default rates.

In the case of non-financial companies, the decrease in the risk premiums applied was smaller, although they also reached minimums since the lows seen at the end of 2007. These companies continue to benefit from the revival of the ECB purchase programme,[15] which helps keep financing costs at low levels. As shown in Figure 15, the average premiums on CDS contracts for Spanish financial institutions was 65 bp at the end of December, below 79 bp at the end of the third quarter and a long way off the 108 bp marked at the beginning of the year; while for non-financial entities, the average risk premium on the same date was 52 bp, compared to 57 and 78 bp in the previous quarter and at the beginning of the year, respectively.

In contrast to the first three quarters of the year, when fixed income issuances registered at the CNMV increased in comparison with the same periods in 2018, the issuances recorded in the fourth quarter were much lower than those seen in the fourth quarter of 2018 (down 23.5 billion), which led to a decrease in the cumulative volume for the year. This development is partly due to the decrease in issuances by the Asset Management Company for Assets Arising from Bank Restructuring (SAREB), which were particularly high at the end of 2018, and to the lower financing needs of issuers, which may have covered them earlier after the renewal of the programme to lower financing costs. Issuances abroad were also strong compared to Spanish issuances (although in the final part of the year they were also weaker), with a volume that may exceed that of issuances registered in Spain in 2019.

15 This programme includes a corporate sector purchase programme (CSPP), which has been extended to all Spanish issuers meeting the conditions of the programme (minimum rating BBB-).

Risk premium paid by Spanish issuers: private sector[1] FIGURE 15



Source: Thomson Datastream and CNMV. Data up to 31 December.

1 Simple average of the 5-year CDS of a sample of entities.

In particular, the volume of issuances registered with the CNMV in 2019 stood at 90.07 billion, 11% less than in 2018 and the lowest level in the last 10 years, resulting in a decrease in all debt categories except for securitisation bonds, which experienced a slight increase of 3% to 18.74 billion euros, and in certain specific types of instruments, such as internationalisation bonds, with an amount of 1.5 billion euros. It should be noted that in 2019 the first securitisations made by Spanish issuers that comply with STS recognition were produced[16] in accordance with the criteria established in European regulations. In total, four issuances were made, three by banks, which amounted to 4.57 billion euros.

In absolute terms, the largest decreases were seen in non-convertible bonds, where issuances were less than 30 billion euros in 2019 (35.84 billion euros in 2018). As indicated above, much of this decline is explained by the activity of SAREB, which reduced its issuances by 31%, to 20.51 billion euros (29.75 billion euros in 2018). Stripping out debt issuances made by this company, the drop in total fixed income issuances would have been lower (-2.8%). Other significant decreases occurred in issuances of mortgage-backed securities (down 14% to just under 23 billion euros), which continued the trend observed in recent years, marked by the renewal of past due issuances and the fall in the balance of outstanding mortgage loans,[17] which limits these types of issuances. Lastly, issuances of commercial paper showed a smaller decrease of 1% to 14.99 billion euros, although the amount is considerably lower than that of issuances of these instruments abroad (more than 37 billion euro to October).

It should be noted that debt issuances made in the Alternative Fixed Income Market (MARF) stood at 10.3 billion euros in 2019, representing an increase of 66% compared to the 2018 figure. Most of this amount corresponded to issuances of commercial paper (93%) by 48 entities (19 more than in 2018), including companies such as El Corte Inglés, MásMóvil, Grupo Barceló and Sacyr.

16 Simple, transparent and standardised (STS).

17 Until November, according to Bank of Spain data, the mortgage credit balance fell 1.0% year-on-year, reaching 515.83 billion euros, its lowest level since 2006.

Gross fixed income issues registered with the CNMV

TABLE 13

	2016	2017	2018	2019	2019 I	II	III	IV[1]
NOMINAL AMOUNT	**139,028**	**109,487**	**101,296**	**90,066**	**20,850**	**14,325**	**19,968**	**34,923**
(type of instrument, million euros)								
Mortgage-backed securities	31,643	29,824	26,575	22,933	2,745	5,930	6,750	7,508
Public sector covered bonds	7,250	350	2,800	1,300	0	0	0	1,300
Non-convertible bonds and debentures	40,170	30,006	35,836	29,602	13,620	2,365	1,533	12,084
Convertible/exchangeable bonds and debentures	0	0	0	0	0	0	0	0
Securitisation bonds	35,505	29,415	18,145	18,741	1,270	2,881	4,909	9,681
Corporate commercial paper[2]	22,960	17,911	15,089	14,990	2,215	3,149	5,275	4,351
Securitised	1,880	1,800	240	0	0	0	0	0
Other commercial paper	21,080	16,111	14,849	14,990	2,215	3,149	5,275	4,351
Other fixed income issues	1,500	981	0	1,500	0	0	1,500	0
Preferred shares	0	1,000	2,850	1,000	1,000	0	0	0
Pro memoria:								
Subordinated issues	4,279	6,505	4,923	3,214	350	316	459	2,088
Underwritten issues	421	0	0	0	0	0	0	0
NOMINAL AMOUNT (issuing sector, million euros)	**139,028**	**109,487**	**101,296**	**90,066**	**20,850**	**14,325**	**19,968**	**34,923**
Financial institutions	133,897	105,380	96,926	80,326	19,549	11,957	16,325	32,495
Long term	111,311	88,079	82,830	72,206	17,365	10,576	13,692	30,572
SAREB	30,803	20,040	29,751	20,505	10,243	0	0	10,262
Short term	22,586	17,301	14,097	8,121	2,184	1,381	2,632	1,923
Non-financial entities	2,819	1,210	1,688	7,471	31	2,368	2,643	2,429
Long term	2,445	600	695	600	0	600	0	0
Short term	374	610	993	6,871	31	1,768	2,643	2,429
Public administrations	2,313	2,897	2,682	2,270	1,270	0	1,000	0

Issuances made abroad by Spanish issuers

	2016	2017	2018	2019[3]	2019 I	II	III	IV[3]
NOMINAL AMOUNT (million euros)	**58,587**	**84,760**	**89,358**	**91,130**	**27,940**	**26,308**	**23,754**	**13,127**
Long term	31,655	61,095	38,425	48,568	16,750	13,589	12,342	5,887
Preferred shares	1,200	5,844	2,000	2,970	2,051	0	918	0
Subordinated debt	2,333	5,399	2,250	1,755	1,750	5	0	0
Bonds and debentures	28,122	49,852	34,175	43,844	12,949	13,584	11,424	5,887
Short term	26,932	23,665	50,933	42,561	11,190	12,719	11,412	7,240
Commercial paper	26,932	23,665	50,933	42,561	11,190	12,719	11,412	7,240
Asset-backed	0	0	0	0	0	0	0	0

Pro memoria: Gross issues by subsidiaries of Spanish companies resident in the rest of the world

	2016	2017	2018	2019	2019 I	II	III	IV[3]
NOMINAL AMOUNT (million euros)	**56,674**	**66,628**	**91,446**	**83,928**	**28,165**	**23,851**	**22,187**	**9,724**
Financial institutions	11,427	19,641	43,234	49,880	14,779	14,935	13,568	6,598
Non-financial entities	45,247	46,986	48,212	34,047	13,386	8,917	8,619	3,126

Source: CNMV and Bank of Spain.

1 Data up to 31 December.

2 The figures for issues of corporate commercial paper correspond to the amounts placed.

3 Data until 30 November.

On the other hand, fixed income issues by Spanish issuers abroad (up to 30 November) remained dynamic, with an increase of 6.7% over the year, reaching 91.13 billion euros. Therefore, in the absence of 1 month of information, this figure already exceeds the amount of issues registered at the CNMV in the year as a whole and represents 50.3% of total issues (compared to 46.9% in 2018). A significant change was observed in relation to the term of the assets, as long-term debt issues made abroad increased by 29% (up to 48.57 billion euros), while short-term issues fell 11% (to 42.56 billion euros). Lastly, issues made by subsidiaries of Spanish companies abroad (up to November) decreased by 8% in the year, to 83.93 billion euros, negatively affected by the decrease in issues by financial institutions (-29%).

3.2 Equity markets

3.2.1 Prices

In the domestic equity markets, quoted prices, which had already made risen in September, continued to increase in the fourth quarter thanks to the positive effect of the monetary stimulus package adopted by the ECB and the successive reductions in Federal Reserve rates, as well as the resolution of several elements of uncertainty mentioned above. The Ibex 35 closed the last quarter of 2019 with a gain of 3.3%, which showed a slightly lower performance than other benchmarks,[18] maintaining volatility at reduced levels. Trading of Spanish securities stood at 805 billion euros for the whole of the year, the lowest value since 2013, with further redistribution of trading from the Spanish regulated market (which decreased by almost 21%) to other trading venues and competing markets where volumes barely reduced.[19]

The Ibex 35, which rose 8.2% in the first quarter of the year, dropped by 0.4% in the second quarter and then rose by 0.5% in the third quarter, followed an upward trend in the fourth quarter, rising by 3.3% to mark an annual increase of 11.8%. This performance contrasts with the 15% loss seen in the previous year and represents the highest year-on-year gain since 2013. However, it should also be noted that the index also ended the year at around 9,550 points, a level similar to that reached in the second half of 2018, and that the annual gain was significantly lower than that of most European benchmark indices.

Fourth quarter gains were not standard among sectors and companies, but concentrated largely in medium and small cap companies, which had been penalised in the third quarter, as well as in the cyclical sectors. The quoted prices of medium-sized companies, which had experienced declines in recent quarters due to a more export-oriented business model in a framework of economic slowdown in the euro area (in which much of their economic and export activity is concentrated), stood out for their positive performance in the last part of the year due to better expectations on European economic activity.

18 The main European indices reported higher advances than those of the Spanish market both in the quarter and in the year as a whole: Eurostoxx (4.9% quarterly and 24.8% year-on-year), Cac (5.3% and 26.4%, respectively), Dax (6.6% and 25.5%, respectively) and Mib 30 (6.3% and 28.3%, respectively).

19 Trading at venues and BME competing markets decreased by around 5.2 billion euros, 1.5% less in year-on-year terms.

On the other hand, after a third quarter of notable losses, Latin American securities that are quoted in euros again showed positive returns that offset these losses due to the good performance of the Latin American markets. The FTSE Latibex All-Share and FTSE Latibex Top indices showed gains of 7.8% and 8.4% in the quarter, which reached 16.3% and 15.3% for the year as a whole, in a context of relative stability of its currencies against the euro[20] (see Table 14).

In the last part of the year, the greatest increases were concentrated in the consumer goods and services sectors due to their more cyclical nature, among which the gain marked by the leading company in the textile sector (Inditex) stands out, which continues to be noted for its growth and capacity to adapt to the new competitive and increasingly digital market environment. Bank share prices, which had fallen in the previous two quarters as a result of the lax monetary policy and its continuation over time, also showed a positive trend (3.8%), boosted on the one hand by the launch of the third round of ECB financing, which will give them access to abundant low-cost financing, and on the other by the stability of non-performing loan rates.

The biggest setbacks were found in electricity companies, where prices were in the region of annual highs, because of investor uncertainty over the decisions that the new government could take regarding the electricity price system in Spain. Likewise, the telecommunications and technology sectors showed a mixed performance, with a notable drop in the quarter (11%) by the main telecommunications operator (Telefónica), which were offset by the advances in the quoted prices of technology and internet companies.

Performance of Spanish stock market indices TABLE 14

%

	2016	2017	2018	2019	Mar-19	Jun-19	Sep-19	Dec-19
Ibex 35	-2.0	7.4	-15.0	11.8	8.2	-0.4	0.5	3.3
Madrid	-2.2	7.6	-15.0	10.2	8.0	-0.6	-0.3	3.0
Ibex Medium Cap	-6.6	4.0	-13.7	8.4	4.7	-1.5	-5.5	11.1
Ibex Small Cap	8.9	31.4	-7.5	11.9	9.4	-1.3	-1.3	5.0
FTSE Latibex All-Share	71.0	9.0	10.3	16.3	14.0	0.9	-6.2	7.8
FTSE Latibex Top	67.8	7.3	14.8	15.3	11.7	1.1	-5.8	8.4

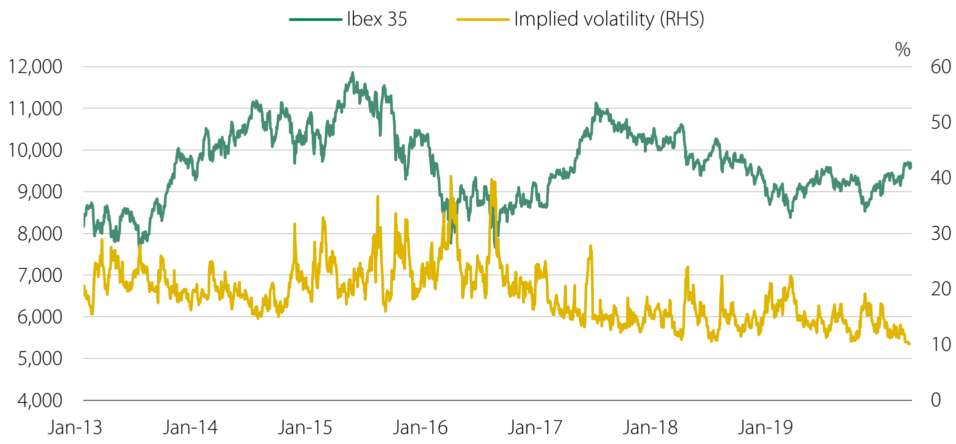
Source: Thomson Datastream.

The volatility of the Ibex 35, which had remained low in the previous three quarters (between 13% and 15%), declined at the end of the year and closed at levels close to 10% (a historic low) as a result of the resolution of many of the international uncertainties affecting the markets and the new injections of liquidity provided by the central banks (see Figure 16). Although there were temporary surges in volatility throughout the year as a result of worsening trade tensions between the USA and China, it remained at low levels for most of the time, at an average of

20 In 2019, the Brazilian real and the Mexican peso depreciated by 1.5% and appreciated by 6% respectively against the euro. The Argentinian peso depreciated by almost 36%.

13.7%, which is lower than the past two years[21] and well below the figures recorded in 2016 (23.7%). The trend marked by Spanish market volatility was similar to that observed in other European exchanges and in the US markets, which also have also seen indicators moving in small ranges (from a historical standpoint) for several quarters.

Performance of the Ibex 35 and implied volatility[1] FIGURE 16



Source: Thomson Datastream and MEFF.

1 At-the-money (ATM) implied volatility of the first maturity.

The price performance of the sectors that make up the General Index of the Madrid Stock Exchange (IGBM) was uneven throughout the year, in terms of both sectors and securities (see Table 15). All sectors started the first quarter with gains, which were consolidated and increased in some cases, especially the more cyclical sectors, while for the financial and real estate sectors the gains became losses. The best performance corresponded to the consumer goods sector, which marked a positive trend throughout the year and ended with a significant gain (34.8%). Noteworthy was the performance of the leading textile company (Inditex), which experienced a 40% increase, compared to the losses seen in recent years.

Other sectors that showed price increases in 2019, although less relevant, were oil and energy and technology and communications. The former ended the year with a significant gain (14.4%), with the main electricity companies making significant progress, accumulating three consecutive years of rises. The latter saw a more modest advance (4.5%), in which the positive performance of technology companies offset the decline in the quoted prices of telecommunications operators.

The worst performance was that of the real estate sector (-11%), which made losses in all quarters due to investors' fears of a change of cycle in the real estate market, and the financial services sector (-2.6%), which continues to suffer the consequences of keeping rates at very low levels. The two largest banks, which had experienced significant losses in 2018, performed unevenly in 2019, with gains for BBVA (7.5%) and falls for Banco Santander (-6.1%).

21 Ibex 35 volatility stood at 15.1% and 15.5% in 2018 and 2017 respectively.

Performance of the Madrid stock exchange by sector and leading shares[1]

TABLE 15

	Weighting[2]	2018	2019	II 19	III 19	IV 19
Financial services	**30.25**	**-27.1**	**-2.6**	**-3.0**	**-6.3**	**4.3**
Banking	28.46	-29.0	-3.4	-3.1	-6.5	3.8
BBVA	7.76	-34.8	7.5	-3.5	-2.8	4.2
Santander	15.68	-26.9	-6.1	-1.5	-8.4	-0.2
Real estate and others	**0.40**	**-26.1**	**-11.0**	**-6.7**	**-0.5**	**-1.3**
Oil and energy	**23.41**	**6.1**	**14.4**	**2.3**	**5.4**	**-3.2**
Iberdrola	11.65	14.2	36.8	12.0	11.3	-3.7
Repsol	4.58	1.1	5.6	-6.4	4.0	0.1
Basic materials, industry and construction	**10.02**	**-8.6**	**24.9**	**-0.6**	**2.1**	**4.1**
Construction	5.87	-3.4	29.1	-1.3	10.1	0.1
Technology and telecommunications	**16.03**	**-5.5**	**4.5**	**-1.4**	**-2.5**	**-0.3**
Telefónica	7.99	-9.7	-15.2	-3.3	-3.0	-11.0
Amadeus IT	5.79	1.2	19.7	-2.4	-5.7	10.8
Consumer goods	**13.23**	**-16.7**	**34.8**	**0.9**	**5.0**	**11.3**
Inditex	7.80	-23.0	40.7	1.0	7.4	10.7
Consumer services	**5.88**	**-19.7**	**8.6**	**-1.4**	**-3.9**	**12.3**

Source: Thomson Datastream, Madrid Stock Exchange and BME.

1 Securities with a weighting in the IGBM of over 3% in terms of market capitalisation adjusted by the percentage of free float.

2 Relative weight (%) in the IGBM as of 1 July 2019.

In 2019, almost two thirds of the total securities belonging to the IGBM reported gains in their quoted prices, and almost half experienced an increase of more than 10%. However, only a limited number of companies (which in turn are part of the Ibex 35 index) had a significant impact on the annual variation marked by the index (absolute value of more than 0.30 pp). Ten companies (see Table 16) had an impact that was higher than this value, including two large electricity companies (Iberdrola and Endesa), the largest company in the textile sector (Inditex), one technology company (Amadeus), one telecommunications company (Cellnex), one bank (BBVA) and the leading airport infrastructure management company (Aena). In contrast, only two companies had a negative impact of more than 0.30 pp. These were the largest bank in terms of market capitalisation (Banco Santander) and the largest telecommunications company (Telefónica).

The performance of quoted prices of the different economic sectors varies significantly if we consider a longer time frame, even though most of the IGBM sectors remain below the values reached before the beginning of the financial crisis in mid 2007. As shown in Figure 17, the sharpest declines are still being recorded by financial services and real estate companies, which also experienced the largest declines in 2019. On the other hand, the consumer goods sector has appreciated significantly after accumulating two consecutive years of losses. The superior relative performance of this sector is due to the good performance of the quoted prices of its components. Consumer services also remained above levels seen at the beginning of the crisis due to the gains accumulated over the year, while the remaining sectors are still below these levels (although the positive performance of companies in the oil and energy sector over the last three years should be highlighted).

Shares with greatest impact on IGBM change[1]

TABLE 16

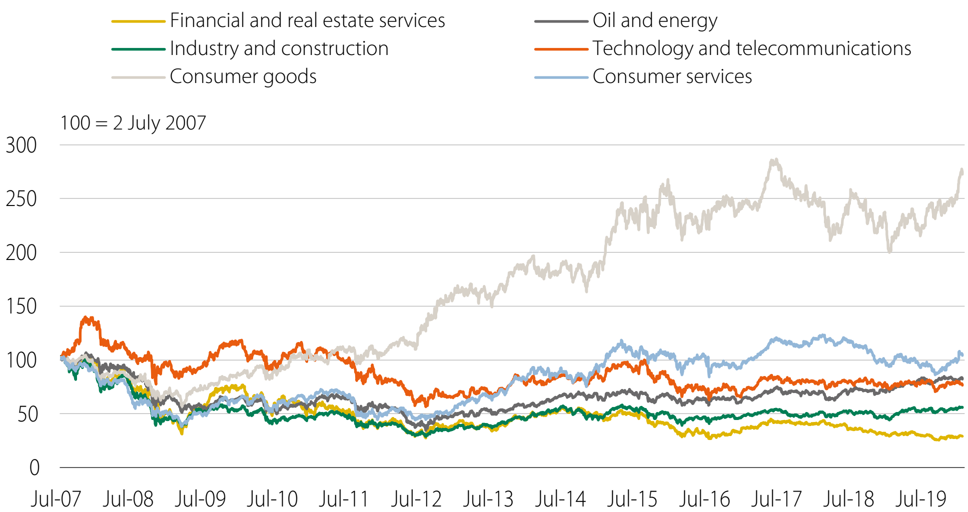
Security	Sector	Dec-2019 Impact on the variation of the IGBM (pp) /Dec-18
Positive impact		
Iberdrola	Oil and energy	4.29
Inditex	Consumer goods	3.18
Ferrovial	Basic materials, industry and construction	1.58
Cellnex	Technology and telecommunications	1.30
Amadeus IT	Technology and telecommunications	1.14
BBVA	Financial and real estate services	0.58
AENA	Consumer services	0.63
Grifols	Consumer goods	0.59
Siemens-Gamesa	Basic materials, industry and construction	0.44
Endesa	Oil and energy	0.31
Negative impact		
Telefónica	Technology and telecommunications	-1.21
Santander Bank	Financial and real estate services	-0.96

Source: Thomson Datastream and Madrid Stock Exchange. Data up to 31 December.

1 Includes the securities with the greatest impact (absolute value equal to or greater than 0.30 pp) in the annual variation of the IGBM. In addition, all securities that were not excluded or suspended from trading at the close of the period considered.

Performance by sector of the Madrid Stock Exchange

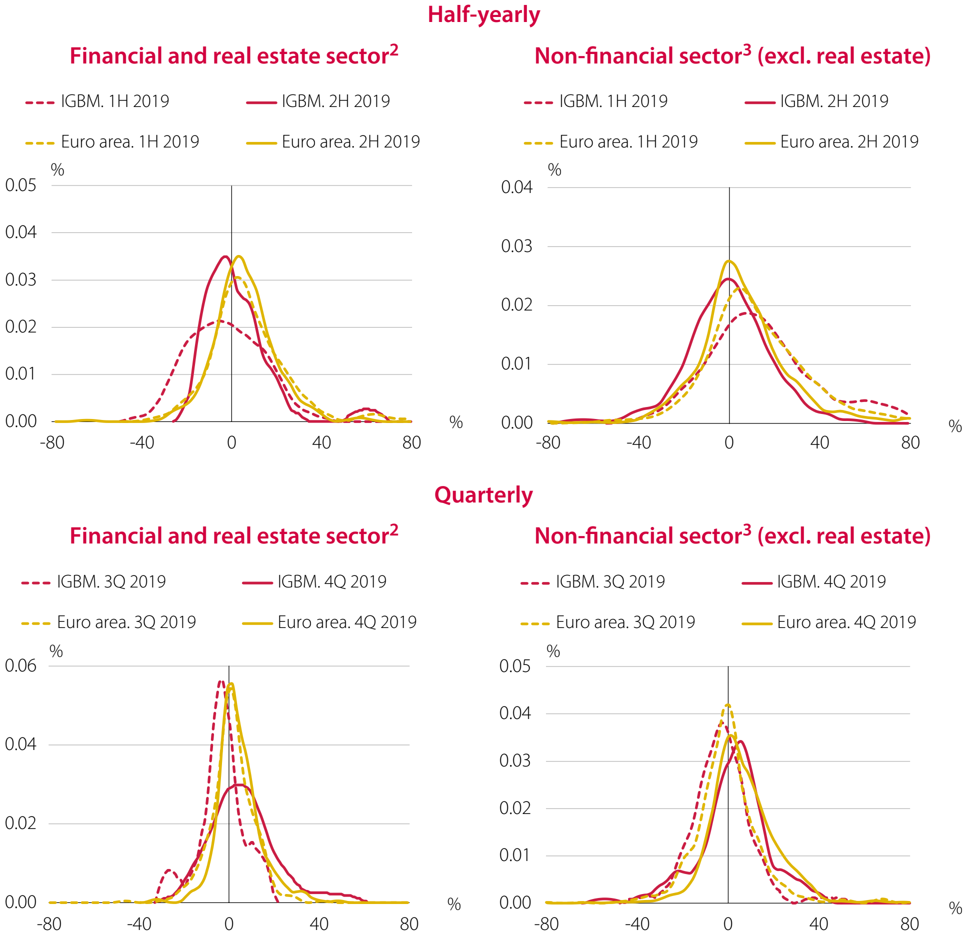
FIGURE 17



Source: Thomson Datastream.

The distribution of returns of listed Spanish and European companies reflects the aforementioned positive trend in equities in 2019, with a relatively worse performance marked by Spanish companies. Looking at the results for the first half of the year, some important differences can be observed: Spanish companies belonging to the financial and real estate sector experienced lower returns than their European counterparts, with 53% of companies in negative territory, compared to 32% in the euro area. The number of companies offering high returns (above 10%) was also higher at European level than in Spain, at 33% and 28% respectively. In contrast, the performance of Spanish non-financial companies belonging to the IGBM was slightly more favourable than that of euro area companies, with 28% of the total showing a negative half-yearly return compared to 29% for European companies. In turn, 37% of Spanish companies recorded very high returns (above 20%), when for euro area companies that figure was 31% (see upper panels of Figure 18).

Distribution of change in stock prices[1] FIGURE 18



Source: Madrid Stock Exchange and Thomson Datastream.

1 The analysis is performed on the companies that make up each of the indices at the end of 2019. At that date, the Spanish IGBM stock index comprised 124 companies admitted to trading and the euro area stock index included 1,350 companies.

2 The financial and real estate sector includes credit institutions, insurers and holding companies, other investment service providers and real estate companies, including SOCIMIs (REITs). In Spain, there are 28 companies (23% of the total number of companies in the index), and in the euro area there are 350 companies (similarly, 26% of the total).

3 The non-financial sector (excl. real estate) includes listed companies not included in the financial and real estate sector.

Regarding the distribution of accumulated returns in the second half of 2019, a slight shift to the left can be observed in the curves of the non-financial sector, reflecting a decrease in yields in both economic areas compared to the first half of the year, while for the financial and real estate sector this movement is not so clear. For the latter, around 51% of the companies belonging to the IGBM recorded a drop in their quoted prices, compared to 32% in the euro area. Both values were very similar to those seen in the first half of the year. Non-financial companies, which saw a fall in quoted prices, accounted for 49% and 40% of the total, respectively, well above the values marked in the first half of the year.

If the performance of returns in the last two quarters of 2019 is analysed individually, it can be observed that the distribution in the two sectors considered was less negative in the fourth quarter both in Spain and in the euro area. Therefore, about 36% of the financial institutions trading on the IGBM showed negative returns in the fourth quarter, compared to 65% in the previous quarter; this proportion was 35% and 43% respectively for financial companies in the euro area. The distribution of returns for Spanish non-financial companies followed a similar pattern: 38% of the total saw a contraction in the fourth quarter and 61% in the third quarter. On the other hand, companies with returns of over 10% represented 29% and 12% of the total in the same periods. In the euro area, the curve showed similar movements to Spanish curves (see lower panels of Figure 18).

The price-to-earnings ratio (PER) of the Ibex 35 increased throughout the year, from 10.5 at the beginning of January to 12.4 at the end of the year. This rise was due to the rise in quoted prices, which was accompanied by a progressive slowdown in the forecast growth in corporate earnings. Therefore, in the last quarter it increased from 11.6 to 12.4, above the level seen at the end of 2018 (10.5), but still a long way below the historical average for the indicator (13.4). The Spanish market has the lowest PER compared to its surrounding markets and the main international benchmark indices (the ratios of US and some European indices are above their historical averages).

3.2.2 Activity: trading, issuances and liquidity

Spanish equity trading recovered, as is usual, in the last quarter of the year, although with a 5.6% decline in year-on-year terms. As in other global markets, trading continues to be conditioned by the low volatility, which discourages some types of trading, such as algorithmic and high frequency trading.[22] In the year as a whole, the volume of Spanish securities traded stood at just over 805 billion euros, 13.5% less than in 2018 and its lowest value since 2013, maintaining a falling trend that can also be observed in other European areas.[23] Of this amount, almost 460 billion euros corresponded to the Spanish regulated market[24] (down 20.7%) and almost 345.6 billion euros (down 1.5%) to competing trading venues and markets.

The decrease in trading, which was greater in BME compared to that registered by the rest of the trading venues and competing markets,[25] led the market share of

22 High Frequency Trading (HFT).

23 According to data from the World Federation of Exchanges, cumulative trading through to November declined sharply year-on-year in the main European stock markets:15.1% in Euronext, 23.2% in London Stock Exchange Group (London and Italy) and 18.9% in Deutsche Borse.

24 Average daily trading in the continuous market stood at 1.98 billion euros in the fourth quarter, above the average for the whole year (1.82 billion euros). This annual average was 20.4% lower than that registered in 2018 (2.29 billion euros per day).

25 The decline in Spanish securities traded through BME was over 125 billion euros in 2019, compared to 5 billion euros in other trading venues and competing markets.

the latter increase to 42.6% of total trading subject to market rules, a historical high, compared to 37.4% and 32.1% in 2018 and 2017, respectively. However, the trading delocalisation process could have reached a ceiling in this financial year,[26] since 2019 quarterly data on BME's market shares show some fluctuations, with the latest data (for the fourth quarter) indicating a recovery in market shares to around 60% – their highest level since the third quarter of 2018. Even so, for some Spanish securities, the volumes traded in other venues was once again higher than that recorded on the national regulated market. It should be noted that the operator of this market, BME, has been the object of a voluntary takeover bid[27] by the Swiss market operator SIX Group that is still pending resolution.

Trading in Spanish shares listed on Spanish exchanges[1] TABLE 17

Million euros

	2016	2017	2018	2019	II 19	III 19	IV 19
Total	**877,413.8**	**932,771.9**	**930,616.1**	**805,215.2**	**221,735.7**	**181,393.0**	**208,451.6**
Admitted to SIBE	877,402.7	932,763.1	930,607.1	805,208.8	221,732.4	181,391.6	208,450.9
BME	634,908.8	633,385.7	579,810.4	459,649.6	128,897.2	99,552.2	125,131.6
Chi-X	117,419.4	117,899.2	106,869.7	80,678.9	21,392.1	20,312.6	16,053.1
Turquoise	51,051.8	44,720.1	42,883.4	30,550.6	8,587.9	6,730.5	5,711.7
BATS	44,839.8	75,411.6	171,491.3	176,093.6	48,830.8	42,557.4	39,694.3
Other[3]	29,182.9	61,346.5	29,552.2	58,236.1	14,024.5	12,238.9	21,860.2
Open outcry	7.9	8.1	8.2	6.2	3.2	1.4	0.7
Madrid	3.2	1.8	0.8	0.8	0.6	0.2	0.0
Bilbao	0.0	0.0	0.0	2.1	2.0	0.1	0.0
Barcelona	4.6	6.3	7.4	3.2	0.5	1.1	0.7
Valencia	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Secondary market	3.2	0.7	0.8	0.1	0.1	0.0	0.0
Pro memoria							
Trading of foreign equities through BME	6,033.0	6,908.0	3,517.1	3,480.5	918.9	698.0	962.1
MAB	5,066.2	4,987.9	4,216.3	4,007.7	1,018.9	710.4	1,345.8
Latibex	156.7	130.8	151.6	136.6	26.0	32.8	39.0
ETF	6,045.2	4,464.1	3,027.6	1,718.0	375.9	415.9	459.2
Total trading through BME	652,220.9	649,885.3	590,732.0	468,998.7	131,240.2	101,410.7	127,938.4
% Spanish equities traded through BME/ total Spanish equities	72.4	67.9	62.6	57.4	58.4	55.2	59.7

Source: Bloomberg and CNMV.

1 This includes the trading of Spanish equities subject to market or MTF rules (lit plus dark). Spanish shares on Spanish stock exchanges are those with a Spanish ISIN that are admitted to trading on the regulated market of Bolsas y Mercados Españoles (BME), i.e., not including the Alternative Stock Market (MAB). Foreign equities are those admitted to trading in the regulated BME market with an ISIN that is not Spanish.

26 Trading through other trading venues and competing markets of BME reached a historical high in the first quarter, standing at 44.9% of total trading subject to market rules.

27 On 18 November, SIX Group presented a voluntary takeover bid to acquire BME shares at a price of 34 euros per share.

Regarding the composition of the trading of Spanish shares abroad, the standout remained the regulated market Cboe Global Markets (Cboe), which operates through two different order books, BATS and Chi-X, although there was a decrease in both its trading and market share was observed. In the fourth quarter, it reported trading of more than 55.7 billion euros, which represents 67% of the total amount traded abroad, while the cumulative amount for the year was 256.7 billion euros, 7.8% less. This annual figure represents 74% of the total traded abroad, compared to almost 80% in 2018. In addition, as in 2019, it continued to change its distribution between the two books in favour of BATS. Further, the operator Turquoise reduced its market share for the third consecutive year, to around 9% (12% and 15% in 2018 and 2017 respectively). The remaining operators, which had marked a somewhat erratic trajectory in previous years, grew significantly and practically doubled both their volumes traded and market share (16.9%), and as such are the only institutions to seen growth in the year (see Table 17).

The delocalisation of securities trading towards trading venues other than the markets of origin is a trend that is not only taking place in Spain, but is widespread and emerged even earlier in other European markets. It has led to the market share of competing venues reaching levels of close to 40%. However, since 2018, there has been a certain reversal of this trend in Europe, reflected in a decrease in this market share to values of less than 40% in some cases, and which could be the result of the decrease in high-frequency trading, mostly carried out in competing trading venues and conditioned by the low-volatility environment. This reversal could be of a transitory nature, if this is the most relevant explanation, and if it is reasonable to expect a certain increase in volatility levels in the future.

It should be noted that although one of the initial objectives of the MiFID II was to shift part of the trading not subject to market rules to trading venues or organised markets in which it was subject to them, in Europe we see a more or less generalised significant increase in trading through systematic internalisers following the entry into force of the Directive. This trading format, which is not subject to market rules, increased in 2019 and, according to preliminary estimates, would be above 15% of total trading in the year, up from less than 5% at the beginning of 2018. Therefore, there is some reluctance by operators to increase the transparency of their transactions and redirect their trading towards regulated environments.

Equity issuances made in domestic markets reached 4.14 billion euros in the fourth quarter, which is 15% more year-on-year and represents more than 40% of the total issuances in 2019 (see Table 18). Despite the more dynamic last quarter, the volume of issuances in the year as a whole stood at 9.81 billion euros, 13% less than in the previous year and the lowest amount in the last four years. This decrease was due to the scrip issues made under dividend option format, which were reduced to less than half, as this form of shareholder remuneration has been losing appeal both among issuers and investors.

As regards the composition of issuances made in the fourth quarter, the following capital increases to raise funds and with preemptive rights were noteworthy: Cellnex Telecom for 2.5 billion euros and Distribuidora Internacional de Alimentación (DIA) for 605 million euros. However, there were no initial public offerings during the year, since although several companies were preparing their market debuts, the existing uncertainties ended up delaying these plans. It is worth noting the cancellation of the Balboa Ventures transaction in the last quarter of the year.

Capital increases and public offerings

TABLE 18

	2017	2018	2019	I 19	II 19	III 19	IV 19
NUMBER OF ISSUERS[1]							
Total	**47**	**46**	**47**	**14**	**11**	**10**	**12**
Capital increases	45	45	47	14	11	10	12
Public offerings (for subscription of securities)	3	2	1	1	0	0	0
Initial public offerings (IPO)	4	1	0	0	0	0	0
NUMBER OF ISSUES[1]							
Total	**91**	**81**	**52**	**14**	**13**	**10**	**15**
Capital increases	84	80	52	14	13	10	15
Public offerings (for subscription of securities)	4	2	1	1	0	0	0
Initial public offerings[2] (IPO)	7	1	0	0	0	0	0
CASH AMOUNT[1] (million euros)							
Capital increases with fund raising	**25,787.7**	**7,389.9**	**8,241**	**1,386.2**	**973.3**	**1,748.3**	**4,132.9**
With preemptive rights	7,831.4	888.4	4,730	1,352.7	199.8	44.6	3,132.8
No preemptive rights	956.2	200.1	10	10.0	0.0	0.0	0.0
Accelerated book builds	821.8	1,999.1	0	0.0	0.0	0.0	0.0
Capital increases with non-monetary considerations[3]	8,469.3	2,999.7	2,034	0.0	351.6	1,682.6	0.0
Capital increases via debt conversion	1,648.8	388.7	355	13.0	0.0	0.7	341.1
Other	6,060.2	913.9	1,112	10.5	421.9	20.4	659.0
Scrip issues[4]	**3,807.3**	**3,939.7**	**1,565**	**347.5**	**140.4**	**1,074.9**	**2.6**
Of which, scrip dividends	3,807.3	3915.2	1,564	347.5	140.4	1,074.9	1.3
Total capital increases	**29,595.0**	**11,329.6**	**9,806**	**1,733.7**	**1,113.7**	**2,823.1**	**4,135.5**
Initial public offerings	**2,944.5**	**733.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
***Pro memoria*: transactions on the MAB**[5]							
Number of issuers	13	8	16	5	2	5	4
Number of issues	15	12	17	5	2	6	4
Cash amount (million euros)	129.9	164.5	298.0	20.3	3.4	74.1	200.5
Capital increases	129.9	164.5	298.0	20.3	3.4	74.1	200.5
Through IPOs	17.1	0.0	229.0	3.0	0.0	30.0	196.3
Public share offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: BME and CNMV.

1 Trades registered with the CNMV. Does not include data from MAB, ETF or Latibex.

2 Transactions linked to the exercise of green shoe options are separately accounted for.

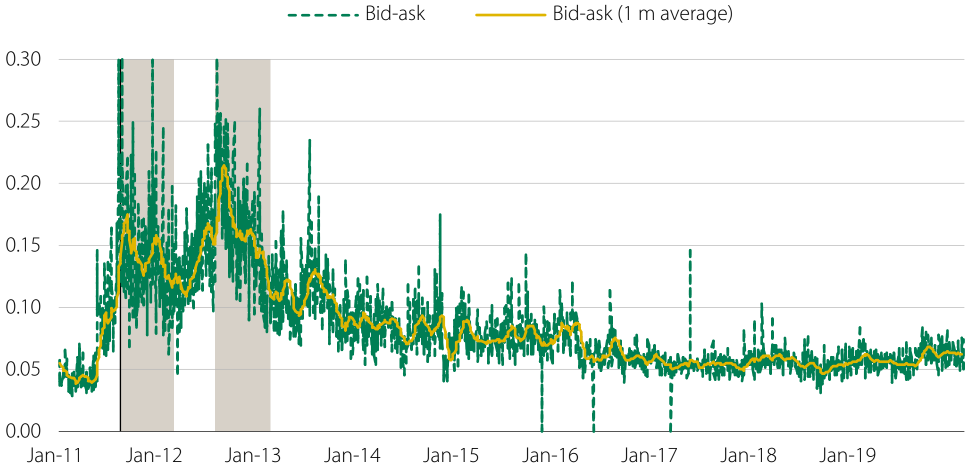
3 Capital increases for non-monetary consideration have been stated at market value.

4 In scrip dividends, the issuer gives existing shareholders the option of receiving their dividend in cash or converting it into shares in a bonus issue.

5 Trades not registered with the CNMV.

Liquidity conditions in the Ibex 35, measured by the bid-ask spread, remained at satisfactory levels throughout 2019, but tended to deteriorate slightly in the last quarter, as in the previous year (see Figure 19). Despite the increase in volumes traded and the volatility remaining at low levels, the spread increased slightly in the final part of the year, reaching an average of 0.064%. This average is higher than the average recorded in 2019 (0.059%), but remained well below its historical average (0.091%).

Liquidity indicator (bid-ask spread) of the Ibex 35 FIGURE 19



Source: Thomson Datastream and CNMV. Information is presented on the Ibex 35 bid-ask spread and last month's average. The vertical lines of the figure refer to the introduction of the precautionary prohibition on short selling dated 11 August 2011, its subsequent lifting on 16 February 2012, the new prohibition of 23 July 2012 and its lifting on 1 February 2013. The first ban affected financial institutions and the second all entities.

3.2.3 Results

Non-financial listed companies obtained aggregate profit of 16.55 billion euros in 2019, 58.5% down on the same period of 2018. This performance was not even among companies, as the percentage of companies that experienced an improvement in their results[28] was less than 60%. Some of these companies had a strong influence on the aggregate profit, going from very high losses in 2018 to profits or much lower losses in 2019.[29] All sectors showed considerable progress in terms of results for the first six months of the year, the most significant being energy-related companies, where aggregate profits rose from 1.33 billion euros in 2018 to 5.19 billion euros in 2019. In this sector, a more generalised improvement was observed among the companies, highlighting the case of Naturgy (which in the first half of 2018 published a loss of 3.18 billion euros, due to an extraordinary asset impairment). Also noteworthy was the increase in absolute terms in the profits of trade and service companies, which rose from 5.25 billion euros in the first half of 2018 to 6.58 billion euros in the same period in 2019, and of companies in the construction and real estate sector, which rose from 1.14 billion euros in the first half of 2018 to 1.93 billion euros in the same period in 2019. The increase in profits of industrial companies was smaller, standing at 2.86 billion euros, 4.9% more than in 2018.

28 This calculation includes both companies that saw an increase in profits and those that have reduced their losses.

29 These companies include Naturgy (energy) and Abengoa (trade and services), which have gone from loss in 2018 to profit in 2019, and OHL (construction and real estate), which has significantly reduced its losses.

Results by sector: non-financial listed companies

TABLE 19

Million euros

	Operating profit		Profit before tax		(Consolidated) profit for the year	
	1H18	1H19	1H18	1H19	1H18	1H19
Energy	3,097.3	8,012.8	1,732.8	6,948.1	1,327.8	5,189.0
Manufacturing	3,878.4	4,166.0	3,603.7	3,729.2	2,726.7	2,861.5
Trading and services	8,584.6	7,382.0	7,537.1	8,247.4	5,245.2	6,577.6
Construction and real estate	2,947.6	2,672.7	2,177.2	2,168.2	1,143.3	1,925.6
Aggregate total	**18,507.9**	**22,233.5**	**15,050.8**	**21,092.9**	**10,443.1**	**16,553.7**

Source: CNMV.

The level of debt of listed non-financial corporations increased by 5.2% in the first half of 2019, to around 248 billion euros (see Table 20). Although short-term debt represents a minority (20% of the total debt), it grew at a faster pace than long-term debt (9.7% compared to 4.1%). By sector, the largest increases were recorded by industrial companies (7.2%, to 24.13 billion euros), energy companies (6.3%, to 83.72 billion euros) and in the trade and services sector (5.9%, to 93.17 billion euros). In contrast, construction and service companies, which have been undergoing a process of deleveraging of some intensity for several years, recorded an increase in debt of barely 1.1%. These companies, together with trade and service companies, show the highest leverage rates (defined as the ratio of debt to equity), standing at 1.19 for the former and 1.63 for the latter. The debt coverage ratio, calculated as the ratio of debt to operating profit, improved between the first half of 2018 and 2019, from 6.4 to 5.6.

Gross financial debt by sector: listed companies

TABLE 20

Million euros

	Debt		Debt/equity		Debt/operating profit[1]	
	1H18	1H19	1H18	1H19	1H18	1H19
Energy	78,758.2	83,724.6	0.74	0.79	12.71	5.22
Manufacturing	22,500.9	24,128.2	0.53	0.58	2.90	2.90
Trading and services	87,997.5	93,168.1	1.58	1.63	5.13	6.31
Construction and real estate	46,335.5	46,826.6	1.18	1.19	7.86	8.76
Aggregate total	**235,592.1**	**247,847.5**	**0.97**	**1.01**	**6.36**	**5.57**

Source: CNMV.

1 Ratio calculated with annualised operating profit.

II Reports and analysis

Analysis of the delegation of voting powers in listed companies

Maribel Sáez Lacave
María Gutiérrez Urtiaga (*)

(*) Maribel Sáez Lacave and María Gutiérrez Urtiaga belong to the Universidad Autónoma de Madrid and the Universidad Carlos III de Madrid, respectively. The content of this article is an academic work written by authors outside the CNMV. Therefore, it may not be identified or quoted as an opinion or view of this institution.

1 Introduction

The rules of representation of shareholders in the general meeting and delegation of voting powers are a crucial instrument to enable the participation of physically absent shareholders at general meetings and to guarantee their voting rights. In fact, participation through representation is the most frequent among external or non-controlling shareholders (retail investors and institutional investors).[1] These rules of representation should be neutral, i.e., designed to guarantee the voting rights of shareholders as set forth in the law. In other words, procedural rules should not alter the content of shareholders' rights, but rather serve to ensure that the meetings are held through proxy mechanisms in the same way as would occur if the shareholders attended in person. As it happens, however, this neutrality does not always occur. In fact, the design of these rules can significantly affect the voting rights of shareholders, and as will be seen throughout this article, this is a problem that occurs in most jurisdictions.

The mechanism used to delegate votes to a third party is the use of attendance or proxy cards. In principle, the shareholder may indicate the person they empower to vote on their behalf (the representative) and how they want to vote on each of the issues that appear on the agenda. In other words, they can freely choose who represents them and give this party instructions on how to vote (as will be seen later, this has not always been the case). So far, everything seems to be in order. The problem arises from the default rule, which applies if neither of the two choices mentioned is made: in the absence of instructions, it is understood that the vote is at the discretion of the representatives, who are usually (depending on the jurisdiction) custodian banks or, in most cases, the directors. In practice, this means that the vote is understood as having been cast in favour of the proposals of the directors. Additionally, for matters that are not on the agenda but that are voted on at the meeting, if the shareholder authorises the extension of the delegation of voting powers to these matters, the vote will be cast at the discretion of the proxy-director.

It could be considered that these rules raise concerns regarding corporate governance, as directors and custodian banks that represent them could enter into conflicts of interest when exercising proxy voting on behalf of shareholders; however, this does not seem to be the case. This could be due to the fact that these types of proxy rules have a long tradition in corporate regulations and it is understood that they favour the participation of the small shareholder. The reason for this lies in the passive attitude historically demonstrated by shareholders in terms of voting. The fragmentation of the shareholder structure, as well as the difficulties in coordinating

1 Van der Elst, C. (2019). "Shareholder Engagement and Shareholder Voting Modes: Two of a Different Kind". Available at: https://ssrn.com/abstract=3323848.

with one another in order to make an informed vote, underpin the lack of interest shown by small investors in attending meetings and exercising their voting rights. In this context, attendance cards would assist shareholder participation by reducing the costs inherent to attending and voting in a meeting. It should also be noted that low shareholder participation does not benefit the directors either, as even though their measures are not endangered and their proposals are passed, the decline in participation (and the decrease in support for their measures) can sully their reputation. In this sense, the procedural rules would allow greater participation without losing information quality in the vote, by favouring delegation to the best informed agents: the custodians or the directors. This traditional vision gets round the conflicts of interest that the delegation of votes entails.

In fact, these practices have only begun to attract interest and to be discussed as, on the one hand, institutional investors have gained weight by monopolising most of the free float at the expense of retail investors and at the same time corporate governance regulations have been focused on granting greater power of decision to shareholders. The ultimate goal is to prevent abuse deriving from conflicts of interest and, in this sense, the German case (which we will refer to later) clearly exemplifies the degree that these conflicts can reach. However, the adjustments and corrections that have been made in the use of the card model to preserve the right to instruct the shareholder, although necessary, are more of a formality than a real option. It seems clear that the reason for preserving the shareholder's ability to give instructions will only take effect when the shareholder is informed, but not otherwise. Therefore, the right to instruct is useful above all for the institutional investor; but in the case of retail shareholders, more than the card model, what really matters is the default rule. Note that retail shareholders do not usually vote and, if they do, it is through delegation of voting powers without instructions, which by default empowers the directors to vote at their discretion. Even so, the vote of retail shareholders is having a waning impact on voting at companies as the concentration of shares in the hands of institutional investors increases. These investors are well-informed professionals and, although they use the mass delegation of voting powers through user cards (at least in Spain), they do so in a very different way from retail shareholders, since they do fill in the voting cards and give precise instructions.

The conclusions of this study reflect this dichotomy between the needs regarding the delegation of voting powers of institutional investors, on the one hand, and retail shareholders, on the other. Consequently, a series of best practices regarding the processing and deadlines for issuing proxy cards and dealing with the matters that are not included, intended to facilitate the issuance of votes with instructions, will be discussed below. In addition, the impact and appropriateness of the default rule (delegation of votes to directors in the absence of instructions) will be reviewed, which could be significant and exacerbate conflicts of interest if capital is heavily fragmented by the passive delegation of voting powers by small shareholders.

Section 2 will feature a review of the status of the issue in comparative law, particularly in those systems where there has been greater debate regarding the delegation of voting powers, such as in the USA and Germany. Next, in section 3, the main problems and best practices in this regard in Spain will be discussed. In section 4, a detailed analysis will be made of the issue of delegation of voting powers by default to directors, as well as a discussion of whether this is the optimal default rule in relation to the delegation of voting powers and possible alternatives. Finally, in section 5, the conclusions will be presented, followed by an appendix explaining the share registration system.

2 Comparative law

The general shareholders' meeting is the decision-making body of shareholders in capital companies. Traditionally it has been seen as a forum for shareholders to meet in person to discuss the most important issues within the company and, from this perspective, the issue of whether shareholders were physically present at the meeting or not was a major problem.[2] The attendance of a meeting by shareholders allows information to be exchanged, issues to be discussed and comments to be made in real time. Following deliberation, shareholders are assumed to be in a position to vote in person on the issues discussed; i.e., deliberation was traditionally understood as a substantial part of the decision that ultimately resulted in the vote.

Naturally, with the development of the capital markets, this decision-making technique has evolved through innovations such as the right to representation and the use of new remote technologies.

Specifically, a proxy vote is a mandate relationship between the shareholder and a third party to exercise their participation rights vis-à-vis the company. This way of attending and voting at the meeting by proxy has become increasingly common, despite some initial reluctance, while shareholders have become more numerous and less involved in the direct management of the company. As a result, shareholders no longer meet frequently to deliberate and vote. However, in the absence of the meeting and deliberation, in order for shareholders to be able to exercise their voting rights in a reasoned and reasonable manner, it is imperative that the materials and information necessary to make the voting decision be provided to the shareholders prior to the meeting. In addition, proxies have become professionalised and shareholders are formally requested to delegate their voting powers to the directors themselves or the custodian banks holding the shares. However, while this delegation may have the advantage of leaving decisions in the hands of agents who are better informed than the shareholder about the company's situation, it can also allow companies to take over the proxy mechanism through the company by-laws in order to remove it from the control of the shareholders and increase the scope of influence of the directors or custodians over corporate matters.

The second important innovation, which is much more recent, is technological and concerns virtual meetings and electronic voting. The idea is to offer a real-time meeting between people in different places. Most of the regulations have introduced modifications to make this route possible and, although most jurisdictions do not provide for a completely virtual meeting, it may be broadcast by electronic or audiovisual means.

2 These matters are well laid out in Fisch, J. (1993). "From Legitimacy to Logic: Restructuring Proxy Regulation", *Vanderbildt Law Review,* No. 46, pp. 1,129 *et seq.*

Therefore, Directive 2007/36/EC of the European Parliament and of the Council, of 11 July 2007, on the exercise of certain rights of shareholders in listed companies and its subsequent reform in 2017 (hereinafter, the Directive) aims to improve and reduce the cost of voting and communication between the company and its shareholders. However, in practice the procedures that favour shareholder democracy and, in particular, the delegation of voting powers, are controlled by the managers and this creates tensions.

This is clearly seen in the restrictive regulation of proxy voting and the delegation of voting powers, which has been the norm in most jurisdictions around us. Legal systems have traditionally allowed the delegation of voting powers, albeit with serious limitations that ultimately undermined the rights of the shareholders. Thus it was common for company law to restrict either the group of people who could act as representatives of the shareholders (in France, historically only other shareholders and spouses were allowed), or the number of shareholders each of them could represent (as was the case in Italy).

Although many of these restrictions (which still endured in some legal systems) have been amended by the Directive, it seems that the mechanics of the proxy system in terms of attendance and voting could still benefit from some improvements. At present there is still a degree of tension between encouraging participation and the effective management of shareholders' votes in companies and the risk of abuse due to conflicts of interest. The system of proxy voting (which has been entrenched in most legal systems for a long time) allows the directors, as in many other corporate matters, to manage the mechanism of corporate voting and the representation of shareholders, which creates a conflict of interests.

Perhaps the most problematic avenue through which managers can assert their influence is their handling of the information provided to the shareholders. In this regard, the Directive has reduced the power of directors to manage proxy votes in their favour. This regulation has an impact on the fact that information on the agenda and the order of business is increased, that materials regarding the issues to be discussed are provided (Article 6) and, particularly, that retail shareholders are allowed to include their own proposals, thus counteracting the company's vision on the issues to be discussed (Article 7).

However, there are other ways in which directors can influence the vote, such as inviting shareholders to delegate their vote to members of the management board, or encouraging shareholders to return attendance and proxy cards (usually without instructions) by giving them small gifts. In other words, it is in the details of the process, rather than in the legal delimitation of voting rights, where the greatest risk of abuse by directors may reside. However, these issues have been left out of the Directive and their regulation is reserved for national legal systems. France and the United Kingdom are two interesting examples.[3] In France, shareholders can give a general power of attorney (called a *pouvoir en blanc*) on which neither the name of the representative nor the instructions appear and, in accordance with their Commercial Code, the votes thus cast are counted in any case in favour of the

3 Gerner-Beuerle and Schilling (2019) (*op. cit.*), p. 412.

resolutions of the directors. In the case of the United Kingdom, directors can request or ask the shareholders for their proxy at the company's expense.

These and other examples show that the operation of the delegation of voting powers is still dominated by the directors and that its design still has room for improvement in national legal systems.

Next, the article will focus exclusively on comparing the attendance cards system in two representative countries, such as the USA and Germany, with that of Spain. As will become clear, the system of delegation, instructions and the operation of the default rule do not vary substantially from one jurisdiction to another, and most of the main differences have to do with the different systems of shareholder registration existing in each country. Therefore, a detailed explanation of these systems is included in the appendix.

2.1 USA

In the USA, general shareholders' meetings are generally regulated by the law of each state.[4] In contrast, for listed companies, the system of representation of absent shareholders at meetings, called the proxy process, is subject to federal regulation and is supervised by the SEC (Securities Exchange Act, Rules 14a.1 to 14b.2). Thus, it is established that all information about the meeting (proxy materials) must be distributed to the shareholders through the company's website at least 40 days before the meeting. Rule 14a regulates in detail the information that must be provided in the event that a proxy has been requested by the company and that must be provided to the SEC at the same time as to the shareholders.

The most controversial aspect of the US regulation on proxy voting relates to the fact that shareholders are assisted by the legal system to make spontaneous proposals at the meeting itself, without the need for them to be on the agenda, unless the company bylaws say otherwise.[5] In addition, the interplay between voting rights (enshrined in national regulations) and the operation of proxies (of a federal nature) causes shareholders to make involuntary delegations when the issue can be raised at the meeting itself. This issue is at the heart of the existing debate in the USA about cards.

The problem is that federal regulations are more restrictive in allowing shareholders to place proposals on the agenda, even when companies require advance notice. Rule 14a-8 (c) makes it difficult for proposals to be introduced in the delegation of voting powers, imposing more severe conditions on shareholders than the substantive right, such as a minimum number of shares to make proposals or a minimum period of one year from the acquisition of the shares. Consequently, many items that are not on the agenda for a proxy vote can be raised in person at the meeting

---

4 For a fairly comprehensive overview of US regulation, see Gerner-Beuerle and Schilling (2019) (*op. cit.*), pp. 412 *et seq.*

5 For a detailed analysis, see Brown, J. R. (2016). "The proxy rules and restrictions on shareholder voting rights". *Seton Halll Law Review*, No. 74, pp. 45 *et seq.*

itself.[6] Further, as will be seen below, delegation to directors allows them to vote as they wish in these cases.

In order to understand this, it should be remembered that the attendance and proxy cards are designed by the issuer and it is natural that in the absence of the designation of the person representing the absent shareholder, such proxy is given to a third party linked to the company's administration. Rule 14a-4 establishes that each matter on which a vote is delegated must be identified individually, indicating whether it is a proposal from the directors or shareholders. A choice between three options must be allowed: a vote in favour, a vote against and abstention. These indications seem to guarantee that voting will only take place following the instructions of the shareholder; however, the managers may vote as proxies of the shareholder without following the instruction in two cases:

i) When the vote has been left blank. This is justified by the SEC, interpreting that the failure to mark an option reflects the intention to support the directors in any case, including proposals that have not been placed on the agenda indicated on the card. This is beneficial for shareholders because it means they do not have to fill in the entire card if their intention is to support the company's proposals. Even so, this matter has traditionally been contentious. Ultimately, it was decided to maintain this system, while warning issuers to make greater efforts to seek precise voting instructions from the shareholders.

ii) When permission has been obtained through the card itself to vote with discretion on matters that are not listed on it. By including *discretionary authorisation* on the card, the issuers can obtain the power to vote as proxies at their discretion in relation to issues not set out on the agenda on the card for the delegation of voting powers. This process is automatic, because it is sufficient for the card to be returned, even with instructions, for the transfer of the discretionary vote on unlisted items to be used. This practice raises two relevant issues that deserve a mention:

   – The first relates to the issues affected by discretionary authorisation. These are proposals made by the shareholders. They may be proposals raised by the shareholders at the meeting itself and unknown to the directors until then. But it is also possible that the proposals are known in advance by the directors, either because they were omitted under Rule 14a-8 for procedural reasons[7] or because the shareholders themselves had withdrawn them. Moreover, even if the proposal were admitted and the proxy materials were delivered in time to shareholders, in practice votes can be delegated to the directors, under the terms of discretionary authorisation, to vote against the proposal.[8] Rule 14a-4 (c) seeks to give some

6 Fisch (1993) (*op. cit.*), p. 1,149. This author points out that the restrictions in the rules governing the delegation of voting powers are a pragmatic effort to limit the number of proposals made by shareholders and to limit the issues to be discussed to important issues.

7 The reasons why the issuer may omit a proposal under Rule 14a-8 have been one of the most hotly debated and litigated issues. For a note on this, see Berner-Beurle and Schilling (2019) (*op. cit.*), pp. 419-423.

8 The precedent is in Idaho Power, provided that the nature of the proposal and how the company intends to vote on it is explained and laid out. See Coffee, J. C. (1997). "The Bylaw Battlefield: Can Institutions

flexibility to vote on *unforeseen matters* at the time of the materials are made available to the shareholders and to solicit their vote, including matters raised at the meeting itself. As we have already seen, companies often obtain authorisation on a recurring basis. The risk of this rule is that it allows directors to treat issues that were well known before the date of the meeting as unforeseen matters, in order to enjoy discretionary authority to vote on them. In fact, the procedural rules, which are very generous with the distribution periods for the materials in advance of the meeting in order to provide sufficient time for the shareholders to review them, also allow higher rates of discretionary authorisation.

– The second issue that arises concerns the fact that the discretionary authorisation thus conceived does not allow the shareholder to block the transfer of the aforementioned discretionary authorisation on the card itself. Therefore, if the shareholder wants to vote on the matters on the agenda, by sending in the card they automatically give discretionary power to the directors in relation to any other matter that may be raised at the meeting that are not on the agenda. There are only two ways to avoid this situation: i) if the card is not returned, which would mean the shareholder would have to attend the meeting if the vote is to be exercised or, ii) if the shareholders orchestrate and promote a request for the delegation of voting powers that conflicts with that made by the company.

Therefore, the problem is that, in the absence of an expensive proxy contest, in which the shareholders put forward an alternative proxy, if the card is returned to the directors, they are automatically given permission to discretionally represent the shareholder on matters not listed on the card. The alternative is to vote in person. But this alternative is not only too expensive for small shareholders, but also very damaging for institutional investors. These investors cannot afford not to return the card and not to vote (fiduciary duties prohibit them from doing so), nor do they have the ability to attend meetings of all companies on their portfolio in person. Note that the shareholder (the record owner) in this case is the institutional investor and not the end investor in the fund. In the case of small shareholders who have invested directly in shares, it is normal that the shareholder does not appear as a record owner either, but that their investments are channelled through a street name account; in other words, the shares are acquired through a broker on behalf of a depository. The transaction mandates that for the meeting the depository must execute an omnibus proxy and transfers the voting rights to the brokers. The usual thing then is for the brokers to receive the cards and return them directly to the issuer, thus providing discretionary powers to the administration.

It is not easy to amend this result if automatic discretionary authorisation is not removed. The end shareholders have the possibility of requesting from the broker the voting power for their shares. Broadridge, the agent typically used by brokers in connection with the proxy distribution process, allows these investors with street name accounts to obtain what is called a legal proxy. The aim is for the end shareholder to be able to vote with the shares. The transfer of discretionary voting power

Change the Outcome of Corporate Control Contests?", *University of Miami Law Review*, No. 51, p. 620.

can then be prevented if the card return is declined. However, this means that if the shareholder wants to vote, they will have to attend the meeting and participate in the vote in person. Moreover, the process of obtaining a legal proxy and voting at the meeting has been described as cumbersome and expensive.

2.2 Germany

In Germany, banks have traditionally acted at meetings as representatives of small shareholders, who are their customers. This is a unique case in the framework of comparative law. It arises because banks understood that they had been delegated the voting powers for shares belonging to their customers in their custody, as a clause to that effect was included in the general conditions of the deposit contract. So much so that German economic historians believe that this practice had a significant influence on the financial development of their country, by allowing large financial institutions to influence industrial companies.[9]

In fact, banks enjoyed almost unlimited power by voting for the shares of their customers that they held in deposit well into the 20th century. As most of the shares are bearer shares and shareholders usually deposit them in their banks, the banks can cast votes for these shares with no technical or operational impediment (subject to compliance with certain conditions). By law, of course, the voting rights belong to the shareholders, and the bank acting on their behalf would be obliged to follow their instructions. In practice, however, the proxy powers were *de facto* automatically under the control of the banks and the corresponding votes were cast at their discretion, which strengthened their ability to influence corporate decisions (given their power to appoint directors to the supervisory board).

In the absence of regulation, the actions carried out by the banks in this regard were governed by a code of conduct that obliged them to inform the shareholders before the meetings of the decisions to be taken by the company and to follow the instructions of the shareholders. Only in the absence of instructions did they undertake to exercise the voting rights in the way they deemed appropriate in the interest of the respective shareholders. Logically, this gave the banks an enormous capacity to influence corporate decision-making, given that it is normal for small shareholders, suffering from severe information asymmetry, to end up giving a blank cheque to banks to decide on their behalf.

Despite some minor adjustments over time, this state of affairs continued well into the 1990s.[10] The 1998 KonTraG[11] took steps to reduce the influence banks could have as proxies of the *beneficial owners* of which they are custodians or the abuse this could involve. Firstly, to preserve shareholders' rights, the obligation of the

---

9 For detailed references, see Gerner-Beuerle and Schilling (2019) (*op. cit.*), p. 424

10 Baums, T. and Von Randow, P. (1995). "Shareholder Voting and Corporate Governance: The German Experience and a New Approach". In Aoki, M. and Kim, H. (eds.). *Corporate Governance in Transitional Economies: Insider Control and the Role of Banks*. Washington, D.C., World Bank, pp. 435 *et seq.* These authors advocated replacing banks as proxies in favour of professional, independent agents.

11 KonTraG reform: Gesetz zur Kontrolle und Transparenz im Unternehmensbereich, 27 April 1998, *Bundesgesetzblatt* Vol. I, No. 24, p. 786.

bank to obtain written consent from the shareholder to exercise their voting rights (explicit consent, in addition to the general conditions that the client-shareholder signs with the bank in the deposit agreement, which is what was being done previously) was included. In addition, the law introduced extensive disclosure obligations for the benefit of shareholders, including the obligation to mention alternative ways of exercising their voting rights. Secondly, in order to reduce conflicts of interest, the legislator also introduced measures to limit the power of banks in issuers. Specifically, the reform prohibited banks from acting as representatives of retail shareholders at the meetings of companies in which the bank itself had a direct or indirect holding of more than 5% of the company's shares. Strict transparency obligations for banks regarding their conflicts of interest were also included.

It is important to note that, subsequently, the legislator made further concessions to banks to preserve their role as representatives of small shareholders given the risk that attendance fees at shareholders' meetings would collapse. Specifically, and in relation to the prohibition on banks to act as representatives if they hold a significant stake in the issuer, in 2009, the maximum direct stake permitted was raised from 5% to 20% (art. 135 (3) Aktiengesetzt). Similarly, strict information and transparency obligations have been relaxed (the banks' transparency obligations refer to disclosure of the positions they hold on the management board, or on the supervisory board, if the bank holds at least 3% of the issuer's voting rights or if it was an underwriter in the last share issue (Article 135 of the German Law on Public Limited Companies, Aktiengesetzt).[12]

2.3 Spain

In Spain, as in other jurisdictions, a vote at the General Shareholders' Meeting can be exercised in various ways: i) in person, for which it is only necessary to provide identification using a National Identity Document; ii) by delegating the vote to a proxy; iii) electronically, through the application provided by companies and using the electronic national ID or similar electronic certificate; and iv) using the attendance, proxy and distance voting card (hereinafter "the card"). The advantage of the latter is that, for the purposes of attendance and voting, the shareholder is considered to be present, since they can give precise voting instructions on the card itself.[13] The cards are distributed to the shareholders through the depository entities participating in Iberclear with which the shareholders (individuals or entities) have their securities deposit agreement. The text that must appear on the cards is detailed in the call notice for the meeting, but the format can vary, as in Spain the attendance and voting cards that are usually sent to shareholders by post are designed and issued by the depositories, not the issuers (as is the case in the USA) . Consequently, the text is adapted to fit the format of the depository's card, which results in a more simplified version and, for the same notice of the general meeting, cards from different depository entities can coexist. There may also be two meetings of different issuing entities for which the same card model is used because the depository is the

12 Shroer, in Munchener Kommentar AktG (2004)

13 Note that Spanish law does not regulate attendance and proxy cards. Many of the practices in this regard have been coined by usage, with some homogeneity among listed companies, and are reflected as rules in the company by-laws or Shareholders' Meeting regulations.

same. Although the basic model is the same, if an issuer wishes to modify the card distributed by the depository, for example, to expand the text of an item on the agenda, it can do so at a cost.

To provide an idea of the importance of these cards, it is useful to look at the attendance data for the General Shareholders' Meetings in Ibex 35 companies in 2018 (Table 1). In general, it can be seen that the percentage of the free float participating in the meetings is high, with an average attendance of 61%, mainly because a large part of this is in the hands of international investment funds, which are forced to vote at meetings due to their fiduciary duties. Furthermore, despite the fact that the ownership structure of Spanish companies tends to be concentrated, with an average free float of only 58%, the percentage of total meeting attendance represented by the free float is significant and exceeds 46% for half of the companies. More interestingly, is the fact that of the free float that attends the meetings an average of 90% does so by proxy, so the regulation for the delegation of voting powers is an important issue to guarantee the rights of both institutional investors and the retail shareholders grouped in the free float. Lastly, it can be observed that electronic voting is insignificant, with the mail vote being relatively more frequent.

Percentages and forms of attendance of GSMs of Ibex 35 companies in 2018 TABLE 1

			Percentiles					
	Average	Minimum	10%	25%	50%	75%	90%	Maximum
Free float	58	29	34	42	57	72	84	95
Total capital attending	73	46	61	65	77	81	83	95
Free float attending	36	12	17	25	34	44	58	67
% of free float attending	61	39	46	51	59	71	82	91
% of total attendance represented by free float	51	14	21	33	46	69	90	99
% of free float in attendance delegating representation	90	28	75	89	97	99	99	100
% of free float in attendance voting electronically	0	0	0	0	0	0	0	3
% of free float in attendance voting by post	2	0	0	0	0	1	5	22

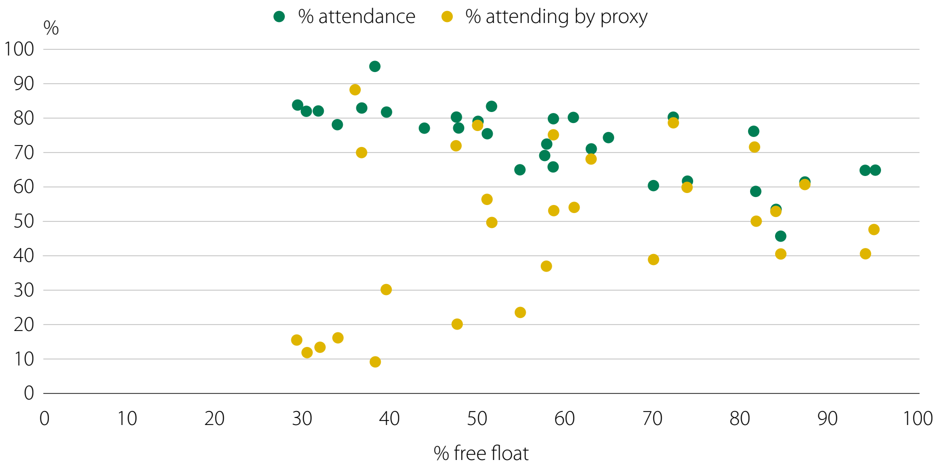
Source: Annual corporate governance reports of Ibex 35 companies for 2018.

Taking into account the significant concentration of ownership in Spanish companies, it is also interesting to see how this concentration influences the participation of the free float. Figures 1 and 2 show the relationship between the percentage of free float of the companies and the different measures of participation in the meetings.

Specifically, Figure 1 clearly shows how as the free float increases, the total capital in attendance decreases, while the capital participating by delegation grows. This is because, as might be expected, significant shareholders have higher participation rates than the free float and, in addition, they make less use of proxies.

Percentage attendance at GSMs of Ibex 35 companies 2018

FIGURE 1

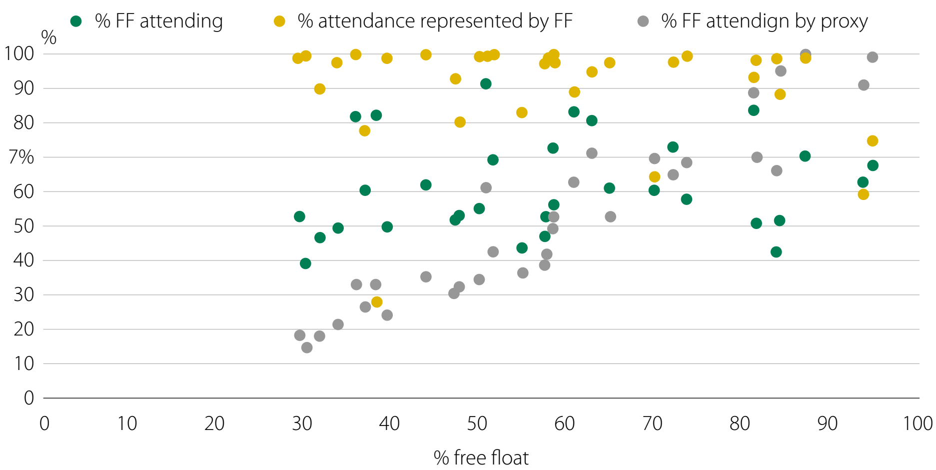


Source: Compiled by the authors.

However, as can be seen in Figure 2, neither the percentage of free float attending the meeting nor the way in which it does so is a function of the concentration of ownership, with the percentage of the free float delegating its vote being very high in all cases. The high variability in the percentage of the free float in attendance is more difficult to explain and is probably due to interest in the issues being discussed at each particular meeting or to differences in the structure of the free float between different companies, with different weightings of institutional shareholders and retail shareholders.

Percentage and form of attendance of free float at GSMs of Ibex 35 companies in 2018

FIGURE 2



Source: Compiled by the authors.

In view of the data studied, we can conclude that in Spain the free float makes mass use of delegation cards, so it is important to understand the details of the way this works. A shareholder can ask to be represented by a person of their choice, but, if they do not name anyone, they will be represented by a member of the management board of the company. On the other hand, regardless of who represents them, shareholders can specify their vote for each item of the agenda contained on the card and, in this case, would be asking for representation, but not delegating the choice of vote. But the shareholder may also simply sign the card and return it without giving any precise instructions on how to vote on each item of the agenda; in that case, this is a delegation of their voting powers. In this regard, several observations should be made:

i) The default rule is the same as in other jurisdictions: it is the representative who decides how to vote if the card has been left blank. It is understood that, when a vote is delegated to the directors and no instructions are given, they will vote in favour of the company's proposals on the agenda. Note that if a shareholder delegates a vote to a person who is affected by a conflict of interests on any of the items on the agenda, according to Article 526 of the Corporate Enterprises Act (Spanish acronym: LSC), said person may not vote on that item. However, the cards already include the safeguard that, in such cases, the vote will be delegated to another member of the board who is not directly affected by that conflict. This is a necessary but formal safeguard, because it only changes the person who casts the vote, but not its tenor, which will continue to be favourable to the proposal made by the directors on the agenda.

ii) Given that the delegation is made to a member of the management board, the issuer may, in fact, know the direction of each shareholder's vote in relation to each item on the agenda before the meeting is held. Note that this is not what happens in other jurisdictions, such as Germany or Portugal, because the regulations there stipulate that the delegated party may not sit on the board, the vote is usually delegated to the depository institution itself, which must appear at the general meeting. Consequently, during the meeting itself the vote corresponding to the shares held by the shareholders are directly or indirectly exercised, either following the instructions contained in the cards or through blank delegations.

iii) It would seem normal that the delegation of powers (understood as a vote not accompanied by instructions) would be restricted to the matters contained on the card. However, this is not usually the case and the delegation tends to extend to any item subsequently included on the agenda by the retail shareholders and to the items voted on in the meeting that were not included in the agenda. The agenda is prepared by the management board, but any significant shareholder (3%) may, within 5 days of the notice of the meeting, include a new item to be discussed. There are only two issues that can be raised and voted on without being included on the agenda and both are measures involving the censure of management: corporate liability actions (Article 238.1 of the LSC) and the dismissal of directors for just cause (Article 223.1 of the LSC). While it is true that they have not had excessive prominence in the past, it is easy to conceive that their incidence could increase as an accountability mechanism in the hands of significant shareholders, especially institutional investors. In this case, the question that arises is whether proxy votes should be extended to these issues.

A study of the meeting regulations and the cards provided by the Ibex 35 companies for 2019 reveals, in the first place, that practically all of them adhere to the legal deadline for convening the meeting one month in advance and that, probably for this reason, any issues raised by the retail shareholders do not appear on the cards. Therefore, the agenda reflects the matters put forward by the management. The data concerning the extension of delegation to matters not on the agenda are shown in Table 2. There are only three companies that do not automatically extend delegation to these matters and that have the default option of abstaining on everything that is not on the card. Most commonly, the default delegation is extended, making it more or less easy to opt out. But there are seven companies that do not provide the option of not extending delegation to these matters. Lastly, it should be noted that the card that reaches the retail shareholder is the one issued by its custodian entity, which may be a summarised version and as such all options may not be shown.

Delegation of voting powers practices of Ibex 35 companies in 2019 TABLE 2

	The delegation extends to matters not included in the agenda	The option of not delegating on matters outside the agenda is offered	A way in which the option of not delegating matters which are not on the agenda can be exercised	Companies
Group 1	No	Yes (opposite option)		Cie Automotive, Mediaset,[1] Merlin Properties,
Group 2	Yes	Yes	Checking box for that purpose	Acciona, Aena, Bankia, Caixabank, Cellnex, Enagás, Endesa, Iberdrola, Inditex, Indra, Inmobiliaria Colonial, Másmóvil, Meliá Hotels, Naturgy, Repsol, Banco Santander, Siemens Gamesa
Group 3	Yes	Yes	Giving written instructions in the designated space	ACS,[2] BBVA, Ferrovial, IAG, Banco de Sabadell, Telefónica
Group 4	Yes	No		Acerinox, Amadeus, Bankinter, Ence, Grifols,[3] R.E.C.,[4] Viscofan

Source: Compiled by the authors.

1 Mediaset does not provide its own card model, but it indicates this in its regulations.

2 ACS indicates that shareholders can choose not to delegate these matters, but does not indicate how.

3 and 4 Grifols and R.E.C. do not provide their own card model, but indicate the extension of the delegation in their regulations. Finally, Mapfre does not indicate anything, either on the card or in the regulations.

To conclude the analysis of the situation in Spain, it should be noted that, in practice, the use made by the free float of the cards can differ depending on the type of shareholder:

– Retail shareholders: Although there are no specific data, the general impression is that their participation is usually very low and it is common for the card not to be returned or returned blank (without instructions). Regulatory facilities in relation to delegation correspond to higher quorums. However, Spanish issuers have tried to encourage participation through small gifts that reward the return of the cards or, in some cases, through attendance bonuses;

although only Iberdrola, Viscofan and Ercros have offered these on the continuous market.

– Spanish institutional investors: have a much higher level of participation in the general meeting, although it should be clarified that this segment includes not only investment funds, but also the shares held by any Spanish corporation or limited company. Spanish investment funds, on the other hand, do not generally have specific voting policies and, therefore, high participation cannot be expected.

– Foreign institutional investors: delegation systems are crucial for them to vote. The participation of these investors is organised through a few Spanish and foreign depositories with the technical capacity required to safeguard non-resident shares. The domestic custodian is responsible for the translation of the card and communicates it via SWIFT to the foreign custodian, which passes this communication on to the shareholders (possibly through a chain of custody that may include other entities). The non-resident shareholder delegates their vote with precise instructions and this reaches the domestic custodian, is translated and passed on to a standard card. Despite these difficulties, the vote of non-resident shareholders (mostly investment funds) is very high. This is due to the fact that among the 85 foreign institutional investors with the largest presence in Spain, 41% come from the USA and 24% come from the United Kingdom, countries in which the regulations oblige these investors to have a clear voting policy as part of their fiduciary duties.[14]

3 Problems relating to the delegation of voting powers and analysis of best practices

In view of the analysis of comparative law in the previous section, this section will briefly explain the major problems presented by the regulation of the delegation of voting powers in Spain and discuss the best practices in this area.

3.1 Preparation of proxy and vote delegation cards

An initial problem presented by delegation is that the Spanish card system has the particular feature that the directors delegate the vote, but instead of using issuers to prepare the cards (as occurs in the USA) this is done by the banks. It is a low cost system for issuers. After all, financial institutions have a standard card for all issuers, so no specific cards are designed and prepared for each issuer and each meeting. This practice means that there are different cards at the same General Shareholders' Meeting and, above all, that the information they contain is necessarily brief and extracted from the notice of the meeting. Additionally, the conciseness required by

14 According to the report by Georgeson and Cuatrecasas (2019. *Corporate governance and institutional investors*. Available at: https://www.cuatrecasas.com/es/publicaciones/el_gobierno_corporativo_y_los_inversores_institucionales_preparando_la_temporada_de_juntas_2019.html

the templates with which the cards are designed can lead to the elimination of subgroups on the agenda, which could reduce the options of the shareholders called to vote. However, nothing prevents issuers from not only preparing a card for the call notice for the meeting, but also distributing this card, unless, from their perspective, it represents a considerable cost saving for the financial institutions to do it.

It could be stated at this point that the best practices would lead to the replacement of paper cards designed according to the template of the shareholder's bank, with electronic cards in the online banking channel that faithfully replicated the model prepared by the issuer for the call notice of the meeting. Note that today virtually all banking entities allow their customers to operate electronically in almost all their transactions. In the case of delegation of voting powers, the transition to an electronic card would reduce the cost, by eliminating the use of paper, and at the same time transmit the information in a clearer way.

3.2 Deadlines for notice of meetings and preparation of the cards

It is noteworthy that the deadlines for calling a General Meeting remain somewhat short or tight in the case of listed companies. Article 176 of the LSC establishes that between the call notice for a General Meeting and the scheduled date for that meeting, there must be a period of at least one month for corporations. Although the legal wording refers to a minimum period and, therefore, would allow it to be extended, it is common practice for issuers to limit themselves to the legal deadline in their meeting regulations. If we keep in mind that the delegation of voting powers through cards is very common, we should consider the possibility of extending the period between the call notice and the holding of the meeting, in view of the time required for the issuance of the cards and their return. There are two reasons for this consideration.

The first refers to facilitating shareholder participation in an informed manner. It should not be forgotten that to do this the issuer must make the specific materials available to the shareholders, so that they are in a position to cast an informed vote (see Article 518 of the LSC). But it is also clear that reading and understanding such materials requires time for evaluation. Foreign investors face an additional inconvenience in that the card has to be translated and distributed to the shareholders through chains of custodians, and the process of moving the card back and forth is time-consuming. It is not unusual for cards to reach the issuer at the outside limit of the expected time period.

The second consideration is related to the supplement to the call notice for the General Meeting. According to Article 519 of the LSC, shareholders representing at least 3% of the share capital may request that a supplement to the call notice for a General Shareholders' Meeting be published, including one or more items on the agenda. The deadline for this is five days from the publication of the notice. If this additional period is taken in the context of the cards for the delegation of voting powers, it can be concluded that it is good practice for the issuance of the cards to be held back and delayed until that time in order to include the items on the agenda introduced by retail shareholders. Naturally, the result of this is to reduce the, already brief, period of one month even further. But, if not done this way, it is more difficult for shareholders to give instructions on the card regarding these new matters.

The provision of more generous timelines, albeit necessary to facilitate the informed participation of the shareholder, especially foreign institutional investors, must also be assessed with caution. As we have seen, the corporate voting system is led and guided by the directors and, as they have an interest in the result of the vote, there is a risk that they will be placed a clearly advantageous position. In particular, the fact that the directors are the recipients of the cards means that they have superior information on the planned votes and the support received for the matters in question, which gives them an advantage over their (potential) opponents. In fact, the comparative experience of jurisdictions with a longer track record in these areas shows that, in highly disputed matters, the directors receive high quality information on the possible outcome of the vote when they are still in a position to influence it in their favour. Studies conducted in the USA show that in tight voting, the directors win disproportionately by a small margin,[15] which encourages us to think that, in very close votes, they resort to proxy solicitors or other means to get last minute votes to support their proposals. Naturally, this situation is more common in companies with a widely dispersed capital structure.

3.3 Discussion of matters not included on the card or on the agenda

The issue that raises the most interest lies in the pure discretion in relation to voting on matters not included in the agenda that appear on the card. This matter is especially delicate because it impacts the waterline of retail shareholder rights. There are two cases in which shareholders are not able to give instructions because the matter does not appear among the items on the agenda on the card. Firstly, matters to be discussed that are included by retail shareholders in the supplement to the agenda, but which have not been placed on the cards. Secondly, the two key items reflecting the accountability of the directors vis-à-vis shareholders do not need to be on the agenda: the removal of directors and corporate liability action. The question that arises is whether it allows the automatic delegation of voting powers in these cases. While the law harbours very generous accountability mechanisms on this point,[16] it seems unlikely that they will be successful against the votes of the controlling shareholders. In fact, the only cases in which they have been successful were those to remove members of the board appointed by the proportional representation system, i.e., by retail shareholders. However, in regard to any relevant cases, the extent which the way the cards operate affect the outcome of such votes should be clarified. Similarly, the law protects the rights of retail shareholders to introduce matters of their interest or make alternative proposals to the resolutions expected by the directors, which may be limited or curtailed by the delegation of voting powers. These initiatives are especially important if they criticise and request the removal of directors appointed by the majority.

15 Listorkin, Y. (2008). "Management Always Wins the Close Ones". *American Law and Economics Review*, Vol. 10, No. 2, pp. 159-184.

16 In other jurisdictions, it is not common to see the activation of a vote to remove a director on the initiative of a single shareholder at the meeting, under Article 224 of the LSC.

3.3.1 Matters included by retail shareholders in the supplement to the agenda

In the event that the supplement to the call notice of the meeting has not been included in the card, in general the shareholder could ultimately vote on it by giving specific instructions on the card itself (there is a line on the cards for shareholders to fill in with their indications). The supplement has to appear in the updated call notice for the meeting, and the shareholder can access the information on the issuer's website. In other words: if the shareholder wishes to vote on the agenda items introduced in the supplement to the call notice, this is possible. However, in this way, it is more difficult for the information to reach the shareholder and for the shareholder to understand that there may be different proposals, which sometimes conflict with those put forward by the directors. Not surprisingly, other jurisdictions require that the cards clearly and impartially identify each issue separately. In addition, the cards should give shareholders the opportunity to specify their preference by ticking a box (approval, disapproval or abstention) for each matter separately (see Securities Exchange Act Rules 14a.3 and 14b. 1).

In any case, the vote in relation to the supplement to the agenda would no longer be problematic and the delegation would function in the same way as the rest of the items on the agenda, with the mere application of the good practice mentioned above: that the entity does not issue the cards until it has verified that the items on the (eventual) supplement to the notice of the meeting have been added to the agenda. This would mean a five-day delay in the issuance of the cards. It would, however, be advisable for this good practice to be generally followed.

3.3.2 Issues not on the agenda raised at the meeting itself

The case of issues that may be raised at the meeting itself is more complex because, strictly speaking, they are items that are not on the agenda that are not included in the proxy card or in the call notice for the meeting. This would be an obvious case for a discretionary decision by the proxy, who, as already mentioned, is a member of the management board. It is true that, under of the rules of the mandate, by delegating the vote, the proxy is authorised to follow the instructions and, if there are no instructions, to vote discretionally in the best interest of the delegating party. However, it seems clear that it would be good practice if the norm were to abstain, while incorporating a specific authorisation to consent (consciously) to said discretionary power. As we have seen this practice is followed by very few companies in Spain. In Spain, there are only two issues that can be raised outside the agenda: the removal of directors and corporate liability action. Both cases generate conflicts of interest, so abstention by default seems more appropriate. This would also favour greater transparency for international investors, who may be unaware of the specific features of our legal system.

3.4 Measures to encourage the participation of uninformed shareholders

Based on the above, it is clear that the delegation of voting powers by card system as a whole is designed to facilitate voting in favour of the management of the directors. The logic of the system is based on the premise, not always stated, that the vote is delegated to the directors because their management is trusted. Therefore, there are two key benefits in voting with the directors according to their criteria.

The first benefit or convenience is that the shareholder does not have to worry about filling out the card to vote in favour of the directors' policy on each issue. Simply returning the signed card is sufficient to enable the default rule, which is a vote in favour of the proposals put forward by the directors. The call notice for the general meeting or, in any case, in the general meeting regulations, will indicate the default rule. It is very common to stipulate that in the absence of specific instructions, votes will be taken in favour of the matters put forward by the directors and against those put forward by retail shareholders. In other words, the return of the signed card is a kind of seamless support for the directors and their management. If nothing specific is said regarding matters outside the agenda, it is easy to assume that the same rule will apply and the vote will be against them.

Additionally, voting in favour is facilitated by what the students of behavioural economics call a nudge, that is, a push to encourage the return of the signed card. This is the role played by the gifts that issuers give to the shareholders attending the meeting, including by proxy. In order to have the desired effect on the shareholder, it is not necessary for these gifts to be large, but they just need to be a gratuity.

The next section will discuss the problem that the default option is to vote on everything in favour of the directors and the possible alternatives. However, keeping the current default rule, it seems natural that it would be a good practice to require the shareholder to actively and explicitly accept what it means to return the card without instructions. In effect, the regulation tries to reduce the possible abuse derived from conflicts of interest when casting a vote through rules on transparency. In the authors' opinion, verbalising and explicitly accepting the supplementary rule, making it transparent, constitutes a good practice that could easily be introduced into the current system. To do this, it would be sufficient to mark a box next to the signature line, accepting that, when returning the card without any instructions, the directors are given a proxy to vote at their discretion on all matters referred to in the card and to abstain on other matters that may arise at the meeting, put forward by other shareholders. In other words, each shareholder must necessarily consent, even by only ticking a box, to give a discretionary power to the directors to vote according to their criteria, accepting the default rule established by the general meeting regulations. And if, on the contrary, explicit instructions are given for any items, it should be understood that no discretionary delegation is given to the directors and they should not vote on any matter not included on the card.

4 Delegation to directors as a default rule

The purpose of this section is to analyse the role played by the default rule in attendance cards and what their desirable design would be. Specifically, it is a common rule in most jurisdictions that in the absence of precise instructions, the representative (in this case, the director) is empowered to decide how to vote. This way of designing the representation leads uninformed small investors to return the card without instructions and, in practice, to grant a blank cheque to their proxies. To encourage attendance, small tokens or gifts are offered, albeit through a representative. In the previous section the possibility of making this delegation explicit was discussed as good practice. Here, the suitability of the delegation of voting powers to directors as a default rule is discussed.

4.1 The theory of default rules

One of the most hotly debated issues in the last decade in terms of legislative policy design concerns the optimal design of the default rules. This is a discussion that has been enriched with the contributions of jurists and economists from the perspective of the economic analysis of law, whose natural habitat is contracts and companies, where discretionary law is common. In this sense, we refer to rules that the legislator designs but that are at the discretion of the parties. When analysing the optimal design of these supplementary rules, the costs of opting for a different alternative to the one set by the default rule must always be assessed. This is an issue that has been discussed in specialist literature. Three lines of analysis or approaches to the problem can be observed.

i) First, the most classical literature, from a Coassian perspective, defends the view that default rules must reproduce or imitate the will of the parties, in order to reduce transaction costs (the costs of negotiation, decision-making and the design of an alternative rule).[17] Consequently, following this line of argument, the default rule preferred by most contractors would reduce contracting costs.

ii) Second, one branch of the more modern literature focuses on the adherence to supplementary rules, i.e., the tendency to assume or accept them for psychological or behavioural reasons. But, instead of seeing this as a disadvantage, it is defended as an instrument of legislative policy that can improve the common good. This is known as a *nudge*, or *libertarian paternalism*, which consists of deliberately designing supplementary rules as a spur to ensure more positive results.[18] Default rules can help less informed individuals make better decisions through their adherence to them, without preventing more sophisticated individuals from deciding which rule suits them best.

iii) Third and last, an incipient branch of literature focuses on information costs, rather than on traditional transaction costs, as the biggest impediment to making a different choice from that offered by default (opt-out).[19] According to this literature, the problem of choosing an alternative rule to the one proposed by the default rule is that there is not enough information available to understand

---

17 See Shavell, S. (2004). *Foundations of Economic Analysis of Law*. Cambridge (MA.) /London, Harvard University Press.

18 Sustein, C. R. (2013). "Deciding by Default". University of Pennsylvania Law Review, Vol. 162, No. 1, pp. 1-57; Thaler, R. and Sunstein, C. (2008). *Nudge. Improving decisions about Health, Wealth and Happiness*. New Haven (CT), Yale University Press.

19 Bar-Gill, O. and Ben Shahar, O. (2016). "Optimal Defaults in Consumer Markets". *Journal of Legal Studies*, Vol. 45, pp. 137 *et seq*. The same authors also have an unpublished working document from 2019: "An Information-Cost Theory of Default Rules".

the consequences of the default rule, how to assess it and how to compare it with the alternative.

From this point of view, if the information costs are low, the contracting parties will obtain the information, regardless of the default rule. Individuals, diverse but informed, will decide selectively which rule they want to apply to them. This comes together with the doctrine of majority rule: the best supplementary rule is the one that most contractors would choose because it would reduce transaction costs.

A different question is what is the best default rule when the information costs are very high, since in this case the contracting parties will not procure the information, whatever the default rule is (and, therefore, they will evaluate both the default rule and the alternatives according to their uninformed beliefs).

In this case, the uninformed decision maker could be expected to randomly choose between the default rule or its alternative. However, literature seems to support the idea that high information costs mean that contractors do not choose the opt-out option, even if that alternative is more efficient and productive. In this case, the default rule should be the rule that is considered most efficient by the typical or average uninformed decision maker.

4.2 The choice of the default rule in the case of delegation of voting powers

How does this analysis apply to voting problems at general meetings? It should be noted that, for the issue under discussion relating to voting at general meetings, information costs are especially high for the small shareholders of listed companies. Due to the problems of information asymmetry inherent to these companies, it is difficult for retail shareholders to make an informed decision. This generates a state of rational passivity: the strategy employed by small shareholders no to vote is the best option, given their lack of information.

Developing this idea, the problem of the delegation of voting powers can be seen as a double choice by the uninformed investor: to vote or not to vote (not returning the card) and, in a second stage, to delegate or not in favour of the directors, on the understanding that not delegating means giving instructions on the card.

As observed in the case of Spain, most small shareholders choose not to vote, but those who vote do so in favour of the managers (the default option). In other words, the uninformed decision-maker (or, in our case, the shareholder) adheres to the default rule instead of seeking more information. Seen in this way, it would seem that the default rule, in the event of a lack of instructions on the card, of voting with (informed) managers would be the preferred behaviour among uninformed small shareholders. The cards configured in this way would encourage the participation of small shareholders in the general meeting, but their votes would support the directors, who have more information than they do, compared to the alternative of not voting. This has been the traditional justification for the design of the default rule: to facilitate participation and the exercise of voting powers by small shareholders.

But in the current scenario, the possibility can be raised that a vote in favour of another informed party other than the directors could be offered as a default rule. Until recently, in large listed companies, due to the high coordination and information costs, there was no response by the dispersed shareholder structure to the management tasks carried out by the directors. In this context, the delegation of voting powers to directors through the cards increased shareholder participation and the quorum required for the meetings, so that the rational passivity of the shareholders at the time of voting was not so high as to leave the actions of the directors unquestioned. However, in recent times, there has been a sea-change in the composition of the shareholder structure. In this sense, the stronger presence of institutional investors and their greater commitment to issuers has led to an increase in the control exercised by shareholders over managers. With increasing frequency, significant investors are introducing issues to be discussed at the meeting or putting forward alternative proposals to those defended by management. In this scenario, retail shareholders may decide not to vote, but if they decide to delegate their vote, they should have the option to vote alongside institutional investors if they think this will increase the expected value (i.e., if they think that the default rule does not maximise the value). Clearly, in this new context, adherence to the default rule in favour of directors may be questioned, as it should be possible to delegate to another party who does have information and whose interests would seem to be better aligned with the small shareholder.

Paradoxically, the question of who retail shareholders delegate their vote to is losing significance as institutional investors increase (these investors usually give precise instructions in the delegation of their voting powers and make up the majority of the total vote). Thus, the behaviour of the uninformed small shareholder who decides to delegate their vote becomes practically irrelevant: it will not be decisive and will have little impact on the outcome.

As a conclusion to this analysis, it can be stated that setting a default rule that is more in line with the interests of these small shareholders is a complicated matter, but in the face of the current rule in favour of the directors' actions, it could be argued that if there are informed institutional investors among the shareholders, the interests of these shareholders are more similar to those of the small shareholder than to the interests of the directors. Therefore, an alternative default rule could be that, in the absence of instructions, their vote is added to that of the majority within the retail shareholders. Such a rule would probably maximise the expected value of uninformed small investors. However, this possibility opens up this discussion to the important and controversial debate on the voting power of institutional investors. In this debate, on the one hand, regulators and some academics defend the need for the involvement of institutional shareholders, including activists and index funds in company governance.[20] On the other hand, some authors present evidence

20 This literature is very extensive but, as a starting point for the reader, the following works are recommended: Ernst & Young (2017). *Q&A on Stewardship Codes*. Available at: https://www.ey.com/Publication/vwLUAssets/ey-stewardship-codes-august-2017/$FILE/ey-stewardship-codes-august-2017.pdf; Kay, J. (2012). *The Kay Review of UK Equity Markets and Long-Term Decision Making, Final Report*. London, Department for Business, Innovation & Skills; OECD (2011). *The Role of Institutional Investors in Promoting Good Corporate Governance*, OECD Publishing. Available at: http://www.oecd.org/daf/ca/49081553.pdf; Hill, J. G. (2018). "Good Activist/Bad Activist: The Rise of International Stewardship Codes". *Seattle University*

of the anti-competitive effect that the concentration of ownership of companies competing in the same sector can have when in the hands of a few large institutional investors.[21] In view of this, there are authors who want to introduce rules that limit their power.[22] In light of this heated topic, what seems necessary is a more in-depth study of the impact that changing the default rule on delegation in favour of the managers could have, an issue which lies outside the scope of this article.

5 Conclusions

In this article we have analysed the limitations of the cards delegating voting powers that are commonly used in listed companies. As we have seen, the technical issues related to the representation of shareholders are conflicting, because they highlight the tension that exists between the management of the internal voting system of companies, which is the responsibility of the directors, and the provision of shareholder democracy. Therefore, it is not surprising that companies have tried to control and manage the mechanics of voting in their favour. In this sense, the attendance and proxy cards are biased in favour of the management performed by the directors.

In view of the analysis carried out, a series of simple measures have been proposed that could improve the practice of using proxy cards, such as:

i) Replacement of paper cards issued by the custodian entities with electronic cards produced by the company.

ii) Sufficient time periods to allow the proposals by retail shareholders to be included in the cards.

iii) Abstention by default in matters not included on the card.

iv) Explicit acceptance of the proxy at the discretion of the directors.

Law Review, Vol. 41, p. 497. Some authors focus on the difficulties of institutional investors in regard to being more active, such as: Bebchuk, L. A., Cohen, A. and Hirst, S. (2017). “The Agency Problems of Institutional Investors”. *Journal of Economic Perspectives*, Vol. 31, pp. 89-102; Bebchuk, L. A. and Hirst, S. (2018). *Index Funds and the Future of Corporate Governance: Theory, Evidence, and Policy*. ECGI-Law, Working Paper, No. 433; upcoming publication in *Columbia Law Review*, Vol. 119, December 2019.

21 Among the most influential are the studies carried out for the air transport sector by Azar, J., Schmalz, M. C. and Tecu, I. (2018). “Anticompetitive Effects of Common Ownership”. *Journal of Finance*, Vol. 73, No. 4, pp. 1,513-1,565; and for the banking sector, by Azar, J., Raina, S. and Schmalz, M. C. (2019). Ultimate Ownership and Bank Competition. Available at: https://ssrn.com/abstract=2710252.

22 Among the most relevant proposals are those of Posner, E. A., Morton, F. M. and Weyl, E. G. (2017). “A Proposal to Limit the Anti-Competitive Power of Institutional Investors”. *Antitrust Law Journal*, Vol. 82, No. 2; and Elhauge, E. (2016). “Horizontal Shareholding”. *Harvard Law Review*, Vol. 109, pp. 1,267-1,317. In fact, these proposals have raised concerns among large institutional investors. As an example of this concern among institutional investors for influencing the debate, see BlackRock (2017). *Index Investing and Common Ownership Theories, Public Policy Viewpoints*. Available at: https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-index-investing-and-common-ownership-theories-eng-march.pdf

However, the most sensitive issue is the default rule of delegation of voting powers to directors, which comes into play whenever there are no instructions.

It is true, however, that at present the default rule does not have a significant impact on the outcome of the voting, because it only affects small shareholders who send back blank cards, since these investors represent an ever-smaller proportion of the capital. Therefore, the impact of the default rule was greater in the past, when retail shareholders accounted for a larger percentage of the free float. In addition, investment funds and other institutional investors, especially foreign investors, who, unlike most Spanish funds, have explicit voting policies, have increased their weight in the free float and these shareholders are informed and vote by proxy, but with clear and precise instructions.

What could happen in the future is a different matter. In the comparative environment, it can be seen that the issues related to the accountability of the directors are becoming more important as the presence of institutional investors increases. In particular, all indicators suggest that shareholder activism will start to emerge regarding the remuneration, liability or separation (and substitution) of the directors. It will then be necessary to assess whether further adjustments to the system for the delegation of voting powers are required.

Appendix: System for registering the shares of listed companies

The settlement of securities transactions carried out in regulated trading venues is performed through those custodian entities that participate in the registration system (participating entities) and the central depository. In Spain, the central depository is Iberclear and there are about 100 participating entities.

The central depository is responsible for the registration, clearing and settlement of the transactions carried out between clients of the participating entities.[23] In addition, the central depository performs monitoring and control functions with regard to the storing of the detailed records kept by the participating entities on the holders of the securities of the different listed entities.

In accordance with Spanish regulations, which have transposed the EU regulations, the securities admitted to a trading venue must be represented by means of book entries. Article 113 of the LSC also indicates that this form of representation is compatible with the assumptions of mandatory registering of shares, because from a factual point of view this form of representation allows us to know at least who the formal holders of the securities are. Mandatory representation through book entries is also compatible with the fact that foreign securities represented by certificates can be admitted. In this case, the securities are immobilised in a financial institution

23 Custodian banks that perform international custody services for non-resident depository entities are BBVA, Banco Santander, Banco de Sabadell, UBS, Citybank, BNP and SC.

and book entries are registered, which allows these foreign securities to be traded in Spain according to the rules of the Spanish central securities depository (CSD).

Companies listed with registered shares represented by book entries receive a daily update of their registration. Listed companies can request the update whenever they wish and, in particular, for holding meetings (although this service entails a cost).[24]

As regards the register of the holders of the shares, each participant maintains three types of accounts in the central depository:

- Own account of the participant *i*: account relating to the securities which said entity owns.

- General third-party account of the participant *i*: account that includes all the securities owned by the entity's clients (with which they maintain a custody contract). In turn, the participants must keep the detailed records corresponding to the balances of the securities recorded in the general accounts of third parties (Article 33 of Royal Decree 878/2015).

- Individual accounts requested by the client holders of the participant *i* which request said account (at a cost): this allows the holders to avoid the custody risk that can occur when a custodian goes bankrupt.

In addition, central depositories may have a single-tier or double-tier system, depending on the degree of information that the central depository has about the customers of the third-party general account.

In Spain, a double-tier system is used. Specifically, although Iberclear does not have permanent knowledge of the holders of the participants' second-tier registers, it can obtain temporary access to this information. Further, on an ongoing basis, it can have knowledge of the securities accounts of second-tier customers that are moving in the securities settlement (although it does not know the identity of the holders of these accounts, which are only known by each participant).[25]

The fundamental difference for the purpose of distinguishing between single-tier or double-tier systems is the scope of the registry perimeter. In the former, and notwithstanding the fact that there are many variants, the register is only kept at central level (CSD-participants), so that, except for those with individual accounts opened at the CSD, participants' customers do not have access to the register and can only exercise their rights vis-a-vis the issuer through the intermediary that holds their securities. That is why they are indirect holding systems. In Spain, in addition to the central register maintained by the CSD, the second-tier accounts held by participants are part of the register. The investors listed in these accounts enjoy in their favour the presumption (*iuris tantum*) of ownership vis-à-vis third parties and the effects of entitlement to demand directly from the issuer the exercise of the rights

24 Shareholders who own at least 3% of the shares or the shareholder associations who as an aggregate own 1% may also request the list.

25 See article 23.3 of Royal Decree 878/2015.

derived from the securities. It should be noted, however, that in the case of foreign shareholders who have their securities account with a foreign custodian that maintains a deposit agreement with a Spanish participant, the ownership identification chain only reaches the foreign custodian,[26] which is considered a shareholder under Spanish law. However, even if the participants' second-tier registers show the foreign custodian as the holder of the shares, the custodian may vote in a general meeting following the instructions of its client or delegate the vote to the client itself (Article 524 of the LSC). Therefore, the problem of identification does not affect the shareholder owning the shares but rather the directors or activist shareholders who wish to contact other shareholders to obtain their vote. For this reason, they often hire consultants called proxy solicitors to help them identify and contact the holders who will actually vote through the foreign custodian. In this regard, it should be noted that Directive (EU) 2017/828 of the European Parliament and of the Council, of 17 May 2017, promoting the long-term involvement of shareholders, while acknowledging the importance of identifying shareholders, does not require the identification of the ultimate holders if, as in the case of Spain, they are not considered shareholders under national law.

Other countries (e.g., Germany) use a single-tier system, so that information on the clients of the third-party account is not communicated to either the central depository or the issuing companies,[27] although the possibility of maintaining individual accounts remains in place.[28] In single-tier systems, the indirect or intermediary holder (the custodian) is entitled to exercise the voting rights, although they may delegate this vote to the shareholders owning the shares if they so wish. In other words, the custodian can collect the votes of the end shareholders and vote in the direction they indicate at the meeting, and it is possible to split the vote (i.e., cast a percentage of the votes in one direction and another percentage in another direction). For this reason, the single-tier system is an indirect ownership system.

With regard to the specific features of general shareholders' meetings in Spain there are some issues of interest. Firstly, the list of shareholders is sent to the companies 20 days before the meeting and, at that time, the proxies are sent to the clients of the custodians. However, Spanish regulations allow the closure of the right to attend the meeting only five days before it is held. A shareholder who bought shares between day 20 and day five before the meeting was held could wish to vote simultaneously with the seller of the shares who had sent a proxy. In this case, the meeting committee would need to resolve the conflict. Secondly, Spanish regulations contemplate the addition of supplements to the agenda after meeting has been formally convened. If this occurs, the company must inform the central depository and disclose this new information to the participants, which in turn must disclose it to their clients. However, this does not mean that a new proxy has been issued, since there may not be enough time for it to be produced.

---

26 An example of the problems this entails was recently seen in the takeover bid of the company DIA, in which the bidder held more than 3% of the shares and could therefore request a list of shareholders, but, since the shares were in a foreign custodian, it could not prove that it had the shares in its name.

27 Lastly, the Nordic countries and Greece use a direct shareholding scheme.

28 In this case, tension arises between the desire to avoid custody risk and the desire to maintain privacy regarding the ownership of the shares.

Advertising of contracts for differences (CFDs) and other complex financial products among the general public (*)

(*) This article has been prepared by the CNMV General Directorate of Policy and International Affairs.

Contracts for differences (CFDs) and binary options (BOs) are especially complex financial instruments, characterised by high risk and elevated short-term volatility. In addition, CFDs usually include leverage, which implies that the investor may incur losses that are greater than the amount initially invested.

Due to the difficulty of understanding their nature and risks, these products are not suitable for retail clients. Furthermore, the price, cost and trading conditions of CFDs and BOs are often not sufficiently transparent, which impairs the ability of retail investors to properly understand the terms of the products and to assess their expected return and the risks assumed.

In line with its investor's protection mandate, in the past few years the CNMV has implemented various measures in relation to the marketing, distribution and sale of this type of financial product to retail investors, including the publication of warnings and explanatory documents on the associated risks, monitoring the implementation of the decision of the European Markets and Securities Authority (ESMA) to impose restrictions on the marketing of these products among retail investors and the CNMV's subsequent resolution to restrict their marketing, distribution and sale among the aforementioned investors.

Details of these measures are provided in this report according to the following structure: section 1 contains an introduction to the subject, section 2 deals with the supervisory approach, offering a comparison with other European countries. This section addresses three issues: i) the publication of warnings; ii) the restriction/prohibition of marketing, distribution and sale of CFDs and BOs to retail investors; and iii) the possible ban on advertising CFDs and BOs in the general media. Section 3 provides an analysis of the situation in Spain with regard to the advertising of complex financial products carried out through the sponsorship of football teams. Lastly, section 4 sets out the conclusions and indicates possible actions.

1 Introduction

On 22 May 2018, ESMA adopted the decision to prohibit the marketing, distribution and sale of BOs to retail investors in the European Union from 2 July 2018, in addition to the decision to restrict the marketing, distribution and sale of CFDs to retail investors in the European Union as from 1 August 2018. These decisions, taken in accordance with Article 40 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, prevailed over any measures previously developed by the competent authorities and were applied on a temporary basis for a period of three months from their entry into force.

ESMA proceeded to renew these decisions three times, considering that there was significant concern for the protection of investors and indicated to the national competent authorities that they were expected to adopt similar measures that would take effect after their expiry.

Along these lines, on 27 June 2019, the CNMV resolved to implement an indefinite ban[1] on the marketing, distribution and sale of BOs among retail clients and restrict these activities with respect to CFDs.

The measures adopted by the CNMV were aligned with the ESMA decisions, so they met the requirements set forth in Article 42 of Regulation (EU) No. 600/2014 for their implementation, including the assessment of the criteria and factors provided for in Article 21 of Commission Delegated Regulation (EU) 2017/567 of 18 May 2016, such as the existence of significant concern for investor protection, the lack of legislation on other alternative responses that are sufficient to address the problem, the proportionality of the measure and its non-discriminatory effect.

Notwithstanding the above and despite these restrictions, it has been observed that there is abundant brand advertising or advertising that generally refers to the entities that offer this type of product and also generally refers to CFDs in the mass media and certain popular broadcasting times associated with sporting events or sports kit.

Therefore, the objective of the *CNMV Activity Plan* for 2019[2] was to analyse the implementation of possible measures aimed at restricting advertising aimed at the general public by entities that market and distribute CFDs and other complex financial products.

1 https://www.boe.es/boe/dias/2019/06/29/pdfs/BOE-A-2019-9737.pdf

2 http://www.cnmv.es/DocPortal/Publicaciones/PlanActividad/Plan_Actividades_2019_EN.pdf

2 Supervisory approach: comparison with other European countries

The actions of European supervisors in relation to the marketing, distribution and sale of CFDs and BOs to investors have included warnings about the risks associated with contracting these products, restricting or prohibiting their marketing among retail investors and, in some cases, establishing an advertising ban on channels or media intended for the general public.

2.1 Publication of warnings by the national competent authorities

Given the increase in trading of this type of product, in recent years most European countries have opted to publish warnings about the associated risks, including special warnings about the estimates of the losses deriving from trading in these instruments. Similarly, warnings have been published in all jurisdictions about the entities (often unauthorised) that offer these products. Many of these warnings were published prior to the implementation of measures to restrict or prohibit the marketing, distribution and sale of these products among retail investors.

In Spain, on 21 March 2017, the CNMV published a document entitled *Measures on the marketing of CFDs and other speculative products to retail investors*,[3] which warned of the inappropriateness of marketing CFDs, forex and BO products among retail clients, and included certain recommendations for the entities that marketed such products.

Similarly, the CNMV published an explanatory document[4] to inform the general public about the risk associated with this type of product.

A summary table showing, in its first column, the actions taken by the main European Union authorities in relation to these warnings is included as Annex I.

2.2 Restriction/prohibition of the marketing, distribution and sale of CFDs and BOs to retail investors

As a supplement to the warnings issued, most European countries have opted to restrict or prohibit the marketing, distribution and sale of CFDs and BOs to retail investors in the European Union.

As noted above, after proceeding to renew the decisions related to the restriction or prohibition of the marketing, distribution and sale of CFDs and BOs to retail investors on three occasions, ESMA informed the national competent authorities that they were expected to adopt similar measures that would take effect after the expiry of these decisions.

3 http://www.cnmv.es/Portal/verDoc.axd?t=%7Bf38436a3-cf38-4a2d-ab07-830d7d525ddc%7D

4 https://www.cnmv.es/DocPortal/Publicaciones/Fichas/Ficha_CFD.pdf

The national competent authorities may implement intervention measures in accordance with Article 42 of Regulation (EU) No. 600/2014. One month before it takes effect, the national authority must notify all other national authorities and ESMA of the details of its proposed measure. ESMA must assess whether the national measure is justified and proportionate, and whether the intervention measures are at least as restrictive as the ESMA measures.

A list of the opinions issued by ESMA regarding the measures taken by the different competent authorities is included as Annex II.

In addition, in 2018 and 2019, the CNMV carried out a review of compliance with these restrictions by intermediaries.

The review covered the information provided on the websites of intermediaries with regard to initial margins, initial margin protection, negative balance protection and marketing incentives, as well as the issue of standard risk warnings.

Additionally, it was verified whether intermediaries made changes to the professional category in order to avoid the restriction. The conclusions were set down in a report that was submitted to the CNMV Executive Committee on 17 January 2019.

Further, in the first half of 2019, a review was carried out to check whether the content on CFDs available on the websites of marketing entities provided a balanced description of the characteristics and risks of the product, the application of initial margin protection by entities and the information provided to clients before the positions are closed.

Therefore, in Spain, in addition to the decision approved on 27 June 2019, an exercise was carried out to monitor the activity related to the marketing of these products.

Further, and closely related to the marketing of this type of products, the CNMV has encouraged the development within ESMA of a greater degree of cooperation between the national competent authorities (the securities supervisors of the different Member States) when supervising the activities carried out by entities outside their home territory under the freedom to provide services regime (i.e., without a permanent establishment), since this is a frequently-used distribution format for this type of product.

The scheme established by European regulations assigns supervisory responsibility to the authority of the home Member State, which is unlikely to generate sufficient incentive to monitor how the activity of these entities affects investors in the host Member State. With respect to this scheme, the CNMV has proposed that the home state supervisors should regularly provide certain information to the host Member State supervisors, so that the entities that are distributing this type of product among their investors can be identified. It also recommends a cooperation mechanism be set up that facilitates the detection and repressive measures required in the event of an infringement of the restrictions imposed or the general rules of conduct.

2.3 Possible ban on the advertising of CFDs and BOs in the general media

Some European countries have decided to establish additional measures aimed at limiting or prohibiting the advertising of this type of financial product.

Details of the measures taken by other authorities and, more specifically, which are aimed at banning the advertising of BOs and CFDs in the mass media and at certain popular broadcasting times, at sporting events, on sports kit or through active online or telephone marketing campaigns are provided below.

A summary table showing, in its third column, the actions taken by the main European Union authorities related to banning the advertising of these products is included as Annex I.

2.3.1 France

In 2017, Decree No. 2017-159, of 9 February 2017, on digital advertising services (also known as the Sapin II law) was approved, which entered into force on 1 January 2018.

This Decree extends the rules of the French Sapin law, of 29 January 1993, (originally introduced for traditional media, i.e., television, radio and press) to digital media.

Sapin II included a ban on digital advertising for certain investment products, such as BOs, aimed at French investors.

In addition, in November 2017, the Autorité des Marchés Financiers (AMF), published a question and answer document to clarify the scope of the ban. The regulator confirmed that the prohibition should be applied to digital advertising (banners, pop-up windows, emails, search engine ads, webinars, e-learning, social media ads, re-marketing, etc.) of products that involve a risk of losses that are higher than the amount initially invested.

The prohibition includes all types of BOs but does not cover all types of CFDs. CFDs that have consumer protection, i.e., that guarantee that the loss cannot exceed the amount invested, can be advertised. In such cases, the advertisement must explicitly indicate that such protection exists and outline the risks associated with this type of investment.

The aforementioned Decree also introduces a ban on sponsorship or patronage when the object or effect is the direct or indirect advertising of investment services related to these financial contracts.[5] It also includes a transition period of one year to comply with the ban.[6]

---

5 Article 77 of Sapin II: *"Toute opération de parrainage ou de mécénat est interdite lorsqu'elle to pour objet ou pour effet the publicité, directe ou indirect, at faveur de services d'investissement portant sur les contrats financiers définis à l'article L. 533-12-7 du code monétaire et financier".*

6 *"L'exécution des contrats en cours au 1er juillet 2016 relatifs à toute opération mentionnée au premier alinéa de l'article L. 222-16-2 du code de la consommation est poursuivie jusqu'au 30 juin 2017 au plus tard".*

2.3.2 Netherlands

In 2017, the inclusion of a new article 56 bis in the Market Conduct Supervision Decree was approved, with the aim of banning the advertising of certain financial products.

This meant that financial institutions could no longer encourage the acquisition of BOs, contingent convertible bonds issued by banks (CoCo), CFDs, special derivative products known as *turbos*, futures and payday loans (*flitskredieten*). It applies to all online and traditional advertisements aimed at retail investors in the Netherlands.

The Netherlands Financial Supervision Act (*Wet op het finanel toezicht*) defines an *advertisement*[7] as any form of provision of information that recommends a specific financial service or product.

2.3.3 Belgium

The Royal Decree of 21 July 2016 approved an amendment to the regulation of the Financial Services and Markets Authority (FSMA), the Belgian securities and investment services supervisor, in relation to the distribution of OTC derivatives and other complex products. This prohibited the *distribution* of products such as CFDs and BOs to consumers in Belgium.

Distribution means "to present the product, in any way, in order to encourage the customer or potential customer to buy, subscribe, adhere to, accept or register for or open the product in question." The FSMA published a question and answer document in order to clarify the scope of the ban.[8]

2.3.4 United Kingdom

In the case of the United Kingdom, the Advertising Standards Authority (ASA) tracks advertisements related to the marketing of CFDs and, in some cases, has warned about the content of certain advertisements associated with the marketing of these products among especially vulnerable groups, such as students.

2.3.5 Other relevant companies or institutions

Top-level technology companies such as Google[9] and Facebook[10] have banned or restricted advertisements related to the marketing of CFDs and other complex products on their platforms or websites. In both cases, the prohibition is included in the

---

7 If an advertisement is aimed at retail investors in the Netherlands, it must be structured in accordance with the criteria developed by the Court of Justice of the European Communities in the Pammer and Alpenhof cases.

8 https://www.fsma.be/en/faq/fsma-regulation-governing-distribution-certain-derivative-financial-instruments-binary-options-0

9 https://support.google.com/adspolicy/answer/7648803?hl=en

10 https://en-gb.facebook.com/business/news/updating-our-ad-policies-for-financial-services-and-products

company's *Financial Services Policy,* indicating that these products are complex and difficult to understand, in addition to the existence of national or local regulation in this regard.

Google has banned advertisements for binary options and similar products, in addition to products involving crypto-currencies and related content (e.g., initial coin offerings (ICO)). Meanwhile, advertisers offering CFDs have to obtain Google certification, which is only available in certain countries. To be certified by Google, advertisers must be authorised by the competent financial authority of the country or countries to which the advertisements are directed, ensure that they comply with Google's advertising policies and meet all relevant legal requirements.[11]

Facebook includes binary options and CFD trading in its list of banned financial products and services, so it does not allow advertisements promoting these products.

3 Analysis of the situation in Spain. Advertising of complex financial products through sponsorship of football teams

In recent years, there has been a considerable increase in the sponsorship of football clubs and top-level players by service companies or electronic platforms whose most widely marketed products are forex, CFDs, BOs or crypto-currencies.

Advertising on the sports kit used by football clubs in the Spanish Professional Football League is as follows:

– Eibar: Avia (service station network)
– Athletic: Kutxabank (banking institution)
– Atlético de Madrid: Plus500 (investment firm)
– Barça: Rakuten (online products store)
– Real Madrid: Fly Emirates (airline)
– Valencia: Bwin (online betting)
– Alavés: Betway (online betting)
– Celta: Estrella Galicia (food sector)
– Espanyol: Riviera Maya (tourism)
– Getafe: Tecnocasa (real estate sector)
– Leganés: Betway (online betting)

11 Google allows advertisements promoting complex speculative financial products aimed at Germany, Austria, Bulgaria, Cyprus, Croatia, Denmark, Slovakia, Slovenia, Spain, Estonia, Finland, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Lithuania, Luxembourg, Malta, Norway, the Netherlands, Poland, Portugal, Czech Republic, Romania, Sweden and the United Kingdom, provided that the supplier of these products is authorised in the European Economic Area by a national competent authority. Other local legal requirements, including leverage limits and risk warnings, must also be met.

– Levante: Betway (online betting)

– Sevilla: Marathonbet (online betting)

– Valladolid: Cuatro Rayas (food sector)

– Villarreal: Pamesa (ceramics sector)

– Mallorca: Betpoint (online betting)

– Osasuna: Kirolbet (online betting)

– Betis: Easy Markets (investment firm)

In the 2019/2020 season of the Spanish Santander League, there are two teams that feature advertising for these types of companies on their shirts. In the rest of the main European leagues there are no football clubs that display advertisements for this type of entity on their sports kit.

It is also noteworthy that seven of the 18 teams that play in the Spanish Santander League feature advertising for online betting firms on their kit, making this type of activity the most frequently advertised on the sports kit of Spanish league teams, in the same way as in the English Premier League.

Comparison of sports kit with other European leagues (2019/2020 season) TABLE 1

	Online betting	Investment firm	Other
Spanish league	7	2	11
Premier League	10	0	10
Ligue1	0	0	18
Bundesliga	0	0	20
A series	0	0	20

Source: CNMV.

Details of the teams included in the main European leagues and the type of sponsorship used are included in Annex III.

3.1 Sponsorship and advertising in football clubs: types of companies

An analysis has been performed of the investment firms that sponsor Spanish football clubs and the advertising activities they carry out.

i) **Easy Forex Trading Limited** is an investment firm approved by the competent authority of Cyprus (CySEC – Lic.: 079/07) which provides services in the main European countries, as well as in Oman, Qatar, South Africa and the United Arab Emirates.

   Easy Markets offers transactions with CFDs, forex, commodities, shares, indices and crypto-currencies and provides access to more than 200 markets.

ii) **Libertex (Indication Investments Ltd.)** is an investment firm approved by CySEC (Lic.: 164/12), which is present in 27 countries and has about 2.2 million customers worldwide.

It operates two online platforms: Libertex (intended for retail clients) and Metatrader (aimed at professionals), and provides transactions with CFDs, forex, commodities, shares, indices and crypto-currencies.

iii) **Plus500 CY Ltd.** is an investment firm approved by the CySEC (Lic.: 250/14) and listed on the London stock exchange.

Plus500 is a provider of transactions with CFDs, shares, forex products, commodities, crypto-currencies, Exchange Traded Funds (ETFs), options and indices.

iv) **Exness Cy (Ltd.)** is an investment firm approved by CySEC (Lic.: 178/12) and a provider of transactions with CFDs, forex products, commodities, shares, indices and crypto-currencies.

This company is also approved by the Financial Conduct Authority (FCA) of the United Kingdom and the Financial Services Authority (FSA) of the Seychelles.

v) **Ever FX** is an investment firm approved by CySEC (Lic.: HE388419) and provides transactions with CFDs, forex products, commodities, shares, indices and crypto-currencies.

3.2 Type of advertising and football teams featured

The sponsorship of clubs is not limited to featuring the name of the company on the kit used by the football teams. It also includes outstanding mentions on the football team websites and player participation in advertising and marketing events organised by those companies. In addition, special discounts are usually offered to members of the football clubs they sponsor.

In the 2019/2020 season of the Spanish Santander League, there are six teams sponsored by companies that sell complex financial products, two of which carry advertising on their kit:

i) **Atlético de Madrid – Plus500:**[12] One of the team's main sponsors is Plus500 and the sponsorship includes advertising on its sports kit.

The Plus500 website includes images of Atlético de Madrid players. On the team's website there is advertising for Plus500.

ii) **Real Betis Balompié – Easy Markets:**[13] One of the club's main sponsors is Easy Markets and sponsorship includes advertising on its sports kit.

The team also participates in public events organised by the sponsor and discounts are offered to fans for operating through Easy Markets.

12 https://www.plus500.es/

13 https://www.easymarkets.com/eu/es-es/

iii) **Valencia and Getafe – Libertex:**[14] The main sponsor is Libertex, although advertising is not worn on team shirts.

The teams also participate in public events organised by the sponsor and discounts are offered to fans for operating through Libertex. This company displays the Valencia team shield in a prominent place on its website.

iv) **Real Madrid – Exness:**[15] The club sponsor is Exness, although advertising is not worn on its shirts.

The team also participates in public events organised by the sponsor and discounts are offered to fans for operating through Libertex.

v) **Sevilla – Ever FX:**[16] The club sponsor is Ever FX, although advertising is not worn on its shirts.

Sponsors that market complex financial products (2019/2020 season) TABLE 2

Team	Sponsor	Advertising on sports kit
Atlético de Madrid	Plus500	✔
Real Betis Balompié	Easy Markets	✔
Valencia	Libertex	✕
Getafe	Libertex	✕
Real Madrid	Exness	✕
Sevilla	Ever FX	✕

Source: CNMV.

4 Measures

The CNMV has implemented multiple actions in relation to the marketing, distribution and sale of CFDs and BOs among retail investors, including the publication of warnings and explanatory documents describing the associated risks and the recent restriction or prohibition of the marketing, distribution and sale of this type of financial product among retail investors. The measures adopted are in line with those approved by other leading European authorities. Additionally, the CNMV has carried out, and is carrying out, different actions and promoting initiatives within ESMA aimed at reinforcing the level of supervision for entities from other Member States that offer this type of product in Spain under the freedom to provide services.

While some of these actions and initiatives refer to advertising, this one is subject to the general rules, with no specific restrictions in Spain such as those that apply in

14 https://libertex.com/es
15 https://www.exness.uk/
16 https://everfxglobal.com/legal-documents

other European countries and refer to especially complex products, which in all cases include BOs and CFDs.

As a result, in Spain there exists a large amount of direct or indirect advertising for this type of product through a wide variety of channels, including the sponsorship of Spanish first division football teams by entities whose main activity is the marketing of CFDs and BOs, sponsorship that is instrumented by featuring the entity's name or logo on the sports kit used by the team, advertising on their websites or through advertising events of various kinds.

Sponsorship of football clubs that includes advertising on sports kits is not seen in the rest of the major European leagues. However, other sponsorship activities can be observed in some Premier League teams and in one Italian league team. Details of the sponsorship of teams in the main European leagues by investment firms that sell BOs and CFDs are included in Annex III.

This type of product is not appropriate for retail investors in general, given its complexity and risks, to the extent that the CNMV – like most European supervisors – has decided to establish restrictions and prohibit the marketing of BOs and CFDs among investors of this type who do not meet certain requirements and limitations, with rigorous demands for customer information. Therefore, specific restrictions on advertising should be introduced, in line with the measures already adopted by other European countries.

One restriction that could be justified would be a restriction on direct and indirect advertising through sponsorship or collaboration with football clubs which, by definition, represent an advertising channel aimed indiscriminately at the general public – including young people.

The implementation of such restrictions would require establishing the type of provision that should be approved and, in particular, deciding whether legislation with the status of a law is needed[17] (it would be necessary to analyse the extent – provisional or permanent – to which rules currently existing in the Securities Market Act or MiFIR[18] could be used), as well as preparing a concrete proposal on the scope of the ban. It would also be necessary to establish a transition regime for existing contracts. This issue is being included as one of the specific objectives of the *CNMV Activity Plan* for 2020.

Without prejudice to the work related to such a proposal, initiatives aimed at raising awareness among clubs and society as a whole about the problem could be adopted. One option could involve sending a letter to the Professional Football League, reiterating the current restrictions in force on the distribution of BOs and CFDs and conveying the CNMV's concern about the use of football clubs as advertising channels for this type of product.

---

17 In this regard, it is interesting to highlight the possibility, which has recently been mentioned by several media outlets, that additional restrictions will shortly be imposed on advertising for betting, which is common in Spain largely through events and football teams.

18 Article 42 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, on the markets for financial instruments and amending Regulation (EU) No. 648/2012, referring to product intervention measures that can be taken by the competent authorities of the Member States.

Details of the actions taken by the main competent authorities

	Warnings	Marketing restrictions/bans	Advertising ban
ESMA	– Warning on CFDs (28/02/13). – Q&A on ESMA's temporary product intervention measures on the marketing, distribution or sale of CFDs and binary options to retail clients. – Statement of ESMA on the application of product intervention measures under Articles 40 and 42 of Regulation (EU) No. 600/2014 (MiFIR) by CFD providers (12/07/19).	ESMA Decision (EU) 2018/796, of 22 May 2018, to temporarily restrict contracts for differences in the Union in accordance with Article 40 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council (renewed three times).	—
Spain	– Explanatory document on CFDs. – Measures on the marketing of CFDs and other speculative products to retail investors (21/03/17).	CNMV Resolution of 27 June 2019 on product intervention measures related to binary options and contracts for differences.	—
France	– Multiple warnings in 2017, 2018 and 2019. – Public warning against the activities of unauthorized websites offering binary options trading (25/06/19).	Product intervention measures relating to contracts for differences and binary options (as from 1 August 2019).	Decree No. 2017-159, of 9 February 2017, on digital advertising services (Sapin II).
Netherlands	– Multiple warnings starting in 2015.[19]	Product intervention measures relating to contracts for differences and binary options (as from 19 April 2019).	Public consultation[20] on a possible advertising ban. Inclusion of article 56 bis in the Decree of Supervision of Market Conduct (since 2017).
Belgium	Warnings in 2017, 2018 and 2019.	Royal Decree of 21 July 2016. The distribution of certain financial derivatives among Belgian retail clients was restricted.	The Royal Decree includes a ban on a number of aggressive or inappropriate distribution techniques (cold calling via external call centre, inappropriate forms of remuneration, fictitious gifts or bonuses, etc.) used when distributing OTC derivatives to consumers.
Italy	Warning in 2017.	Product intervention measures relating to contracts for differences and binary options proposed by CONSOB (30 July 2019).	—
Germany	Guidelines on additional payments obligation (29/11/2017).	BaFin issued a General Administrative Act that restricted the marketing, distribution and sale of CFDs (8/05/17). Product intervention measures relating to contracts for differences and binary options proposed by the Bundesanstalt für Finanzdienstleistungsaufsicht of Germany (2019).	—

19 https://www.afm.nl/en/nieuws/2011/dec/esma-waarschuwing-beleggers
20 https://www.afm.nl/en/nieuws/2017/feb/consultatie-reclameverbod

List of opinions issued by ESMA regarding the measures taken by the different competent authorities

Authority	ESMA opinion	Authority	ESMA opinion
United Kingdom (BO)	2/04/19	Denmark (BO)	26/06/19
Poland (BO)	2/04/19	Greece (CFD and BO)	26/06/19
Netherlands (CFD and BO)	2/04/19	Cyprus (BO)	1/07/19
Austria (CFD and BO)	13/05/19	Malta (BO)	1/07/19
Finland (CFD and BO)	28/05/19	Sweden (CFD and BO)	2/07/19
Lithuania (CFD and BO)	28/05/19	France (CFD and BO)	2/07/19
Spain (CFD and BO)	28/05/19	UK (CFD and BO)	2/07/19
Slovakia (BO)	11/06/19	Czech Rep (CFD)	17/07/19
Estonia (CFD and BO)	17/06/19	Bulgaria (CFD)	24/07/19
Italy (CFD and BO)	17/06/19	Denmark (CFD)	24/07/19
Ireland (CFD and BO)	17/06/19	Croatia (CFD)	24/07/19
Luxembourg (CFD and BO)	17/06/19	Hungary (CFD and BO)	24/07/19
Portugal (CFD and BO)	17/06/19	Germany (CFD)	31/07/19
Germany (BO)	26/06/19	Malta (CFD)	31/07/19
Latvia (CFD and BO)	26/06/19	Poland (CFD)	31/07/19
Bulgaria (BO)	26/06/19	Slovenia (CFD and BO)	27/08/19
		Cyprus (CFD)	27/09/19

Sponsorships by investment firms that market CFDs and BOs: kit or other

Spain			Premier League			Ligue 1			Bundesliga			A series		
Team	Kit	Partner	Team	Kit	Partner	Team	Kit	Partner	Team	Kit	Partner	Team	Kit	Partner
Barcelona	✗	✗	Liverpool	✗	✗	PSG	✗	✗	Borussia M.	✗	✗	Juventus	✗	✔
Real Madrid	✗	✔	Leicester City	✗	✔	Marseille	✗	✗	Leipzig	✗	✗	Inter	✗	✗
Atlético Madrid	✔	✔	Chelsea	✗	✗	Angers	✗	✗	Bayern München	✗	✗	Lazio	✗	✗
Sevilla	✗	✔	Manchester City	✗	✔	Saint-Étienne	✗	✗	Freiburg	✗	✗	Cagliari	✗	✗
Real Sociedad	✗	✗	Sheffield United	✗	✗	Lille	✗	✗	Hoffenheim	✗	✗	Atalanta	✗	✗
Athletic	✗	✗	Arsenal	✗	✔	Montpellier	✗	✗	B. Dortmund	✗	✗	Roma	✗	✗
Getafe	✗	✔	Manchester United	✗	✗	Bordeaux	✗	✗	FC Schalke 04	✗	✗	Napoli	✗	✗
Granada	✗	✗	Wolveshampton	✗	✗	Reims	✗	✗	Bayer Leverkusen	✗	✗	Parma	✗	✗
Valencia	✗	✔	Bournemouth	✗	✗	Nantes	✗	✗	Eintracht Frankfurt	✗	✗	Fiorentina	✗	✗
Osasuna	✗	✗	Burnley	✗	✗	Rennes	✗	✗	Wolfsburgo	✗	✗	Verona	✗	✗
Villarreal	✗	✗	Brighton	✗	✗	Monaco	✗	✗	FC Union Berlin	✗	✗	Torino	✗	✗
Levante	✗	✗	Crystal Palace	✗	✔	Brest	✗	✗	Hertha BSC	✗	✗	Udinese	✗	✗
Real Valladolid	✗	✗	Newcastle United	✗	✗	Nice	✗	✗	Fortuna Düsseldorf	✗	✗	Sassuolo	✗	✗
Alavés	✗	✗	Tottenham Hotspur	✗	✔	Lyon	✗	✗	SV Werder Bremen	✗	✗	Milan	✗	✗
Eibar	✗	✗	Everton	✗	✗	Amiens	✗	✗	FC Augsburg	✗	✗	Bologna	✗	✗
Mallorca	✗	✗	West Ham United	✗	✔	Strasbourg	✗	✗	FSV Mainz 05	✗	✗	Lecce	✗	✗
Real Betis	✔	✔	Aston Villa	✗	✗	Metz	✗	✗	FC Köln	✗	✗	Genoa	✗	✗
Celta Vigo	✗	✗	Watford	✗	✗	Dijon	✗	✗	SC Paderborn 07	✗	✗	Sampdoria	✗	✗
Espanyol	✗	✗	Southampton	✗	✗	Toulouse	✗	✗				SPAL	✗	✗
Leganés	✗	✗	Norwich City	✗	✗	Nîmes	✗	✗				Brescia	✗	✗
Total	2	6	**Total**	0	6	**Total**	0	0	**Total**	0	0	**Total**	0	1

Sustainable funding

Jesús González Redondo (*)

(*) Jesús González Redondo belongs to the CNMV's Department of Research and Statistics. The opinions contained in this article do not necessarily reflect the position of the CNMV.

1 Introduction to sustainable funding

Sustainable funding groups together all public and private funds aimed at financing projects or activities that fall under the framework of the Sustainable Development Goals[1] (2015-2030), an initiative promoted by the United Nations Organization (UN) to alleviate poverty, protect the planet and guarantee prosperity. This initiative has had significant repercussions on the financial system in recent years due to the implementation of various financing mechanisms aimed at achieving these objectives, as well as the involvement of multiple economic agents in the process. In this context, sustainable funding[2] includes the debt issued by public institutions and private companies for the purpose of financing or refinancing green and socially-responsible projects.

Green finance is the financing of projects that related mainly to alternative energies, environmental efficiency, waste management, clean transport and the adaptation to climate change. In an environment where society and, therefore, companies are increasingly aware of the importance of environmental protection and the need for sustainable development, green bonds have become an efficient financing alternative. In addition, the investor base has evolved and many consider that their investments should not only be based on criteria of profitability, but also on sustainability and social benefits[3] (socially responsible investment that takes into account ESG criteria).[4]

Social bonds are a step further than green finance. These bonds are a variant of the previous bonds used to finance projects such as the development of health plans, social services or employment. In this case, the financing received by the issuer – usually a public entity or institution – must be solely and exclusively used to finance projects or activities of a social nature.

The first steps in the area of sustainable funding, which seems to be a relatively recent activity, date back to 2007, when the European Investment Bank (EIB) launched its first green bond issue to finance environmental projects. Since then, numerous institutions, governments, banks and private companies have tapped the capital markets to raise funds under the green bond format, which had a market of around 150 billion euros in 2018 and an estimated volume of over 220 billion euros in 2019.

1 The 17 Sustainable Development Goals range from the elimination of poverty to the fight against climate change, education, gender equality, environmental protection or the design of cities.

2 Sustainable funding is part of sustainable finance. In this sense, the European Commission defines sustainable finance as investment decision-making that takes into account environmental and social factors, leading to greater investment in sustainable and longer-term activities.

3 There is an increasing number of funds, especially of Scandinavian, Dutch and French origin, which have socially responsible investment policies and invest only in this type of debt.

4 Socially responsible investment based on ESG (Environmental, Social and Governance) criteria is an investment management model that takes into account environmental, social and good corporate governance criteria when making its investment decisions.

This article includes a description of the main features of green bonds and social bonds, and highlights the principles that must be complied with for them to be considered as such. At present there is no specific regulatory framework issued by the European Union that defines these bonds, so their description is based on the standards established by the International Capital Markets Association (ICMA), which is the most representative private entity for this purpose. The description looks at issuances made in recent years, paying special attention to the Spanish market. The characteristics of other types of sustainable funding are also discussed, such as green loans and sustainable loans and, lastly, the approach being adopted by the European Union, whereby the European Commission presented an action plan in March 2018 to strengthen the role of sustainable finance in the area.

2 Green bonds

Green bonds are basically a debt instrument like any other traditional bond, which can be issued by both public institutions and banks or private companies. The outstanding difference between the two is that the funds obtained by the latter are used specifically for the financing or refinancing of green projects and not to address any other financial requirement of the institution or company. Therefore, these projects must be sustainable and socially responsible, and include the following categories:[5]

- Renewable energies (including production, transmission, applications and products).
- Energy efficiency (new and refurbished buildings, energy storage, grids, etc.).
- Pollution prevention and control (emission reduction, greenhouse gas control, recycling and waste reduction, wastewater treatment, etc.).
- Environmentally sustainable management of living natural resources and land use (agriculture and sustainable animal husbandry, sustainable forestry, preservation and restoration of natural landscapes).
- Terrestrial and aquatic biodiversity conservation.
- Clean transportation (electric, public transport, infrastructure, vehicles powered by clean energy and emission reduction).
- Sustainable water and wastewater management.
- Climate change adaptation.
- Eco-efficient and/or circular economy adapted products, production technologies and processes.
- Green buildings which meet regional, national or internationally recognised standards or certifications.

For a bond to be considered a green bonds, it is necessary to certify the use of the project funds, in addition to verifying and auditing it to ensure that the funds are used in the project and that it meets the characteristics to be considered as *green*. Further, although this is not a requirement, it is desirable that the issuance conform to the ICMA Green Bond Principles (GBP).

5 According to the Green Bond Principles established by ICMA, published in March 2014, with subsequent updates (the last in June 2018).

The GBP promote the transparency, accuracy and integrity of information in certification and audit procedures. In addition, it is desirable that the issuer of the bonds prepare and publish periodic reports regarding the use of the funds, so that investors may have a clear view of how the projects are being developed. The objective of these principles is to provide transparency, giving investors the necessary information to increase their capital allocation to green projects, which promotes and encourages the transition of issuers towards a more environmentally sustainable business model through development of specific projects of this type.

Based on this objective, the GBP have four core components:

i) **Use of proceeds:** the proceeds of the bonds must be used for green projects, which must be appropriately described and offer clear environmental benefits that can be evaluated and, where feasible, quantified by the issuer.

ii) **Process for evaluation and selection of projects:** issuers must clearly communicate to investors the environmental sustainability objectives of the bond, the process by which the borrower determines how their projects fit within the existing green project categories and related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental risks associated with the proposed projects.

iii) **Management of proceeds:** the proceeds of green bonds must be paid into a specific account and be properly tracked, so that transparency regarding its use is maintained.

iv) **Reporting:** issuers must maintain and keep available updated information on the use of the proceeds, which must be renewed annually until full allocation, and on a timely basis, in the event of material developments. In addition, the annual report should include a list of projects to which the green bond proceeds have been allocated, as well as a description of these, the amounts allocated and the expected impact.

The GBP also recommend the use of external auditors to certify or verify that the transactions are compliant and give transparency to the proper use of the proceeds according to the environmental or sustainable purpose for which they were requested.

To do this, the auditors carry out external reviews to confirm that the issuances are aligned with the GBP[6] and comply with green bond standards. The most common forms of external review are:

– **Certification:** confirmation that a bond complies with the GBP.
– **Third party opinion:** assessment of the issuer's green bond framework, confirming compliance with the GBP.
– **Green bond rating:** assessment of its methodology by a third party, which considers the environmental aspects of the issuance (separate from credit ratings).

6 These also include the GLP, which are applicable to green loans.

– **Verification:** verification by a third party, which confirms that the assets meet the environmental and sector criteria.

Furthermore, green bonds meet the criteria established in the Paris Agreement to combat climate change of December 2015. Thus, issuers can certify their issuances under the Climate Bond Standards, which confirms that the bond is aligned with the Paris Agreements. A recognised and independent auditor will assess whether the asset complies with the Climate Bond Standards and standards specific to the sector to grant the certification, which must be renewed annually.

3 Social bonds

Social bonds, like green bonds, are any type of bond where the funds obtained are used entirely to fully or partially finance or refinance projects that generate positive social outcomes, which can be newly created or already underway. Social projects must address or mitigate a specific social problem and produce benefits for certain population groups.[7] Therefore, social projects may be considered, among others, projects that seek to promote or provide:

– Affordable basic infrastructure (such as drinking water, sewerage, sanitation and transportation).
– Access to essential services (such as health, health care, education, professional training, financing and financial services).
– Affordable housing.
– Job creation by increasing financing to small and medium sized enterprises.
– Food safety.
– Socio-economic strengthening and progress.

Similarly, social bonds must be aligned with the four components of the Social Bond Principles[8] (SBP), which, like the GBP, is a voluntary procedure guide that recommends transparency and disclosure of information, while promoting integrity in the development of the social bond market.

Bonds that combine social and environmental projects are called sustainable bonds. The proceeds obtained will therefore be used exclusively to finance or refinance a combination of green and social projects, so sustainable bonds must be aligned with both the four components of the GBP and those of the SBP. The classification of the use of green bond, social bond and sustainable bond proceeds must be determined by the issuer of the bond based on the primary objectives of its underlying projects.

---

7 Including: people who are living below the poverty line, excluded or marginalised; vulnerable groups (including those resulting from a natural disaster); disabled people; immigrants and displaced people; unemployed people; people with limited education and neglected groups.

8 The social bond principles published by the ICMA in 2017 have four main components: the use of proceeds, process for evaluation and selection of projects, the management of proceeds and reporting.

4 Advantages and disadvantages for issuers and investors in green and sustainable bonds

An increasing number of institutions and companies issue this type of bond or are considering issuing them, because, in addition to allowing them to obtain financing for their projects, investor demand and interest for this type of product is growing steadily. There are more and more investors and investment management entities that focus solely on the purchase of assets with environmental and sustainable investment criteria, principally in Scandinavia, Germany, Austria and the Netherlands. In addition, numerous institutional investors prioritise investment in these types of bonds over traditional bonds.

The main factors that favour the development of these types of bond markets are as follows:

- Setting clear standards on what a green bond is and what its characteristics are.
- Development of a concise and stable regulatory framework for green bonds.
- Establishment of regulatory incentives for issuers, as well as fiscal incentives for both issuers and investors.
- Establishment of standard document formats and activity reports.
- Broad range of issuers belonging to different sectors, as well as different sectors in which the proceeds are used, allowing investors to diversify their investments.
- Economic policies of governments of different countries to secure the transition to a sustainable economy.
- Raising awareness and education among investors.
- Investor demand and appetite for these types of assets and for responsible investment.
- Improvement in the reputation and corporate image of companies.

In contrast, the main disadvantages for the development of these markets are:

- Lack of standardisation for issuances and their characteristics.
- Greenwashing, lack of transparency and reporting.
- Shortage of issuers and high concentration of those that currently operate in few sectors (mainly the energy sector).
- Lack of incentives for investing in green bonds compared to traditional bonds.
- Higher structuring costs than regular bonds, due to the added cost of audits and certifications.
- Lack of knowledge about the benefits of these bonds among investors.
- Difficulty for issuers to build up sufficient green projects to reach an acceptable volume to issue the bond.
- Issuers' concerns over accusations of greenwashing that could damage their corporate reputation.
- Difficulty for investors to track the end use of the proceeds.

5 Types of sustainable bonds and secondary markets

There are currently several types of sustainable bonds (green or social bonds or a combination of the two), which have been increasing as the market has grown and their characteristics have been expanded. The main types are:

– **Standard bond with green or social use of proceeds funds (standard use of proceeds bond):** this involves a standard debt obligation with recourse to the issuer.

– **Green or social fixed income bond (revenue bond):** a debt obligation without recourse to the issuer in which the credit exposure of the bond is to the cash flows obtained by a project or set of projects, which act as a guarantee for the bond. The proceeds are used for green or social projects, which may or may not be related.

– **Project bond:** a bond for one or multiple green or social projects in which investors have direct exposure to project risk, with or without potential recourse to the issuer.

– **Securitised bond:** a bond guaranteed by the cash flows generated by one or more specific projects, including but not limited to ABS[9], MBS[10] bonds or other structures. The primary source of bond amortisation is usually the cash flows generated by the projects.

– **Covered bond:** a bond for one or multiple projects with recourse to the issuer, which is also guaranteed by the assets of one or more specific projects.

All the different types of bonds mentioned above must be aligned with the GBP or the SBP depending on the type of project for which the funds raised are used. Further, as this is a fast-growing developing market, it is possible that new types of sustainable instruments may emerge, such as commercial paper, structured notes, convertible bonds or other types of debt (*schuldschein*, etc.) as the market continues to grow and becomes more sophisticated.

6 Development of the sustainable bond market

Since the launch of the first green bonds in 2007, this type of asset has provided financing for many sustainable projects, including, for example, the expansion of the electricity grid in Peru with solar energy, the electric tram in Paris, the installation of efficient irrigation systems in Tunisia or health and social projects in the Community of Madrid.[11]

Although they were initially issued by banks and companies, there have subsequently been many public institutions and governments to use these types of assets

9 Asset-backed securities.

10 Mortgage-backed securities.

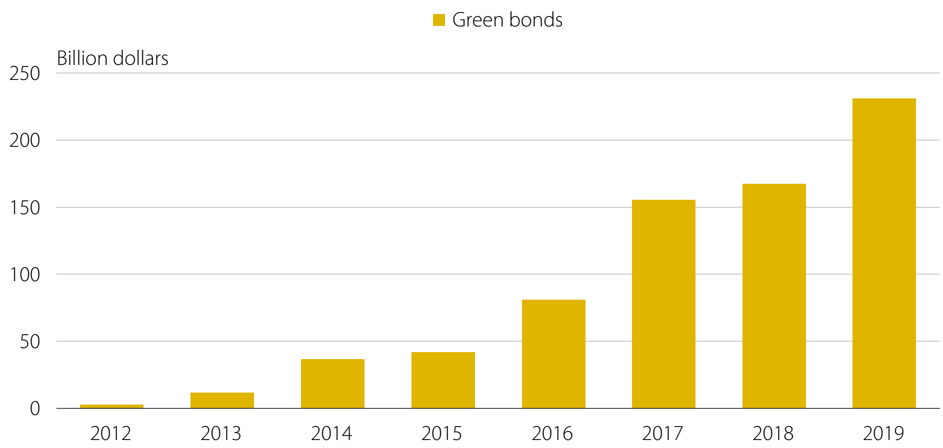
11 In 2017 and 2018, the Community of Madrid financed social and sustainable projects for a total value of 940 and 1,529 million euros, respectively, through social bonds (700 and 1,150 million euros, respectively) and sustainable loans (240 and 379 million euros, respectively).

among their sources of financing. The first member state to issue green bonds was Poland,[12] which was followed later by France and there are currently many governments or public institutions that have issued this type of debt. In Spain, the Treasury has not yet made any issuances with these characteristics,[13] but the autonomous communities have made several, particularly the Community of Madrid,[14] which was the first public entity to make a sustainable debt issuance.

With regard to companies, while most belong to the energy and water sectors, an increasing number of industrial firms have issued these types of bonds to fund energy efficiency projects, the sustainable management of natural resources and products aimed at the eco-economy. Thus, several car manufacturers have issued green bonds to raise funds for the development of electric vehicles.

Data show that the market really took off from 2014, when green bonds were issued for an amount exceeding 30 billion euros, and its value has not stopped growing since then, reaching maximum figures in Europe and across the world so far this year (see Figures 1 and 2). According to data released by the Climate Bonds Initiative, green bond issues in 2018 reached an aggregate volume of 66.6 billion dollars and 167.3 billion dollars in Europe and the world,[15] respectively, which represents year-on-year growth of 15.5% and 7.6%, respectively. In that year, a total of 1,543 different bonds were issued by 320 different issuers belonging to 44 countries (8 more than in 2017), of which 204 were first-time issuers.

Volumes of green bonds issued[1] FIGURE 1



Source: Climate Bonds Initiative. Annual data.

1 Data to November 2019.

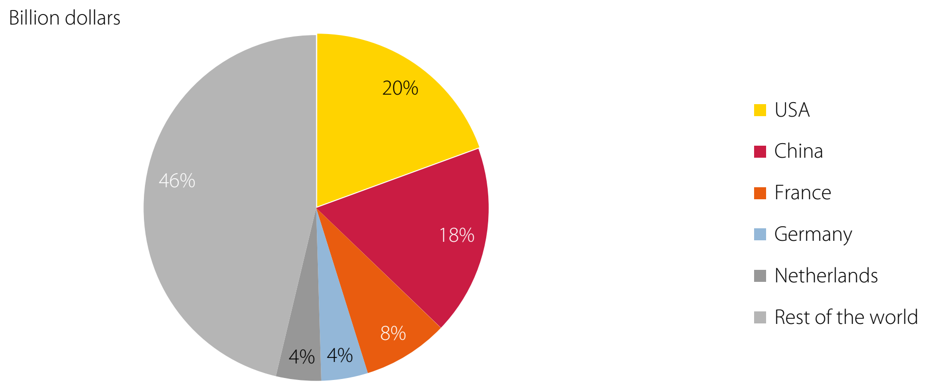
12 The Polish government made its first green bond issue in December 2016, allocating debt for an amount of 750 million euros at a 5-year term. Subsequently, the Treasury of France made its own issuance in January 2017.

13 According to the press, based on sources from the Ministry of Economy, the Treasury is working on the technical developments necessary to issue green bonds and its intention is to make the first such issuance in 2020.

14 The Community of Madrid issued social bonds for the first time in August 2016, placing debt for an amount of 48 million euros at 15 years. At December 2019, it had accumulated 5 issuances of sustainable bonds for an aggregate amount of over 3 billion euros, as well as several sustainable loans.

15 Excludes the calculation of sustainable issuances in other categories, such as social issuances.

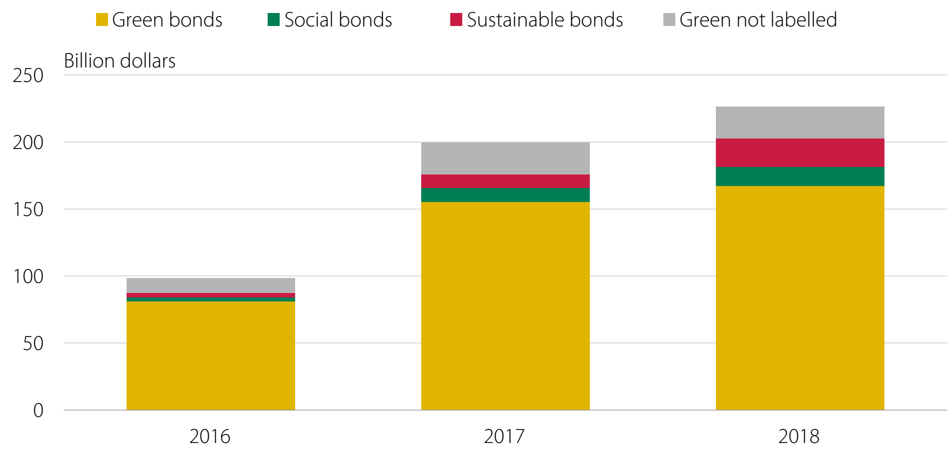
Volumes of green bonds issued by countries. 2018 FIGURE 2



Source: Climate Bonds Initiative. Annual data.

Likewise, the size of the sustainable bond market is greater, because the amount issued in green bonds must be expanded to include social bonds, sustainable bonds and green bonds[16] that partially meet the characteristics of green bonds, but cannot be considered as such because they do not meet all the GBP. When taken together, sustainable debt issuances totalled 226.2 billion euros in 2018, representing growth of more than 13% compared to 2017 (see Figure 3).

Volumes of sustainable bond issues FIGURE 3



Source: Climate Bonds Initiative. Annual data.

Although the most significant portion of the market corresponded to green bonds, the sustainable bond segment had the highest growth in 2018, with issuances totalling 21 billion dollars, more than double the figure seen in 2017. Likewise, the issuance of green bonds made by sovereign states in the same period accounted for 10.5% of the total issued, where highlights included the issuances made by France

16 The amount of this type of bond issued stood at 55 billion euros up to November 2019.

(14.8 billion euros) and, to a lesser extent, Belgium (4.5 billion euros),[17] Ireland (3 billion euros) and Poland (1 billion euros).

Further, the balance of outstanding sustainable bonds in 2019 exceeded 500 billion euros and included all types of issuers. The main ones are large banks (e.g., BBVA and Credit Agricole) and large industrial companies (e.g., Iberdrola, Apple and Porsche), and also local governments such as the state of Massachusetts and the city of Gothenburg (which made the first such issuances in 2013) or, more recently, the region of Ontario and the province of La Rioja, in Argentina.

The outlook for 2019 seems to suggest that green bond issuances will reach 250 billion dollars and that the total sustainable bond market will exceed 300 billion dollars. The market is characterised by its dynamism and development, although there are a number of trends that will mark its behaviour in the coming years: the incorporation of new issuances made by sovereign states,[18] which also moving further towards south-east Asia;[19] the growing weight of financial issuers,[20] although large non-financial companies continue to lead the market; the significant growth in investment in this type of asset;[21] and the launch of blue bonds, designed to protect the seabed and marine-based economies.[22]

6.1 The sustainable bond market in Spain

The first green bond issuances in Spain took place in 2014 and were made by Iberdrola and Abengoa. Since then, the market has continued to grow rapidly, placing the volume issued above 5 billion euros in 2017 and 2018,[23] with the issuances made by Iberdrola[24] headed up the market.

Total bond issuances exceeded 6 billion euros in 2019, which were largely used to finance energy projects and, to a lesser extent, the transport sector. A growing number of institutions and companies have issued this type of bond or are considering issuing them. These include banks, energy groups and public entities, either directly or through state-dependent companies, with the issuances made by Telefónica, Iberdrola, Adif and the Official Credit Institute standing out.

17 The Belgian Treasury made a single issuance of green bonds amounting to 4.5 billion euros, the market record by size.

18 Issuances made by sovereign states are characterised by their large size, which brings scale and liquidity to the market.

19 More and more issuers are located in this area (Indonesia, Seychelles, South Korea, Fiji, etc.) and the amounts issued are increasing.

20 In 2018, these represented 30% of the market compared to almost 22% in 2017.

21 Large investment fund managers such as Amundi have developed specific funds that invest only in green bonds.

22 The government of the Seychelles and the Nordic Investment Bank have issued blue bonds intended to protect the seabeds and the Baltic Sea, respectively.

23 According to data from the Climate Bonds Initiative.

24 Iberdrola was the first Spanish company to issue green bonds (in 2014) and currently has 15 outstanding issuances for an aggregate amount of 9.95 billion euros. In 2018, it was the sixth largest issuer among the developed economies and in 2016, 2017 and 2018 the first corporate issuer of green bonds.

Further, issuances of sustainable bonds exceeded 2 billion euros in 2018, which places Spain as the second largest issuer of bonds of this type globally and the largest in Europe. Additionally, social bond issuances planned for 2019 are upwards of 1.5 billion euros, led by the Community of Madrid.

Large Spanish entities (BBVA and Santander) are also part of the group of international banks specialised in the placement of assets of this type on the financial markets.

7 Secondary markets for sustainable bonds

The growth in the issuance of green bonds has caused an increasing number of stock markets to dedicate a special segment for listing and trading green, social and sustainable bonds. These include the Luxembourg Stock Exchange, which created the first special trading venue for these bonds: Luxembourg Green Exchange (LGX). This platform has more than 300 listed issuances of bonds from issuers of 21 different countries, including some Spanish issuers,[25] as well as sovereign states, while allowing access to issuances from the Chinese[26] green bond market.

World stock markets with green bond segments TABLE 1

Stock market	Segment specialisation	Release date
Oslo Stock Exchange	Green bonds	January 2015
Stockholm Stock Exchange	Sustainable bonds	June 2015
London Stock Exchange	Green bonds	July 2015
Shanghai Stock Exchange	Green bonds	March 2016
México Stock Exchange	Green bonds	August 2016
Luxembourg Stock Exchange	Luxembourg Green Exchange	September 2016
Borsa Italiana	Green and social bonds	March 2017
Taipei Stock Exchange	Green bonds	May 2017
Johannesburg Stock Exchange	Green bonds	October 2017
Japan Exchange Group	Green and social bonds	January 2018
Vienna Exchange	Green and social bonds	March 2018
Nasdaq Helsinki	Sustainable bonds	May 2018
The International Stock Exchange	Green bonds	November 2018
Frankfurt Stock Exchange	Green bonds	November 2018

Source: Climate Bonds Initiative.

25 Currently, issuances made by Caja Rural de Navarra, Greenalia, Iberdrola Finance and the Official Credit Institute are traded on this platform.

26 The Chinese green bond market contains issuances of over 250 billion renminbi, but it is difficult for the international investment community to access, due to problems gaining the appropriate level of information on the bonds traded both in the Shanghai Stock Exchange market and the Chinese Interbank Bond Market (CIBM).

Further, the amount of green bonds listed in 2018 on a secondary market or trading venue totalled 100.2 billion dollars,[27] which represents 60% of the green bond issuances made on the primary market in the same period, with LGX accounting for the highest volume of these issuances, followed by the London Stock Exchange.

8 A step further: green loans and sustainable loans

Green loans are a step further than green bonds.[28] These have grown significantly in the last three years and are expected to see a breakthrough in the coming years. Initially these loans arose in the field of corporate financing through large financial institutions, although they have now been extended to retail clients.

The purpose of these loans is to promote environmental sustainability and they can be any kind of loan aimed at fully or partially financing or refinancing any project, new or existing, that is eligible to be classified as a green project.[29]

Although they were initially governed by the same principles as green bonds, they currently have their own guidelines, the Green Loan Principles[30] (GLP), which have been developed with the objective of creating a framework of market standards, maintaining the flexibility of these loans and promoting the development of this market while maintaining its integrity.

GLP have four attributes that characterise a green loan:

i) **Use of proceeds:** projects must offer clear environmental benefits that are comparable, feasible, and can be quantified and communicated by the borrower.[31]

ii) **Process for evaluation and selection of projects:** the borrower must clearly communicate to the banks the environmental sustainability objectives, the process chosen by the borrower to determine how their projects fit within existing green project categories and related eligibility criteria, including, if applicable,

27 According to data from the Climate Bonds Initiative. A large number of green bonds are traded OTC, such as those issued by local US entities or China. This type of information is not available for 16% of the bonds issued.

28 In recent years, the main central banks, especially the European Central Bank (ECB) and the Bank of England, have highlighted the impact that climate change will have on European banks and the potential risks involved, noting the need for financial institutions to ensure that both their investments and their business model are environmentally sustainable.

29 Green projects considered eligible belong to the following categories: renewable energy, energy efficiency, pollution prevention and control, sustainable management of natural resources and land use, conservation of terrestrial and aquatic biodiversity, clean transport, management sustainable water and wastewater, adaptation to climate change, products adapted to the ecological or circular economy, eco-efficient technologies and production processes and ecological buildings.

30 Published in March 2018 by the Loan Market Association (LMA). These guidelines have been developed with the participation of representatives from the main financial institutions that are most active in the syndicated loan market and are applicable to a wide variety of types of loans, including green credit lines since March 2018.

31 In the case of green lines of credit, the use of proceeds for green projects is more difficult to identify, since they are arranged in tranches.

exclusion criteria or any other process applied to identify and manage potentially material environmental risks associated with the proposed projects.

iii) **Management of proceeds:** the amount of a green loan must be recognised in a specific account or be properly tracked, so that transparency is maintained and the integrity of the product is promoted.

iv) **Reporting:** the borrower must prepare all the information on the use of the proceeds, which must be updated and available annually and until they have been consumed, and as necessary from that moment on the basis of development requirements.

Likewise, as in the case of green bonds, the use of external auditors is also recommended[32] to verify that the transactions are compliant and give transparency to the appropriate use of the proceeds according to the environmental purpose for which they were requested.

Further, in recent years[33] a new product has come onto the sustainable financing market that is very similar to a previous product, but with a broader scope: sustainable loans.[34] Unlike the former, the use of proceeds is not linked to a specific function, but to the borrower's global strategy for sustainable development. Therefore, concession of the loan will depend on the borrower's sustainability strategy and not on the use of the proceeds for a specific project, while its cost will be linked to meeting sustainability criteria,[35] which will allow price improvements[36] to be made to the loan based on performance. In this way, borrowers who achieve their sustainability objectives benefit from reductions in the cost of the loan, while those who fail to do so are penalised by paying a higher interest rate.

They also have their own guidelines, the Sustainability Linked Loan Principles[37] (SLLP). These, like the other similar guidelines, are based on four basic components of a voluntary nature,[38] which take into account the borrower's overall sustainability strategy, the degree of compliance and relationship with the cost of the loan.

The European Union is working on a regulation,[39] which is currently in the consultation phase, that considers advantages from the point of view of regulatory capital

32 The most common external review procedures include: third party opinions, certifications, issuance of ratings and verifications.

33 Philips signed the first loan of this type in 2017 for an amount of 1 billion euros, the cost of which was linked to an ESG rating issued by the independent analysis firm Sustainalytics.

34 Also specifically referred to as loans linked to Sustainability Linked Loans (SLL). Initially they were called Positive-Incentive Loans (PIL).

35 Defined in environmental, social and governance terms (ESG criteria).

36 According to market sources, the savings in loan costs are between 5% and 10% of the interest rate to be paid.

37 Published in March 2019 by the Loan Market Association (LMA).

38 The basic components of these guidelines consider: i) the borrower's strategy for sustainable development (not the use of proceeds), ii) the setting of objectives and their relationship with the cost of the loan, iii) the progress report on the sustainability objectives set, and iv) the independent third party review.

39 European Parliament legislative resolution, of 16 April 2019, on the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net

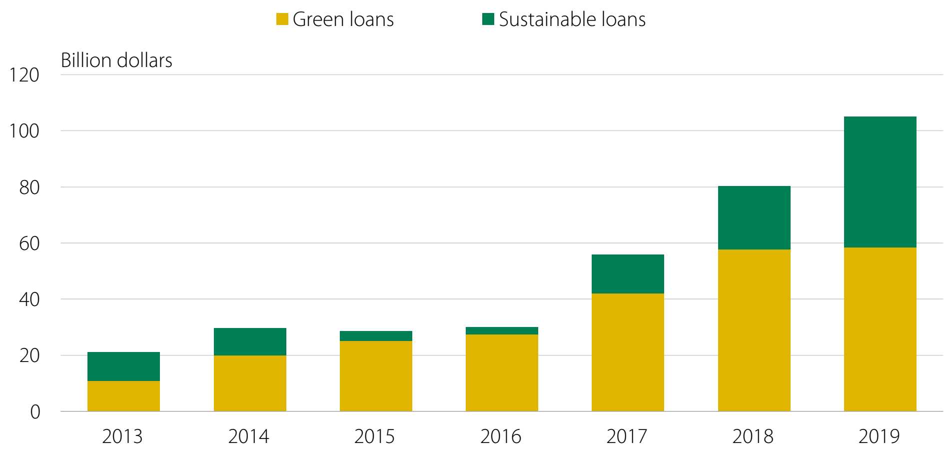
consumption to promote sustainable funding. Therefore, financial institutions could obtain reductions in capital consumption of up to 25% in their credit activity, as long as it is sustainable and aimed at meeting certain environmental goals.[40]

9 Development of the green loan and sustainable loan market

The interest shown by markets and investors in products that meet ESG sustainability criteria has also extended to the green loan and sustainable loan market, following the initial path marked by green bonds.

Although they still represent a small portion of the global loan market,[41] green loans and sustainable loans represent a significant, fast-growing market segment, which reported a volume of around 80 billion dollars in 2018 – with an increase of over 40% compared to 2017 – and which is expected to continue growing in 2019, to reach over 110 billion dollars at the end of the year (see Figure 4). Market interest in this type of loan was boosted after the implementation of its own guidelines, the GLP,[42] in March 2018, but mainly due to the regulators' move towards a system and financial institutions that are increasingly aligned with sustainability criteria.

Issued volumes of green loans and sustainable loans[1] FIGURE 4



Source: Bloomberg. Annual data.

1 Data to November 2019.

stable financing ratio, own fund requirements and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment schemes, large exposures and requirements for the submission and disclosure of information, amending Regulation (EU) No. 648/2012.

40 These objectives include the following aspects: climate change mitigation; adaptation to climate change, sustainable use and protection of water and marine resources; transition to a circular economy, waste prevention and recycling; pollution prevention and control; and the protection of healthy ecosystems.

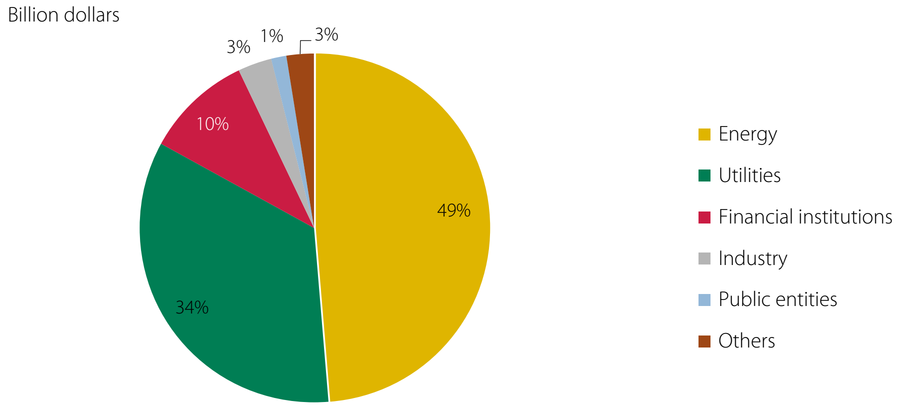
41 According to Bloomberg, at the end of November 2019 they accounted for 3.4% of the global corporate loan market, totalling 3.09 trillion dollars.

42 Green loans compliant with GLP stood at 4.31 and 6.7 billion dollars in 2018 and 2019 (data to November), respectively, representing 7.5% and 11.5% of loans of this type.

The use of the proceeds is largely (more than two thirds of the total) aimed at renewable energy projects and energy companies, mainly energy infrastructure project finance on terms ranging from 10 to 20 years. Therefore, a recent report by the[43] Network for Greening the Financial System[44] suggests that loans for green infrastructure have a lower default rate[45] compared to the equivalent rate of companies that have no green activities and, therefore, often benefit from lower financial costs. Public utilities have also raised funds, albeit to a lesser extent,[46] in addition to the industrial sector and even the public sector (see Figure 5).

Volume of green loans per borrower. 2017-2019[1]

FIGURE 5

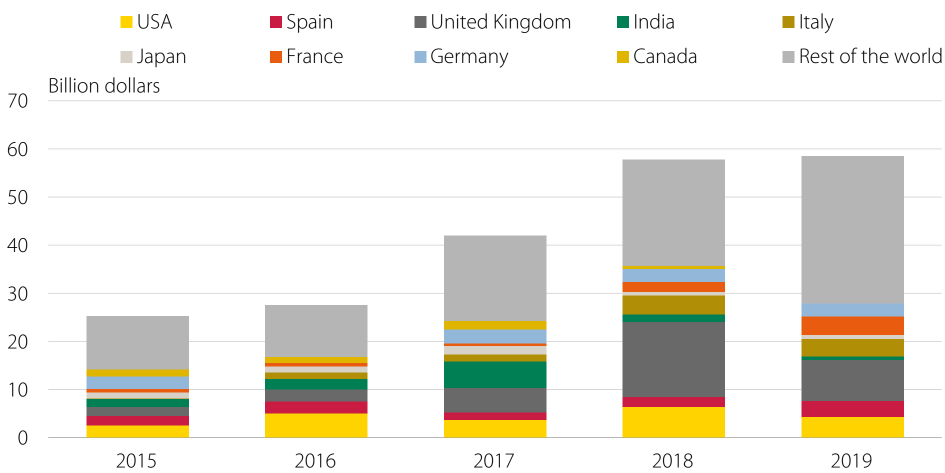


Source: Bloomberg. Annual data.

1 Data to November 2019.

Volumes of green loans issued by country[1]

FIGURE 6



Source: Bloomberg. Annual data.

1 Data to November 2019.

---

43 "A call for action. Climate change as a source of financial risk", NGFS (April, 2019).

44 NGFS. The NGFS is a group of central banks and supervisors that voluntarily share their experiences and contribute to the development of environmental and climate risk management models for the financial sector.

45 From 5.7% to 8.5% of comparable non-green sectors.

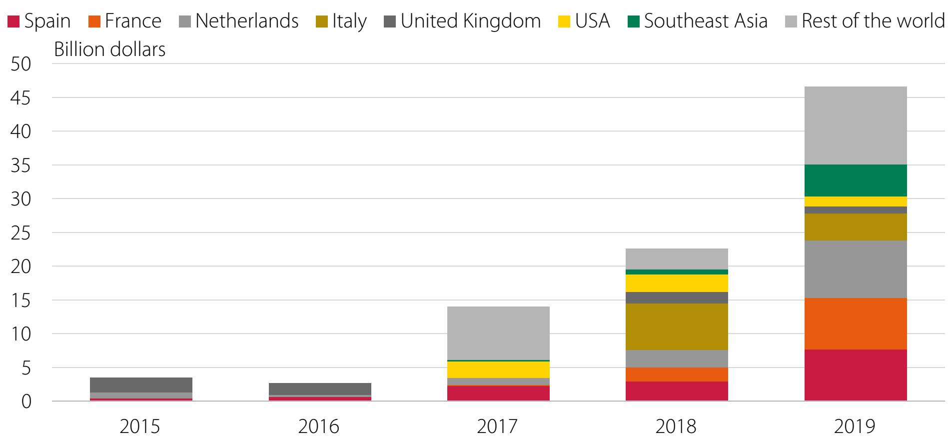
46 Companies that offer public services such as electricity, water, gas and communications.

In terms of geographical distribution, the largest issuers of this type of loan are located in the USA, the United Kingdom, Spain and India, and represent around 40%[47] of the total green loan market, although the growth of these loans in Australia, Italy and emerging markets as of 2017 stands out (see Figure 6). Around 36% of the total is denominated in euros, followed by the dollar (24.5%) and the pound (11%).

Additionally, the market for sustainable loans has evolved in an extraordinary manner, and the sustainable debt segment is showing the greatest growth. In 2019, these types of loans accounted for more than 40% of total issues[48] of green loans and sustainable loans – compared to 28% in 2018 – and this figure is expected to continue to grow significantly in the coming years, as they are financial instruments with fewer restrictions than previous instruments. This is because of the use of proceeds is not an end use but offers greater flexibility, since the sustainable nature of the instrument offers multiple alternatives[49] to a wide variety of agents.

The geographic distribution of sustainable loans differs markedly from that of green loans, since in this case the largest issuers are located in Europe, with France and Spain leading the field, while the USA, India and the United Kingdom lag behind. The increase seen in the current year in Spain, France, the Netherlands and southeast Asian economies also stands out (see Figure 7), with a wider range of projects and uses than green loans, due to the more flexible nature of the instrument.

Volumes of sustainable loans issued by country[1] FIGURE 7



Source: Bloomberg. Annual data.

1 Data to November 2019.

47 The aggregate of these 4 countries represented 37.7% and 44.3% of the total market in 2017 and 2018, respectively.

48 According to Bloomberg data to November 2019.

49 A large part of loans of this type have been structured as lines of credit.

9.1 Market trends in Spain

In Spain, as in the rest of the world, green loans and sustainable loans represent a small portion of the total loan market, but their proportional weight is greater than in other economies, which gives the country one of the most prominent markets for this type of loan, both at the European level and internationally.

Therefore, the volume of loans of this nature has grown significantly since 2017, standing at around 12 billion dollars in 2019, of which more than two thirds correspond to sustainable loans (see Figure 8). Some of the leading Spanish companies, such as Iberdrola, Red Eléctrica or Mapfre, have already signed green loans, although at the moment the volume (including green credit lines) is lower than that of green bonds. In addition, the main Spanish financial institutions occupy a prominent position as coordinators and as financing entities in the global green loan market.[50]

Issued volumes of green loans and sustainable loans[1] FIGURE 8

Source: Bloomberg. Annual data.

1 Data to November 2019.

The increasing awareness of issues relating to climate change, among retail clients and among the financial institutions themselves as part of their commitment to corporate social responsibility, in addition to their focus on customer needs, is extending to one of the most universal products: mortgages. A growing number of Spanish banks, including large institutions, are beginning to market green mortgages, although it is still at embryo stage. Initially this was instrumented by the granting credits to developers with a cost discount (usually between 10 and 25 bp per year on the cost of financing) if they were used for sustainable housing, and recently as loans to individuals if they are used to buy sustainable housing or carry out reforms with technologies designed to improve energy efficiency. In addition, the main entities have started to market specific loans for funding hybrid and electric vehicles.

50 According to Bloomberg, in 2018, Banco de Santander, BBVA and CaixaBank were among the 10 largest entities that acted as bookrunners at both global and European level, while the same entities were also among the 15 largest entities that acted as mandated lead arranger at global level.

The main Spanish financial institutions[51] have announced their commitment to mobilise significant amounts of funds in the coming years for sustainable financing projects.

10 Price trends of sustainable bonds in secondary markets

Economic theory establishes that the fundamental factor that determines the price of a bond and, therefore, its yield, is the credit risk of its issuer, usually measured through its credit rating and expiry date. There may be other factors that influence the price, such as liquidity, whether or not it includes early redemption options, currency risk and taxation.

However, when we assess two bonds with similar characteristics from the same issuer, if the market is efficient, their performance should be similar because otherwise arbitration opportunities would arise. When we compare two standard bonds from the same issuer with similar characteristics[52] (both senior bonds with the same credit risk) and the only difference between them is that one is green or sustainable and the other is standard, the secondary market performance of both bonds should be similar because their intrinsic characteristics are equal, with the exception of the end use of the proceeds obtained by the issuer.

However, the growing interest of investors and markets in directing their investments towards assets that meet environmental and sustainable investment criteria[53] may have increased the demand for sustainable bonds, since there are many investors – especially from northern Europe – and an increasing number of investment managers that limit their investments to these types of assets. Given the current small size of the sustainable bond market and the outstanding balance of these bonds, some agents believe that these types of investors would be willing to pay a premium for investing in this class of asset, which, therefore, would trade at a higher price and accrue a lower yield than bonds of similar characteristics issued by the same issuers.

In order to verify whether the prices observed in the secondary market comply with this statement or not, a sample of bonds has been taken from three different issuers, belonging to three different sectors and that have both types of bond issuances (standard and sustainable). The bonds selected and their main characteristics are shown in the table below:

51 In February 2018, BBVA announced a project to allocate 100 billion euros for this purpose through to 2025, while Banco de Santander confirmed in July 2019 an amount of 120 billion to 2025, which will increase by a further 100 billion euros to 2030, to address climate change.

52 Assuming that all other characteristics (liquidity, expiry date, currency and taxation) are similar or equal.

53 According to SpainSif data, professionally managed assets in Spain in accordance with environmental, social and good governance criteria totalled 210.64 billion euros.

Characteristics of the green bonds and standard bonds analysed

TABLE 2

Issuer/Issuance	Issuer type	Type of debt	Size of issuance (million euros)	Maturity
French Treasury				
FR0010371401	Sovereign	Standard	26,534	Oct-2038
FR0013234333	Sovereign	Green	20,677	Jun-2039
Repsol				
XS0975256685	Non-financial	Standard	1,000	Oct-2021
XS1613140489	Non-financial	Green	500	May-2022
ICO				
XS1915152000	Financial	Standard	500	Oct-2023
XS1979491559	Financial	Green	500	Jan-2024

Source: Bloomberg.

Despite the small size of the sample and its limitations,[54] the performance on the secondary market of the three pairs of bonds was analysed, comparing the performance of each pair (standard and green) made by the same issuer from the moment they were both listed, in order to assess whether the yield differential was similar or whether it widened or narrowed in favour of one of the bonds. The analysis assumes that the following restrictive assumptions are met: i) movements or changes in the term structure of the interest rates imply parallel shifts in all segments of the issuer curve[55] of a similar amount, and ii) the issued bond pairs have similar liquidity,[56] so that none of them benefit from a positive liquidity premium.

Preliminary data shown in following figures (see Figures 9, 10 and 11) show that both the French Treasury bonds and those of the oil company Repsol saw a reduction in the differential between the two bonds of between 5 and 15 bp in favour of the green bond, which occurred mostly in 2019 and was even more pronounced in the case of the oil company. In contrast, for the bonds of the Official Credit Institute (ICO) a slight positive difference was observed in favour of the green bond (between 1 and 4 bp), which has existed practically from the moment of issuance.

54 Bonds (standard and green) of the same issuer with similar maturity dates were used (the difference is less than one year), as it was not possible to find two bonds of the same issuer with an identical maturity.

55 This statement is not real in practice but it can be observed that movements tend to be parallel or fairly similar for shorter-dated segments of the curve (less than one year in all cases).

56 All pairs of issuances have similar liquidity and the size of standard bond issuances is larger, which gives them more liquidity.

Differential between standard and green bonds (French Treasury)

FIGURE 9

Source: Bloomberg.

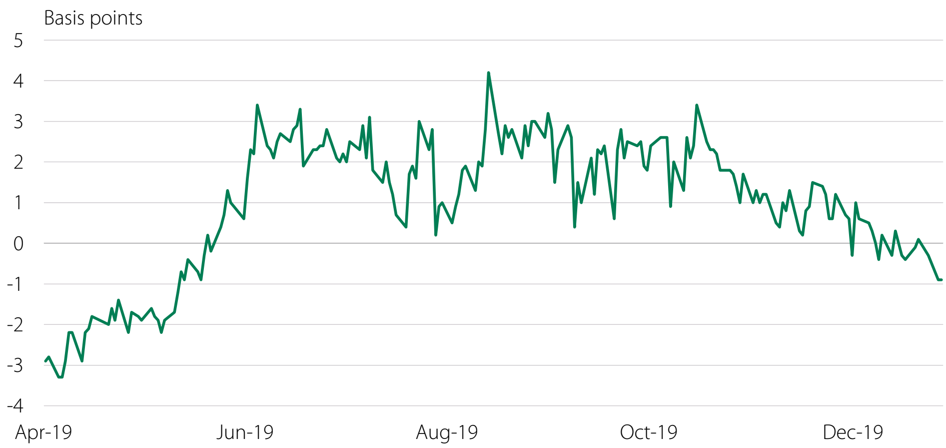
Differential between standard and green bonds (Repsol)

FIGURE 10

Source: Bloomberg.

Differential between standard and green bonds (ICO)

FIGURE 11



Source: Bloomberg.

Therefore, it would appear that sustainable bonds enjoy a small premium from the moment they are issued, which could encourage new issuers, since they have higher demand in proportion to issuances of equal credit risk made by the same issuer, as well as a slightly lower issuance cost in terms of the yield paid (which could range between 3 and 15 bp), while benefiting the reputation and brand image of the issuer. However, it should be taken into account that the cost of structuring the issuance is higher due to the additional cost of audits and certifications.

11 Sustainable finance within the European Union

In March 2018, the European Commission presented an Action Plan to strengthen the role of sustainable finance in the European Union (EU), with the aim of achieving an economy that works properly and enables the sustainable environmental and social objectives included in the Paris Agreement to be achieved.[57] This plan set out an EU strategy on sustainable finance within the Capital Markets Union that would include the following actions:

i) Establish a unified classification system – or taxonomy – of the EU, which defines what is sustainable and what is not, indicating the areas in which sustainable investment could have the greatest impact.

ii) Create EU labels for green financial products[58] based on this classification system, so that investors can easily identify investments that meet green or low-carbon criteria.

iii) Clarify asset managers' and institutional investors' duties to consider sustainability in the investment process and strengthen disclosure requirements.

iv) Oblige insurance and investment companies to advise their clients based on their preferences in terms of sustainability.

v) Incorporate sustainability into prudential requirements. The European Commission will evaluate the possibility of including the *green support factor* when establishing capital requirements for banks, when justified from a risk perspective and to ensure financial stability.

vi) Increase the transparency of corporate reports by reviewing non-financial information on aspects related to sustainability.

---

57 According to estimates by the European Commission, it was necessary to invest an additional 180 billion euros a year to achieve the sustainability objectives set out in the agreement, mainly the 40% reduction in greenhouse gas emissions. In December 2019, the European Union announced an update of the plan, raising the investment to 260 billion euros to 2050 and increasing emission reductions to 50-55%.

58 Work is currently underway to develop of technical criteria to establish an EU ecolabel for financial products for retailers. https://susproc.jrc.ec.europa.eu/Financial_products/docs/20191220_EU_Ecolabel_FP_Draft_Technical_Report_2-0.pdf

Subsequently, in June 2019, the European Commission published three reports drawn up by the Group of Technical Experts on Sustainable Finance,[59] including:

i) A report on a classification or taxonomy system[60] for sustainable economic activities from the standpoint of the environment.[61] The objective is to formulate practical guidelines for policy makers, industry and investors on the best way to support economic activities that contribute to achieving a climate-neutral economy and investing in them.

ii) A second report on an EU standard on green bonds, which recommends comparable criteria for the issuance of green bonds. This rule is linked to the previous taxonomy and will determine which activities that respect the environment and the climate are eligible to benefit from financing through an EU green bond. The Commission hopes that this will boost the green bond market and that investors will increase their green and sustainable investments.

iii) A third report on EU benchmarks on climate and information dissemination in relation to ESG criteria, which establishes the methodology and minimum technical requirements that indices should contain to guide the choice of investors wishing to adopt an investment strategy that takes the climate into account, and addresses the risk of greenwashing.

The project aims to clarify what green or environmentally sustainable activities are, which in principle would help facilitate the design of green financial products and reduce greenwashing.[62] However, it goes beyond standard green bonds as it includes a broader investment universe, considering activities that are currently not low-carbon, such as the manufacture of steel and iron, but which could contribute substantially to carbon reduction goals. It considers three groups of activities that make a significant contribution to climate change mitigation: low-carbon activities, such as zero emissions transportation; transition activities, such as iron and steel manufacturing; and activities that facilitate the previous two, such as the manufacture of wind turbines.

The taxonomy does not establish a label for investment products, but establishes a benchmark for the EU green bond proposal, so that green investment products that have been structured according to the taxonomy will gain credibility among investors and, therefore, demand for these instruments is expected to increase.

59 The group was formed in July 2018 and is made up of 35 members from civil society, the academic world, the business sector and the financial sector.

60 The Commission's proposal on taxonomy is pending approval by the co-legislators.

61 It includes a list of 67 economic activities that contribute to six environmental objectives: climate change mitigation; adaptation to climate change; sustainable use and protection of water and marine resources; transition to a circular economy, waste treatment and recycling; pollution prevention and control; and protection of ecosystems. Therefore, to be included in the taxonomy, an economic activity must contribute substantially to one of the objectives and not significantly erode the remaining five.

62 Greenwashing, which is defined as obtaining financing for investments of a sustainable nature, which at the same time improves the image of the company by showing its commitment to the environment, when in reality the funds are allocated to activities that are not sustainable.

The EU green bond standard would be a voluntary[63] rule that is not legally binding, aimed at improving the effectiveness, transparency, comparability and credibility of the green bond market and encouraging its participants to issue EU green bonds.[64] The EU Green Bond Standard includes four key elements:

i) Alignment with the principles included in the taxonomy, so that proceeds from EU green bonds are used to finance or refinance projects or activities that meet at least one of the six fundamental objectives set out in the taxonomy and do not significantly erode any of the remaining five, while respecting minimum social safeguards. Likewise, when specific technical criteria have been developed, the projects or activities financed must meet these criteria, with some exceptions permitted.

ii) Publication of a green bond framework, confirming the voluntary alignment of green bonds issued with the EU Green Bond Standard, explaining how the issuer's strategy can be aligned with environmental sustainability objectives and providing details of key aspects related to the use of the proceeds, management of the proceeds and reporting.

iii) Mandatory report on the use of the proceeds (utilisation report) and environmental impact (environmental report).

iv) Mandatory verification of compliance with the green bond reference framework and report on the final use of the proceeds carried out by an external auditor.

Therefore, the use of the Green Bond Standard would be voluntary, but the use of EU Green Bond certification would only be allowed when each and every one of the conditions included in the standard is met.

In addition, the report recommends that external auditors be accredited and supervised and identifies the European Securities and Markets Authority (ESMA) as the most appropriate European authority to design and manage their accreditation regime. In the meantime, it recommends a three-year transition period, in which a process of provisional registration of external green bond auditors is established.

Lastly, the report recommends a series of supplementary measures to promote and control the implementation of the EU Green Bond Standard, including a recommendation that the European Central Bank System[65] and members of the Network for Greening the Financial System should consider both expressing and establishing their preference for EU Green Bonds when buying green bonds. It also recommends that both the European Commission and EU Member States should encourage institutional issuers and investors to do the same.

63 EU Green Bond Standard (EU GBS).

64 EU green bonds may or may not be listed on a market and may be issued by an issuer, European or international, provided they do so in accordance with the EU Green Bond Standard.

65 ESCB.

Based on the above, unlike agents, markets and even some public institutions that have added a social component to sustainable finance, the European Commission's Action Plan is focused on the environmental sustainability criteria set out in the Paris Agreement, giving less importance to the social aspect, social entrepreneurship or even financial inclusion, which are all features of social bonds.

At present, the latest advances within the EU in the area of sustainability are focused on a political agreement[66] reached in December 2019 by the co-legislators regarding the classification system or taxonomy of sustainable economic activities, which is subject to approval by the European Parliament and the Council.

These initiatives are framed in the context of the EU Green Deal,[67] presented by the European Commission in December last year, which includes 50 concrete actions for the fight against climate change, which aim to make Europe the first climate-neutral continent by 2050.

12 Conclusions

The shift by states and regulators towards a more sustainable economy is a huge challenge, but at the same time an opportunity for all public and private institutions and for the financial system as a whole. The transition to a low-carbon economy and projects designed to combat climate change will require large investments from both the public and private sectors. The support of both sectors is palpable and that of the private sector stands out, since both large investors and financial institutions have shown a great deal of interest in these types of assets and projects.

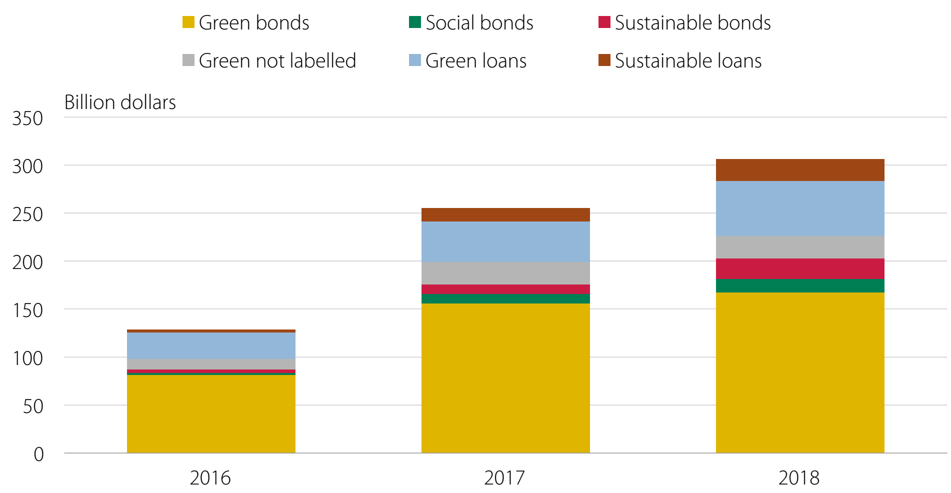
Figures for the sustainable funding market as a whole have seen rapid growth in recent years (see Figure 12), and this is likely to continue in the future, supported by a regulation that is increasingly biased towards sustainability. Therefore, the green bond and sustainable bond markets and the loan markets for this type of instrument have enormous growth prospects, although a very significant portion of the projects is still aimed at the renewable energy and energy efficiency sectors, to the detriment of other sectors such as environmental protection, or social bonds. In addition, financial institutions are expected to lead the growth of the sector and gain weight in the market to the detriment of other agents,[68] while emerging and south-east Asian markets will gain share on the global level.

66 The agreement establishes that rules relating to the climate would start to apply on 31 December 2021, while for the rest of the activities they would begin in December 2022.

67 https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf

68 At the World Climate Summit (COP25), held in December 2019 in Madrid, representatives of numerous public and private international financial institutions agreed that the role of the financial sector is key for financing sustainable projects, where public-private collaboration is necessary.

Trends in sustainable funding. 2016-2018 FIGURE 12



Source: Bloomberg. Annual data.

Although investor interest in this type of asset and project is very high, some risks are appearing on the horizon that could slow down market expansion. Therefore, a scenario of global economic downturn or recession or a tightening of monetary policies could reduce the pace of credit growth and debt issuances of this type. This expansion may also be conditioned by the security that investors perceive in this category of investment. Investors have clearly demonstrated the need for these assets to have a green certification or guarantee, which ensures the end use of the proceeds to avoid greenwashing.

In this sense it is necessary to develop a common standard and a taxonomy that clearly determines what is green and sustainable and what is not, in order to assuage investors' doubts and ensure investment security. There are also additional risks to its development, such as the lack of clear lines of action taken by governments, as well as regulatory issues, with successive changes in the incentives proposed by the States.

Therefore, it is necessary to establish standards, at least at European level, to encourage the development of the market. It would be desirable for the EU to accelerate the establishment of a regulatory framework with its taxonomy, while implementing its own EU Green Bond Standard, which would hasten the development of sustainable funding, as well as the markets and financial assets of this type.

III Legislative Annex

Since the publication of the CNMV Bulletin for the third quarter of 2019, the following legislative developments have taken place:

Spanish legislation

- CNMV Resolution of 24 October 2019, amending Annex I of the Resolution of 16 November 2011, which creates and regulates the Electronic Register of the CNMV.

  Annex I of the aforementioned resolution includes the list of procedures through standardised electronic documents that may be submitted to the Electronic Register of the CNMV. The entry into force of numerous EU regulations that create and develop types of entities as well as new obligations regarding disclosure to the CNMV make it advisable to include additional procedures in said Annex I. Therefore, Annex I of the Resolution of 16 November 2011 has been modified in order to incorporate 13 new procedures and eliminate two previous procedures.

- CNMV Circular 2/2019 of 27 November, amending Circular 1/2017, of 26 April, on liquidity contracts.

  Modifications have been incorporated that respond to the demands of market participants and aim to provide access to the liquidity contracts of a greater number of issuers – especially those whose shares are less liquid – and to impose certain restrictions on the operations of financial intermediaries in auction periods.

  The main modifications introduced are:

  - A new alternative daily volume limit is established for companies that trade on the Alternative Stock Market (MAB, for its initials in Spanish) and for primary market companies with lower liquidity levels.

  - In general, the possibility of maintaining simultaneous purchase and sale orders for shares during the auction period is eliminated.

  This Circular was published in the *BOE* (Spanish Official State Gazette) on 10 December 2019 and will enter into force three months after its publication.

European legislation

- Commission Delegated Regulation (EU) 2019/1851, of 28 May 2019, supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards on the homogeneity of the underlying exposures in securitisation.

  Published in *OJEU* (L) No. 285, of 6 November 2019.

- 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, 2013/36/EU, 2014/59/EU and 2014/65/EU.

  Published in *OJEU* (L) No. 314, of 5 December 2019.

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

  Published in *OJEU* (L) No. 314, of 5 December 2019.

- Commission Regulation (EU) 2019/2075, of 29 November 2019, amending Regulation (EC) No. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as regards International Accounting Standards 1, 8, 34, 37 and 38, International Financial Reporting Standards 2, 3 and 6, Interpretations 12, 19, 20 and 22 of the International Financial Reporting Interpretations Committee and Interpretation 32 of the Standing Interpretations Committee.

  Published in *OJEU* (L) No. 316, of 6 December 2019.

- Regulation (EU) 2019/2088 of the European Parliament and of the Council, of 27 November 2019, on sustainability-related disclosures in the financial services sector.

  Published in *OJEU* (L) No. 317, of 9 December 2019.

- Regulation (EU) 2019/2089 of the European Parliament and of the Council, of 27 November 2019, amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks.

  Published in *OJEU* (L) No. 317, of 9 December 2019.

- Commission Implementing Regulation (EU) 2019/2091, of 28 November 2019, amending Implementing Regulation (EU) 2015/2197 as regards closely correlated currencies in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

  Published in *OJEU* (L) No. 317, of 9 December 2019.

- Commission Implementing Regulation (EU) 2019/2103 of 27 November 2019, amending and correcting Implementing Regulation (EU) 2015/2450, laying down implementing technical standards with regard to the templates for the submission of information to the supervisory authorities in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

  Published in *OJEU* (L) No. 318, of 10 December 2019.

- Commission Regulation (EU) 2019/2104, of 29 November 2019, amending Regulation (EC) No. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, as regards International Accounting Standards 1 and 8.

  Published in *OJEU* (L) No. 318, of 10 December 2019.

- 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.

  Published in *OJEU* (L) No. 322, of 12 December 2019.

Other

- Guidelines on risk factors under the Prospectus Regulation of 1 October 2019, of the European Securities Market Authority (ESMA). The purpose of these guidelines is to assist the competent authorities in examining the specificity and importance of risk factors, as well as the presentation of these risk factors by categories depending on their nature.

IV Statistics Annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

	2017	2018	2019	2018 IV	2019 I	II	III	IV[2]
NO. OF ISSUERS								
Total	46	46	33	24	14	11	10	12
Capital increases	44	45	33	24	14	11	10	12
Primary offerings	3	2	1	2	1	0	0	0
Bonus issues	12	12	10	5	5	4	4	2
Of which, scrip dividend	9	10	9	3	5	4	4	1
Capital increases by conversion	5	6	3	2	2	0	1	1
For non-monetary consideration	8	7	2	3	0	1	1	0
With pre-emptive subscription rights	8	10	8	3	3	1	2	3
Without trading warrants	15	16	13	10	3	6	2	8
Secondary offerings	4	1	0	0	0	0	0	0
NO. OF ISSUES								
Total	89	81	52	26	14	13	10	15
Capital increases	82	80	52	26	14	13	10	15
Primary offering	4	2	1	2	1	0	0	0
Bonus issues	16	17	15	5	5	4	4	2
Of which, scrip dividend	13	15	14	3	5	4	4	1
Capital increases by conversion	6	10	4	2	2	0	1	1
For non-monetary consideration	12	9	2	3	0	1	1	0
With pre-emptive subscription rights	8	10	9	3	3	1	2	3
Without trading warrants	36	32	21	11	3	7	2	9
Secondary offerings	7	1	0	0	0	0	0	0
CASH VALUE (million euro)								
Total	32,538.1	12,063.2	9,806.0	3,611.7	1,733.7	1,113.7	2,823.1	4,135.5
Capital increases	29,593.6	11,329.5	9,806.0	3,611.7	1,733.7	1,113.7	2,823.1	4,135.5
Primary offerings	956.2	200.1	10.0	200.1	10.0	0.0	0.0	0.0
Bonus issues	3,807.3	3,939.7	1,565.4	323.5	347.5	140.4	1,074.9	2.6
Of which, scrip dividend	3,807.3	3,915.2	1,564.1	299.0	347.5	140.4	1,074.9	1.3
Capital increases by conversion	1,648.8	388.7	354.9	9.9	13.0	0.0	0.7	341.1
For non-monetary consideration[3]	8,469.3	2,999.7	2,034.2	557.3	0.0	351.6	1,682.6	0.0
With pre-emptive subscription rights	7,831.4	888.4	4,729.8	141.5	1,352.7	199.8	44.6	3,132.8
Without trading warrants	6,880.5	2,912.9	1,111.8	2,379.5	10.5	421.9	20.4	659.0
Secondary offerings	2,944.5	733.7	0.0	0.0	0.0	0.0	0.0	0.0
NOMINAL VALUE (million euro)								
Total	3,165.1	2,092.4	1,297.2	479.7	230.9	414.9	385.2	266.2
Capital increases	2,662.8	1,810.6	1,297.2	479.7	230.9	414.9	385.2	266.2
Primary offerings	749.2	104.9	0.5	104.9	0.5	0.0	0.0	0.0
Bonus issues	324.3	381.6	306.3	76.7	140.9	15.2	148.8	1.3
Of which, scrip dividend	299.1	357.1	306.3	52.2	140.9	15.2	148.8	1.3
Capital increases by conversion	182.8	90.0	13.1	1.0	12.4	0.0	0.7	0.0
For non-monetary consideration	181.9	557.6	401.0	204.1	0.0	210.2	190.8	0.0
With pre-emptive subscription rights	882.0	611.1	372.1	68.3	76.9	141.2	44.6	109.5
Without trading warrants	342.6	65.5	204.2	24.7	0.2	48.2	0.4	155.4
Secondary offerings	502.3	281.7	0.0	0.0	0.0	0.0	0.0	0.0
***Pro memoria:* transactions MAB**[4]								
No. of issuers	13	8	12	2	5	2	5	4
No. of issues	15	12	17	2	5	2	6	4
Cash value (million euro)	129.9	164.5	298.3	3.4	20.3	3.4	74.1	200.5
Capital increases	129.9	164.5	298.3	3.4	20.3	3.4	74.1	200.5
Of which, primary offerings	17.1	0.0	229.4	0.0	3.0	0.0	30.0	196.3
Secondary offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Registered transactions at the CNMV. Does not include data from MAB, ETFs (Exchange Traded Funds) or Latibex.
2 Available data: December 2019.
3 Capital increases for non-monetary consideration are valued at market prices.
4 Unregistered transactions at the CNMV. Source: BME and CNMV.

Companies listed[1]

TABLE 1.2

	2016	2017	2018	2018	2019			
				IV	I	II	III	IV[2]
Total electronic market[3]	130	134	133	133	132	132	128	128
Of which, foreign companies	7	7	8	8	8	8	7	7
Second market	5	4	4	4	4	4	4	4
Madrid	2	1	1	1	1	1	1	1
Barcelona	3	3	3	3	3	3	3	3
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry	14	12	11	11	11	10	9	9
Madrid	5	4	4	4	4	3	3	3
Barcelona	8	6	6	6	6	5	5	5
Bilbao	5	4	3	3	3	3	2	2
Valencia	3	3	3	3	3	2	2	2
MAB[4]	3,336	2,965	2,842	2,842	2,816	2,774	2,749	2,730
Latibex	20	20	19	19	19	19	19	19

1 Data at the end of period.
2 Available data: November 2019.
3 Without ETFs (Exchange Traded Funds).
4 Alternative Stock Market.

Capitalisation[1]

TABLE 1.3

Million euro

	2016	2017	2018	2018	2019			
				IV	I	II	III	IV[2]
Total electronic market[3]	779,123.8	877,867.6	733,656.4	733,656.4	812,919.7	813,664.3	770,475.7	794,427.4
Of which, foreign companies[4]	151,043.2	178,620.3	143,598.7	143,598.7	170,909.4	177,526.6	132,453.7	143,578.8
Ibex 35	484,059.2	534,250.1	444,178.3	444,178.3	483,168.5	478,002.5	481,981.4	488,707.1
Second market	114.1	49.9	37.4	37.4	45.3	45.4	45.3	45.1
Madrid	72.0	8.7	1.9	1.9	1.7	1.9	1.9	1.9
Barcelona	42.1	41.2	35.4	35.4	43.7	43.5	43.3	43.3
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry	1,291.6	1,288.5	1,459.1	1,459.1	1,446.0	1,240.4	1,116.8	1,146.6
Madrid	289.9	165.9	219.4	219.4	226.6	66.3	68.1	68.1
Barcelona	1,136.6	1,134.3	1,318.4	1,318.4	1,305.8	1,082.6	1,003.4	1,036.5
Bilbao	54.0	211.3	56.5	56.5	56.5	79.8	32.9	32.9
Valencia	349.2	54.0	257.0	257.0	264.7	77.8	77.8	74.5
MAB[5, 6]	38,580.8	43,804.8	40,020.7	40,020.7	42,358.3	42,822.3	43,607.7	43,975.0
Latibex	198,529.6	215,277.7	223,491.3	223,491.3	231,334.0	239,265.8	193,789.8	190,343.1

1 Data at the end of period.
2 Available data: November 2019.
3 Without ETFs (Exchange Traded Funds).
4 Capitalisation of foreign companies includes their entire shares, whether they are deposited in Spain or not.
5 Calculated only with outstanding shares, not including treasury shares, because capital stock is not reported until the end of the year.
6 Alternative Stock Market.

Trading

TABLE 1.4

Million euro

				2018	2019			
	2016	2017	2018	IV	I	II	III	IV[1]
Total electronic market[2]	635,797.8	640,293.7	583,327.6	132,062.2	106,970.0	129,816.2	98,913.6	86,863.3
Of which, foreign companies	6,018.0	6,908.0	3,517.1	717.0	901.5	918.9	690.9	718.1
Second market	3.1	0.7	0.8	0.0	0.1	0.1	0.0	0.0
Madrid	2.7	0.5	0.6	0.0	0.1	0.1	0.0	0.0
Barcelona	0.4	0.3	0.2	0.0	0.0	0.0	0.0	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry	7.4	8.1	8.2	2.1	0.9	3.2	1.4	0.2
Madrid	3.2	2.3	0.7	0.7	0.0	0.6	0.2	0.0
Barcelona	4.2	6.2	7.4	1.4	0.9	0.5	1.2	0.1
Bilbao	0.0	0.1	0.0	0.0	0.0	2.0	0.1	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
MAB[3]	5,055.1	4,985.6	4,216.3	1,032.3	932.6	1,018.9	704.2	711.3
Latibex	156.4	130.8	151.6	43.0	38.8	26.0	32.4	27.9

1 Available data: November 2019.
2 Without ETFs (Exchange Traded Funds).
3 Alternative Stock Market.

Trading on the electronic market by type of transaction[1]

TABLE 1.5

Million euro

				2018	2019			
	2016	2017	2018	IV	I	II	III	IV[2]
Regular trading	619,351.6	619,108.6	552,716.8	126,786.8	103,130.8	127,429.1	95,693.0	85,355.6
Orders	346,980.8	335,917.3	300,107.8	71,170.0	64,703.7	66,302.8	62,180.0	44,153.0
Put-throughs	68,990.5	51,315.9	48,644.1	10,917.4	9,481.2	8,715.0	10,408.8	7,065.7
Block trades	203,380.2	231,875.3	203,965.0	44,699.3	28,946.0	52,411.3	23,104.1	34,136.9
Off-hours	1,996.2	2,373.8	1,667.2	345.5	609.3	617.0	1,074.4	593.1
Authorised trades	12,667.0	9,265.3	2,597.0	772.9	406.1	279.8	677.5	251.5
Art. 36.1 SMA trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	788.4	389.9	18,981.7	1,294.8	1,720.1	337.6	451.8	0.0
Public offerings for sale	777.5	2,288.1	1,333.2	534.0	0.0	39.5	20.0	74.9
Declared trades	37.3	0.0	200.0	200.0	0.0	0.0	0.0	0.0
Options	5,408.3	4,462.2	3,793.9	1,640.5	692.2	722.1	629.1	145.4
Hedge transactions	1,833.8	2,405.7	2,037.8	487.6	411.4	391.1	367.7	442.8

1 Without ETFs (Exchange Traded Funds).
2 Available data: November 2019.

1.2 Fixed income

Gross issues registered at the CNMV

TABLE 1.6

	2017	2018	2019	2018 IV	2019 I	II	III	IV[1]
NO. OF ISSUERS								
Total	48	43	39	20	15	17	16	18
Mortgage-covered bonds	9	12	12	7	5	7	4	6
Territorial-covered bonds	1	2	2	2	0	0	0	2
Non-convertible bonds and debentures	16	12	13	7	9	8	5	7
Convertible bonds and debentures	0	0	0	0	0	0	0	0
Backed securities	21	14	13	6	1	3	5	6
Commercial paper	13	13	12	4	2	3	4	3
Of which, asset-backed	1	1	1	0	0	0	0	1
Of which, non-asset-backed	12	12	11	4	2	3	4	2
Other fixed-income issues	1	0	1	0	0	0	1	0
Preference shares	1	4	1	1	1	0	0	0
NO. OF ISSUES								
Total	378	303	294	76	70	66	64	94
Mortgage-covered bonds	28	28	29	13	9	7	4	9
Territorial-covered bonds	1	2	3	2	0	0	0	3
Non-convertible bonds and debentures	276	215	201	40	56	50	36	59
Convertible bonds and debentures	0	0	0	0	0	0	0	0
Backed securities	58	41	48	16	2	6	19	21
Commercial paper[2]	13	13	11	4	2	3	4	2
Of which, asset-backed	1	1	0	0	0	0	0	0
Of which, non-asset-backed	12	12	11	4	2	3	4	2
Other fixed-income issues	1	0	1	0	0	0	1	0
Preference shares	1	4	1	1	1	0	0	0
NOMINAL AMOUNT (million euro)								
Total	109,487.4	101,295.6	90,065.8	58,433.0	20,850.0	14,325.0	19,967.6	34,923.3
Mortgage-covered bonds	29,823.7	26,575.0	22,933.0	14,700.0	2,745.0	5,930.0	6,750.0	7,508.0
Territorial-covered bonds	350.0	2,800.0	1,300.0	2,800.0	0.0	0.0	0.0	1,300.0
Non-convertible bonds and debentures	30,006.2	35,836.4	29,601.7	28,245.7	13,620.0	2,364.6	1,533.4	12,083.8
Convertible bonds and debentures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	29,415.4	18,145.2	18,740.9	7,912.5	1,270.0	2,881.4	4,909.0	9,680.5
Commercial paper[3]	17,911.2	15,089.1	14,990.2	4,524.8	2,215.0	3,149.0	5,275.2	4,351.1
Of which, asset-backed	1,800.0	240.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, non-asset-backed	16,111.2	14,849.1	14,990.2	4,524.8	2,215.0	3,149.0	5,275.2	4,351.1
Other fixed-income issues	981.0	0.0	1,500.0	0.0	0.0	0.0	1,500.0	0.0
Preference shares	1,000.0	2,850.0	1,000.0	250.0	1,000.0	0.0	0.0	0.0
Pro memoria:								
Subordinated issues	6,504.6	4,923.0	3,213.5	1,301.3	350.0	316.2	459.0	2,088.3
Underwritten issues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: December 2019.
2 Shelf registrations.
3 The figures for commercial paper refer to the amount placed.

Issues admitted to trading on AIAF[1]

TABLE 1.7

Nominal amount in million euro

	2017	2018	2019	2018 IV	2019 I	II	III	IV[2]
Total	121,556.6	76,751.3	114,048.4	25,017.2	52,557.5	14,236.2	18,338.2	28,916.6
Commercial paper	18,388.9	15,007.0	15,036.1	5,073.5	1,963.7	3,364.4	4,098.5	5,609.4
Bonds and debentures	43,182.3	19,234.2	45,096.4	2,301.2	38,038.8	2,790.4	2,587.6	1,679.6
Mortgage-covered bonds	30,000.0	19,935.0	29,375.0	8,060.0	9,285.0	6,030.0	4,500.0	9,560.0
Territorial-covered bonds	350.0	800.0	3,300.0	800.0	2,000.0	0.0	0.0	1,300.0
Backed securities	28,635.4	18,925.2	18,740.9	8,532.5	1,270.0	1,051.4	5,652.0	10,767.5
Preference shares	1,000.0	2,850.0	1,000.0	250.0	0.0	1,000.0	0.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed-income issues	0.0	0.0	1,500.0	0.0	0.0	0.0	1,500.0	0.0

1 Only includes corporate bonds.
2 Available data: December 2019.

AIAF. Issuers, issues and outstanding balance

TABLE 1.8

	2016	2017	2018	2018 IV	2019 I	II	III	IV[1]
NO. OF ISSUERS								
Total	375	362	353	353	347	337	327	326
Corporate bonds	374	342	320	320	314	304	294	293
Commercial paper	14	14	9	9	9	9	9	9
Bonds and debentures	52	48	45	45	44	42	40	41
Mortgage-covered bonds	43	41	40	40	38	39	37	35
Territorial-covered bonds	9	7	7	7	7	7	7	7
Backed securities	276	262	244	244	239	229	222	222
Preference shares	9	4	7	7	6	6	6	6
Matador bonds	6	6	5	5	5	5	5	5
Government bonds	1	20	33	33	33	33	33	33
Letras del Tesoro	1	1	1	1	1	1	1	1
Long government bonds	1	1	1	1	1	1	1	1
Regional government debt	–	11	14	14	13	13	13	13
Foreign public debt	–	–	9	9	10	10	10	10
Other public debt	–	7	8	8	8	8	8	8
NO. OF ISSUES								
Total	2,637	2,468	2,851	2,851	2,841	2,858	2,785	2,782
Corporate bonds	2,433	2,084	1,917	1,917	1,890	1,901	1,834	1,839
Commercial paper	351	179	106	106	89	108	100	99
Bonds and debentures	856	764	737	737	749	752	730	727
Mortgage-covered bonds	231	218	213	213	209	207	206	204
Territorial-covered bonds	29	24	20	20	21	21	21	22
Backed securities	948	889	828	828	810	785	764	774
Preference shares	12	4	8	8	7	8	8	8
Matador bonds	6	6	5	5	5	5	5	5
Government bonds	204	384	934	934	951	957	951	943
Letras del Tesoro	12	12	12	12	12	12	12	12
Long government bonds	192	226	243	243	242	246	241	236
Regional government debt	–	133	164	164	167	170	169	168
Foreign public debt	–	–	502	502	517	516	516	514
Other public debt	–	13	13	13	13	13	13	13
OUTSTANDING BALANCE[2] (million euro)								
Total	1,408,556.6	1,466,964.4	6,663,565.5	6,663,565.5	6,691,658.7	6,588,828.9	6,550,655.7	6,443,402.3
Corporate bonds	531,056.9	493,629.6	448,394.4	448,394.4	472,155.5	463,325.3	464,021.4	464,337.4
Commercial paper	16,637.4	11,978.9	9,308.7	9,308.7	8,655.4	8,665.5	6,965.1	7,499.4
Bonds and debentures	85,477.8	70,127.7	47,894.0	47,894.0	72,955.9	70,786.7	72,674.1	73,265.2
Mortgage-covered bonds	180,677.5	181,308.7	183,266.8	183,266.8	187,023.7	186,258.2	189,286.3	191,523.7
Territorial-covered bonds	29,387.3	23,862.3	18,362.3	18,362.3	19,862.3	19,862.3	19,862.3	20,362.3
Backed securities	217,992.1	204,570.0	185,002.7	185,002.7	179,103.4	172,197.8	169,678.7	166,132.0
Preference shares	497.8	1,395.0	4,245.0	4,245.0	4,240.0	5,240.0	5,240.0	5,240.0
Matador bonds	386.9	386.9	314.8	314.8	314.8	314.8	314.8	314.8
Government bonds	877,499.6	973,334.7	6,215,171.1	6,215,171.1	6,219,503.2	6,125,503.6	6,086,634.3	5,979,064.9
Letras del Tesoro	81,037.1	78,835.2	70,442.2	70,442.2	68,686.8	67,284.4	65,204.9	67,986.4
Long government bonds	796,462.5	864,059.7	918,000.0	918,000.0	942,865.7	949,953.2	949,990.4	933,609.3
Regional government debt	–	28,620.8	33,100.4	33,100.4	35,497.1	34,989.3	34,942.4	34,744.7
Foreign public debt	–	–	5,192,055.3	5,192,055.3	5,170,880.4	5,071,703.5	5,034,923.4	4,941,151.3
Other public debt	–	1,819.1	1,573.2	1,573.2	1,573.2	1,573.2	1,573.2	1,573.2

1 Available data: November 2019.
2 Nominal amount.

AIAF. Trading

TABLE 1.9

Nominal amount in million euro

	2016	2017	2018	2018 IV	2019 I	II	III	IV[1]
BY TYPE OF ASSET								
Total	169,658.2	68,422.0	94,241.3	25,543.9	49,240.2	44,245.0	39,146.0	19,868.4
Corporate bonds	169,534.0	68,297.4	435.4	53.1	81.4	71.5	59.4	47.9
Commercial paper	20,684.3	7,144.4	0.0	0.0	0.0	0.0	0.0	0.0
Bonds and debentures	27,795.6	15,839.5	427.0	52.8	78.5	60.0	59.0	47.6
Mortgage-covered bonds	79,115.6	24,936.4	0.0	0.0	0.0	0.0	0.0	0.0
Territorial-covered bonds	5,329.3	381.7	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	36,554.9	18,502.5	7.3	0.3	2.0	11.5	0.1	0.2
Preference shares	43.1	1,482.3	1.2	0.1	0.9	0.0	0.3	0.1
Matador bonds	11.1	10.7	0.0	0.0	0.0	0.0	0.0	0.0
Government bonds	124.2	124.6	93,805.8	25,490.8	49,158.8	44,173.5	39,086.6	19,820.5
Letras del Tesoro	8.5	4.2	24,766.7	12,355.2	4,301.8	5,501.1	8,190.4	4,445.0
Long government bonds	115.8	120.4	56,122.5	6,477.3	33,406.7	26,937.1	21,176.1	8,937.2
Regional government debt	–	0.0	3.2	0.0	26.0	7.6	1.5	0.0
Foreign public debt	–	–	12,913.5	6,658.3	11,424.4	11,709.7	9,718.6	6,438.3
Other public debt	–	0.0	0.0	0.0	0.0	18.0	0.0	0.0
BY TYPE OF TRANSACTION								
Total	169,658.3	68,422.0	94,241.3	25,543.9	49,240.2	44,245.0	39,146.0	19,868.4
Outright	127,643.7	57,723.9	94,241.3	25,543.9	49,240.2	44,245.0	39,146.0	19,868.4
Repos	4,143.7	671.6	0.0	0.0	0.0	0.0	0.0	0.0
Sell-buybacks/Buy-sellbacks	37,870.9	10,026.5	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: November 2019.

AIAF. Third-party trading. By purchaser sector

TABLE 1.10

Nominal amount in million euro

	2016	2017	2018	2018 IV	2019 I	II	III	IV[1]
Total	117,373.0	49,230.2	92,661.9	24,430.5	49,235.5	44,241.5	39,143.6	19,865.7
Non-financial companies	7,119.3	1,492.6	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	63,048.2	23,402.5	92,661.9	24,430.5	49,235.5	44,241.5	39,143.6	19,865.7
Credit institutions	46,583.9	15,363.2	437.9	98.4	123.5	107.8	84.4	46.2
CIS, insurance and pension funds	8,525.2	4,337.8	0.0	0.0	0.0	0.0	0.0	0.0
Other financial institutions	7,939.1	3,701.5	92,224.0	24,332.1	49,111.9	44,133.7	39,059.2	19,819.5
General government	4,969.7	3,196.3	0.0	0.0	0.0	0.0	0.0	0.0
Households and NPISHs[2]	1,076.0	256.6	0.0	0.0	0.0	0.0	0.0	0.0
Rest of the world	41,159.9	20,882.3	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: November 2019.
2 Non-profit institutions serving households.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.11

	2016	2017	2018	2018 IV	2019 I	II	III	IV[1]
NO. OF ISSUERS								
Total	17	15	14	14	14	13	13	13
Private issuers	7	7	6	6	6	5	5	5
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	7	7	6	6	6	5	5	5
General government[2]	10	8	8	8	8	8	8	8
Regional governments	2	2	2	2	2	2	2	2
NO. OF ISSUES								
Total	75	64	58	58	60	59	57	55
Private issuers	26	24	19	19	19	16	16	16
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	26	24	19	19	19	16	16	16
General government[2]	49	40	39	39	41	43	41	39
Regional governments	23	22	21	21	21	21	21	20
OUTSTANDING BALANCES[3] (million euro)								
Total	10,203.4	9,718.0	8,268.3	8,268.3	8,247.4	8,202.0	8,163.1	7,355.1
Private issuers	899.4	760.6	589.8	589.8	567.5	517.8	498.6	488.1
Non-financial companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	899.4	760.6	589.8	589.8	567.5	517.8	498.6	488.1
General government[2]	9,304.0	8,957.4	7,678.5	7,678.5	7,679.9	7,684.1	7,664.6	6,867.0
Regional governments	8,347.6	8,193.1	6,959.7	6,959.7	6,959.7	6,959.7	6,959.7	6,260.7

1 Available data: November 2019.
2 Without public book-entry debt.
3 Nominal amount.

SENAF. Public debt trading by type

TABLE 1.12

Nominal amounts in million euro

	2016	2017	2018	2018 IV	2019 I	II	III	IV[1]
Total	165,472.0	131,475.0	96,708.0	25,505.0	43,454.0	35,920.0	37,224.0	26,484.0
Outright	165,472.0	131,475.0	96,708.0	25,505.0	43,454.0	35,920.0	37,224.0	26,484.0
Sell-buybacks/Buy-sellbacks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: November 2019.

1.3 Derivatives and other products

1.3.1 Financial derivative markets: MEFF

Trading on MEFF TABLE 1.13

Number of contracts

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV[1]
Debt products	0	0	0	0	0	0	0	0
Debt futures[2]	0	0	0	0	0	0	0	0
Ibex 35 products[3, 4]	6,911,671	6,983,287	7,935,425	1,833,729	1,926,515	1,952,837	2,056,740	1,999,333
Ibex 35 plus futures	6,268,290	6,342,478	5,965,905	1,611,803	1,473,355	1,463,601	1,553,764	1,475,185
Ibex 35 mini futures	161,886	149,023	1,454,885	36,175	349,688	351,831	386,841	366,525
Ibex 35 micro futures	–	–	36		27	5	1	3
Ibex 35 dividend impact futures	43,372	70,725	144,831	34,672	24,017	51,710	16,277	52,827
Ibex 35 sector futures	7,753	2,745	6	490	0	4	1	1
Call mini options	206,843	193,480	177,369	64,297	36,917	33,841	46,123	60,488
Put mini options	223,527	224,835	192,393	86,292	42,511	51,846	53,733	44,304
Stock products[5]	32,335,004	31,412,879	32,841,027	8,641,796	8,703,690	9,672,088	5,126,089	9,339,160
Futures	11,671,215	10,703,192	15,298,027	2,683,936	4,865,427	5,841,433	1,487,978	3,103,189
Stock dividend futures	346,555	471,614	758,700	127,608	96,355	496,789	57,552	108,004
Stock plus dividend futures	880	200	0	200	0	0	0	0
Call options	8,848,643	7,761,974	7,405,619	1,917,543	1,812,214	1,555,488	1,439,960	2,597,957
Put options	11,467,711	12,475,899	9,378,681	3,912,509	1,929,694	1,778,378	2,140,599	3,530,010

1 Available data: December 2019.
2 Contract size: 100,000 euros.
3 The number of Ibex 35 mini futures (multiples of 1 euro) and micro futures (multiples of 0.1 euro) was standardised to the size of the Ibex 35 plus futures (multiples of 10 euro).
4 Contract size: Ibex 35, 10 euros.
5 Contract size: 100 stocks.

1.3.2 Warrants, option buying and selling contracts, and ETFs (Exchange Traded Funds)

Issues registered at the CNMV TABLE 1.14

				2018	2019			
	2017	2018	2019	IV	I	II	III	IV[1]
WARRANTS								
Premium amount (million euro)	2,433.6	2,084.9	1,837.7	320.5	470.5	563.5	246.0	557.7
On stocks	939.5	819.0	901.4	169.0	246.0	252.1	145.0	258.3
On indexes	1,443.0	1,160.5	809.3	145.0	199.5	261.4	80.9	267.5
Other underlyings[2]	51.1	105.5	127.1	6.5	25.0	50.0	20.1	31.9
Number of issues	5,730	5,231	5,496	871	1,452	1,631	1,107	1,306
Number of issuers	6	5	6	3	5	5	5	6
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	1,964.5	953.0	0.0	0.0	0.0	0.0	0.0	0.0
On stocks	1,950.0	950.0	0.0	0.0	0.0	0.0	0.0	0.0
On indexes	14.5	3.0	0.0	0.0	0.0	0.0	0.0	0.0
Other underlyings[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	15	11	0	0	0	0	0	0
Number of issuers	2	2	0	0	0	0	0	0

1 Available data: December 2019.
2 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

Equity markets. Warrants and ETF trading

TABLE 1.15

	2016	2017	2018	2018 IV	2019 I	II	III	IV[1]
WARRANTS								
Trading (million euro)	715.5	462.6	435.2	152.9	87.3	81.6	59.4	41.4
On Spanish stocks	248.4	156.8	93.3	29.8	19.8	25.6	14.6	14.4
On foreign stocks	32.6	29.9	31.6	10.3	3.6	4.5	4.5	4.4
On indexes	420.4	266.0	305.5	111.1	63.5	50.3	39.2	21.3
Other underlyings[2]	14.2	9.9	4.8	1.6	0.3	1.1	0.7	1.3
Number of issues[3]	6,296	5,084	3,986	954	972	938	872	797
Number of issuers[3]	8	7	7	7	7	7	8	8
CERTIFICATES								
Trading (million euro)	0.4	0.3	0.2	0.0	0.0	0.2	0.1	0.1
Number of issues[3]	2	2	2	2	2	2	2	2
Number of issuers[3]	1	1	1	1	1	1	1	1
ETFs								
Trading (million euro)	6,045.2	4,464.1	2,806.4	632.7	467.1	375.9	414.3	279.9
Number of funds	33	8	6	6	6	6	5	5
Assets[4] (million euro)	349.3	359.3	288.9	288.9	301.3	296.5	267.0	269.5

1 Available data: November 2019.
2 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.
3 Issues or issuers which were traded in each period.
4 Only assets from national collective investment schemes are included because assets from foreign schemes are not available.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2016	2017	2018	2018 IV	2019 I	II	III	IV
BROKER-DEALERS								
Spanish firms	40	41	39	39	39	39	40	39
Branches in Spain	27	24	25	25	23	22	22	19
Agents operating in Spain	5,761	5,747	2,027	2,027	1,974	1,954	1,948	1,947
Branches in EEA[1]	6	5	9	9	9	9	9	9
Firms providing services in EEA[1]	22	24	24	24	25	25	25	25
Passports to operate in EEA[1, 2]	162	165	172	172	223	223	223	205
BROKERS								
Spanish firms	41	48	52	52	54	55	57	56
Branches in Spain	22	23	21	21	21	22	22	23
Agents operating in Spain	492	461	414	414	356	374	354	387
Branches in EEA[1]	0	2	2	2	2	1	1	1
Firms providing services in EEA[1]	17	22	25	25	25	24	24	23
Passports to operate in EEA[1, 2]	111	116	150	150	152	146	146	144
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	2	1	1	1	1	1	1	1
FINANCIAL ADVISORY FIRMS								
Spanish firms	160	171	158	158	152	146	144	140
Branches in Spain	15	19	21	21	21	23	22	22
Branches in EEA[1]	1	2	2	2	2	2	2	2
Firms providing services in EEA[1]	26	29	29	29	29	29	29	29
Passports to operate in EEA[1, 2]	54	62	51	51	51	51	51	51
CREDIT INSTITUTIONS[3]								
Spanish firms	126	122	114	114	113	113	113	112

1 EEA: European Economic Area.
2 Number of passports to provide services in the EEA. The same entity may provide investment services in one or more Member States.
3 Source: Banco de España [Bank of Spain].

Investment services. Foreign firms

TABLE 2.2

	2016	2017	2018	2018 IV	2019 I	II	III	IV
Total	3,310	3,339	3,474	3,474	3,535	3,596	3,582	3,575
Investment services firms	2,843	2,872	3,002	3,002	3,068	3,117	3,103	3,096
From EU Member states	2,840	2,869	2,999	2,999	3,065	3,114	3,100	3,093
Branches	46	53	61	61	61	64	62	65
Free provision of services	2,794	2,816	2,938	2,938	3,004	3,050	3,038	3,028
From non-EU States	3	3	3	3	3	3	3	3
Branches	0	0	0	0	0	0	0	0
Free provision of services	3	3	3	3	3	3	3	3
Credit institutions[1]	467	467	472	472	467	479	479	479
From EU Member states	460	461	466	466	461	473	473	473
Branches	55	52	53	53	50	54	53	54
Free provision of services	405	409	413	413	411	419	420	419
Subsidiaries of free provision of services institutions	0	0	0	0	0	0	0	0
From non-EU States	7	6	6	6	6	6	6	6
Branches	5	4	3	3	3	3	3	3
Free provision of services	2	2	3	3	3	3	3	3

1 Source: Banco de España [Bank of Spain] and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

Million euro

				2018		2019		
	2016	2017	2018	III	IV	I	II	III
FIXED INCOME								
Total	4,625,411.6	3,727,687.0	3,082,789.5	644,508.3	684,049.0	883,235.8	812,562.2	791,523.6
Broker-dealers	3,171,599.2	2,347,959.0	2,184,921.9	463,909.0	487,804.5	615,169.4	575,936.8	574,831.6
Spanish organised markets	1,350,483.4	836,831.1	855,948.9	222,782.1	205,986.0	247,928.9	220,796.9	239,719.8
Other Spanish markets	1,570,540.0	1,255,087.2	1,111,231.9	205,198.5	231,533.7	296,146.3	265,019.0	235,678.5
Foreign markets	250,575.8	256,040.7	217,741.1	35,928.4	50,284.8	71,094.2	90,120.9	99,433.3
Brokers	1,453,812.4	1,379,728.0	897,867.6	180,599.3	196,244.5	268,066.4	236,625.4	216,692.0
Spanish organised markets	25,247.8	6,067.6	6,237.8	944.6	2,393.6	6,567.9	5,131.7	4,714.1
Other Spanish markets	1,222,925.7	1,175,387.4	702,731.7	148,974.5	140,269.1	219,215.9	195,568.6	178,640.9
Foreign markets	205,638.9	198,273.0	188,898.1	30,680.2	53,581.8	42,282.6	35,925.1	33,337.0
EQUITY								
Total	798,564.7	804,328.3	630,896.1	118,831.1	137,264.0	137,077.5	358,803.5	330,078.7
Broker-dealers	636,727.0	660,312.8	600,442.4	114,083.1	131,497.7	131,816.5	354,079.3	326,053.1
Spanish organised markets	583,283.9	610,682.8	525,648.7	105,785.0	110,589.9	78,179.0	92,697.9	69,963.7
Other Spanish markets	2,313.1	3,178.2	839.1	143.7	203.7	148.3	235.0	446.3
Foreign markets	51,130.0	46,451.8	73,954.6	8,154.4	20,704.1	53,489.2	261,146.4	255,643.1
Brokers	161,837.7	144,015.5	30,453.7	4,748.0	5,766.3	5,261.0	4,724.2	4,025.6
Spanish organised markets	11,090.1	7,037.7	6,462.5	1,176.9	1,788.5	1,922.8	1,694.7	2,115.0
Other Spanish markets	8,902.9	12,052.0	1,328.5	217.1	329.2	250.4	252.7	241.5
Foreign markets	141,844.7	124,925.8	22,662.7	3,354.0	3,648.6	3,087.8	2,776.8	1,669.1

1 Period accumulated data. Quarterly.

Intermediation of derivative transactions[1, 2]

TABLE 2.4

Million euro

				2018		2019		
	2016	2017	2018	III	IV	I	II	III
Total	10,985,305.6	10,708,583.9	10,308,915.0	2,257,783.7	2,578,868.8	2,524,895.6	2,594,223.7	2,595,476.8
Broker-dealers	10,698,379.2	10,528,524.3	10,065,090.4	2,212,452.0	2,506,350.8	2,449,278.4	2,526,680.4	2,552,432.9
Spanish organised markets	4,842,990.7	5,330,761.9	5,457,270.1	1,250,515.7	1,423,241.9	1,253,396.9	1,139,191.0	1,267,019.9
Foreign organised markets	5,204,785.7	4,676,156.7	3,927,718.5	863,611.6	849,883.8	952,954.8	1,008,116.6	999,213.7
Non-organised markets	650,602.8	521,605.7	680,101.8	98,324.7	233,225.1	242,926.7	379,372.8	286,199.3
Brokers	286,926.4	180,059.6	243,824.6	45,331.7	72,518.0	75,617.2	67,543.3	43,043.9
Spanish organised markets	20,935.4	17,171.0	30,836.1	5,236.5	11,703.7	3,795.6	14,570.6	4,695.3
Foreign organised markets	59,427.1	48,043.8	105,915.8	21,002.9	27,394.7	34,491.2	24,127.6	21,661.2
Non-organised markets	206,563.9	114,844.8	107,072.7	19,092.3	33,419.6	37,330.4	28,845.1	16,687.4

1 The amount of the buy and sell transactions of financial assets, financial futures on values and interest rates, and other transactions on interest rates will be the securities nominal or notional value or the principal to which the contract applies. The amount of the transactions on options will be the strike price of the underlying asset multiplied by the number of instruments committed.
2 Period accumulated data. Quarterly.

Portfolio management. Number of portfolios and assets under management[1]

TABLE 2.5

	2016	2017	2018	2018 III	2018 IV	2019 I	2019 II	2019 III
NUMBER OF PORTFOLIOS								
Total[2]	15,818	12,601	16,171	14,929	16,171	17,467	19,523	21,934
Broker-dealers. Total	5,743	3,769	3,806	3,901	3,806	3,711	3,663	3,619
CIS[3]	34	18	37	32	37	35	37	43
Other[4]	5,709	3,751	3,769	3,869	3,769	3,676	3,626	3,576
Brokers. Total	6,512	8,831	12,364	11,028	12,364	13,756	15,860	18,315
CIS[3]	90	89	83	91	83	83	80	79
Other[4]	6,422	8,742	12,281	10,937	12,281	13,673	15,780	18,236
Portfolio management companies.[2] Total	3,563	1	1	–	1	–	–	–
CIS[3]	1	1	1	–	1	–	–	–
Other[4]	3,562	0	0	–	0	–	–	–
ASSETS UNDER MANAGEMENT (thousand euro)								
Total[2]	13,298,318	36,923,861	4,854,719	5,566,055	4,854,719	4,777,612	4,941,068	5,044,255
Broker-dealers. Total	5,534,052	33,958,038	2,216,956	2,429,004	2,216,956	2,340,424	2,407,541	2,471,912
CIS[3]	890,371	344,474	838,379	834,096	838,379	860,229	921,876	1,020,180
Other[4]	4,643,682	33,613,564	1,378,577	1,594,908	1,378,577	1,480,195	1,485,665	1,451,732
Brokers. Total	2,557,207	2,949,741	2,619,297	3,137,051	2,619,297	2,437,188	2,533,527	2,572,343
CIS[3]	1,352,653	1,595,851	1,295,580	1,662,052	1,295,580	1,107,640	974,538	1,054,869
Other[4]	1,204,553	1,353,890	1,323,717	1,474,999	1,323,717	1,329,548	1,558,989	1,517,474
Portfolio management companies.[2] Total	5,207,059	16,082	18,466	–	18,466	–	–	–
CIS[3]	15,916	16,082	18,466	–	18,466	–	–	–
Other[4]	5,191,143	0	0	–	0	–	–	–

1 Data at the end of period. Quarterly. Revised data on December 2019.
2 Only public information about portfolio management companies is shown since I-2016 with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.
3 Includes both resident and non-resident CIS management.
4 Includes the rest of clients, both covered and not covered by the Investment Guarantee Fund - an investor compensation scheme regulated by Royal Decree 948/2001.

Financial advice. Number of contracts[1, 2]

TABLE 2.6

	2016	2017	2018	2018 III	2018 IV	2019 I	2019 II	2019 III
NUMBER OF CONTRACTS								
Total[3]	21,341	20,170	23,149	24,116	23,149	23,947	24,479	25,762
Broker-dealers. Total	4,678	5,125	5,241	5,825	5,241	5,605	5,852	5,971
Retail clients	4,669	5,108	5,211	5,795	5,211	5,574	5,820	5,932
Professional clients	3	6	21	21	21	23	24	29
Eligible counterparties	6	11	9	9	9	8	8	10
Brokers. Total	14,358	15,045	17,908	18,291	17,908	18,342	18,627	19,791
Retail clients	14,170	14,881	17,654	18,108	17,654	18,093	18,363	19,439
Professional clients	154	132	199	134	199	202	211	310
Eligible counterparties	34	32	55	49	55	47	53	42
Portfolio management companies.[3] Total	2,305	0	0	–	0	–	–	–
Retail clients	2,303	0	0	–	0	–	–	–
Professional clients	2	0	0	–	0	–	–	–
Eligible counterparties	0	0	0	–	0	–	–	–
***Pro memoria:* commission received for financial advice**[4] (thousand euro)								
Total[3]	11,515	16,473	35,287	11,411	35,287	3,878	14,337	30,581
Broker-dealers	2,547	5,555	9,562	4,945	9,562	1,152	7,599	21,118
Brokers	8,614	10,918	25,725	6,466	25,725	2,726	6,738	9,463
Portfolio management companies[3]	354	0	0	–	0	–	–	–

1 Data at the end of period. Quarterly.
2 Quarterly data on assets advised are not available since the entry into force of CNMV Circular 3/2014, of 22 October.
3 Only public information about portfolio management companies is shown since I-2016 with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.
4 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed during the year.

Aggregated income statement. Broker-dealers

TABLE 2.7

Thousand euro[1]

				2018	2019			
	2016	2017	2018	IV	I	II	III	IV[2]
I. Interest income	53,930	21,377	73,969	73,969	1,537	12,446	27,328	34,551
II. Net commission	373,552	402,154	296,037	296,037	54,965	118,404	201,925	220,878
Commission revenues	538,586	549,298	414,595	414,595	81,242	184,559	307,881	339,553
Brokering	245,700	217,601	160,320	160,320	28,307	65,962	115,073	129,102
Placement and underwriting	5,955	17,553	11,090	11,090	155	2,153	4,103	4,636
Securities deposit and recording	47,843	38,200	42,958	42,958	11,013	22,946	34,619	34,792
Portfolio management	23,738	49,720	13,505	13,505	2,995	6,163	9,249	10,242
Design and advice	14,648	16,406	21,135	21,135	3,445	12,469	29,275	30,176
Stock search and placement	2,155	1,500	543	543	0	16	1,058	1,298
Market credit transactions	0	0	0	0	0	0	0	0
CIS marketing	75,505	83,354	55,483	55,483	13,368	27,276	40,195	44,522
Other	123,042	124,964	109,561	109,561	21,958	47,574	74,310	84,784
Commission expenses	165,034	147,144	118,558	118,558	26,277	66,155	105,956	118,675
III. Financial investment income	104,292	43,725	27,088	27,088	8,595	17,277	22,367	25,366
IV. Net exchange differences and other operating products and expenses	-1,177	28,507	16,614	16,614	7,985	15,491	21,730	24,263
V. Gross income	530,597	495,763	413,708	413,708	73,082	163,618	273,350	305,058
VI. Operating income	169,499	145,364	85,837	85,837	-316	16,219	38,755	45,927
VII. Earnings from continuous activities	140,521	120,683	91,771	91,771	1,412	18,179	40,421	47,781
VIII. Net earnings from the period	140,521	157,065	91,771	91,771	1,412	18,179	40,421	47,781

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed during the year.
2 Available data: October 2019.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro[1]

				2018		2019		
	2016	2017	2018	III	IV	I	II	III
TOTAL								
Total	152,893	92,832	114,751	91,929	114,751	18,860	46,603	74,611
Money market assets and public debt	8,332	3,909	11,193	4,996	11,193	1,277	1,816	2,266
Other fixed-income securities	35,415	34,369	11,842	13,858	11,842	6,852	14,210	21,178
Domestic portfolio	19,863	20,941	8,304	4,898	8,304	3,149	5,680	8,873
Foreign portfolio	15,552	13,428	3,538	8,960	3,538	3,703	8,530	12,305
Equities	135,587	53,601	10,844	8,216	10,844	1,344	6,250	5,218
Domestic portfolio	14,010	11,494	9,901	7,504	9,901	971	3,542	4,265
Foreign portfolio	121,577	42,107	943	712	943	373	2,708	953
Derivatives	-52,325	-40,286	-1,167	-112	-1,167	-1,026	-1,236	-1,911
Repurchase agreements	-471	-288	-107	-46	-107	-99	-934	-2,105
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial intermediaries	-1,030	114	3,884	2,732	3,884	524	255	829
Net exchange differences	-29,730	4,353	283	73	283	41	-78	-24
Other operating products and expenses	28,555	24,154	16,330	17,757	16,330	7,943	15,571	21,755
Other transactions	28,560	12,906	61,649	44,455	61,649	2,004	10,749	27,405
INTEREST INCOME								
Total	53,930	21,377	73,968	50,419	73,968	1,536	12,445	27,327
Money market assets and public debt	1,708	1,576	2,036	1,446	2,036	482	648	839
Other fixed-income securities	1,742	1,285	1,300	946	1,300	620	1,432	1,971
Domestic portfolio	809	415	124	72	124	36	67	113
Foreign portfolio	933	870	1,176	874	1,176	584	1,365	1,858
Equities	24,619	6,140	3,673	2,479	3,673	54	1,824	1,800
Domestic portfolio	3,298	3,047	2,892	1,956	2,892	42	924	1,564
Foreign portfolio	21,321	3,093	781	523	781	12	900	236
Repurchase agreements	-471	-288	-107	-46	-107	-99	-934	-2,105
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transaction with financial intermediaries	-1,030	114	3,884	2,732	3,884	524	255	829
Other transactions	27,362	12,550	63,182	42,862	63,182	-45	9,220	23,993
FINANCIAL INVESTMENT INCOME								
Total	104,291	43,725	27,088	23,262	27,088	8,593	17,278	22,366
Money market assets and public debt	6,624	2,333	9,157	3,550	9,157	795	1,168	1,427
Other fixed-income securities	33,673	33,084	10,542	12,912	10,542	6,232	12,778	19,207
Domestic portfolio	19,054	20,526	8,180	4,826	8,180	3,113	5,613	8,760
Foreign portfolio	14,619	12,558	2,362	8,086	2,362	3,119	7,165	10,447
Equities	110,968	47,461	7,171	5,737	7,171	1,290	4,426	3,418
Domestic portfolio	10,712	8,447	7,009	5,548	7,009	929	2,618	2,701
Foreign portfolio	100,256	39,014	162	189	162	361	1,808	717
Derivatives	-52,325	-40,286	-1,167	-112	-1,167	-1,026	-1,236	-1,911
Other transactions	5,351	1,133	1,385	1,175	1,385	1,302	142	225
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	-5,328	27,730	13,695	18,248	13,695	8,731	16,880	24,918
Net exchange differences	-29,730	4,353	283	73	283	41	-78	-24
Other operating products and expenses	28,555	24,154	16,330	17,757	16,330	7,943	15,571	21,755
Other transactions	-4,153	-777	-2,918	418	-2,918	747	1,387	3,187

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed during the year.

Aggregated income statement. Brokers

TABLE 2.9

Thousand euro[1]

				2018	2019			
	2016	2017	2018	IV	I	II	III	IV[2]
I. Interest income	903	3,127	1,583	1,583	56	609	783	794
II. Net commission	108,111	120,674	135,782	135,782	28,211	58,008	89,925	100,236
Commission revenues	129,682	142,771	156,624	156,624	32,691	66,889	103,815	116,022
Brokering	24,181	20,449	20,018	20,018	5,880	11,788	17,375	19,377
Placement and underwriting	3,193	3,427	1,120	1,120	74	208	580	580
Securities deposit and recording	603	903	824	824	204	421	649	725
Portfolio management	11,054	12,470	15,412	15,412	3,295	6,462	9,600	10,649
Design and advice	8,980	11,263	26,446	26,446	2,832	6,873	9,639	10,714
Stock search and placement	40	0	0	0	0	0	0	0
Market credit transactions	0	0	0	0	0	0	0	0
CIS marketing	50,504	60,571	63,821	63,821	14,132	29,171	43,829	49,258
Other	31,128	33,689	28,983	28,983	6,273	11,967	22,143	24,719
Commission expenses	21,571	22,097	20,842	20,842	4,480	8,881	13,890	15,786
III. Financial investment income	245	1,133	-51	-51	613	738	824	784
IV. Net exchange differences and other operating products and expenses	-1,030	-1,680	-279	-279	-18	291	739	785
V. Gross income	108,229	123,254	137,035	137,035	28,862	59,646	92,271	102,599
VI. Operating income	10,140	17,024	12,031	12,031	3,198	7,071	8,749	9,279
VII. Earnings from continuous activities	6,982	11,620	7,459	7,459	2,819	6,404	8,107	8,161
VIII. Net earnings of the period	6,982	11,620	7,459	7,459	2,819	6,404	8,107	8,161

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed during the year.
2 Available data: October 2019.

Aggregated income statement. Portfolio management companies[1]

TABLE 2.10

Thousand euro[2]

	2014	2015	2016	2017	2018
I. Interest income	574	399	83	23	6
II. Net commission	11,104	8,526	6,617	1,543	350
Commission revenues	15,411	13,064	6,617	1,543	350
Portfolio management	13,572	11,150	4,228	1,095	350
Design and advice	849	371	354	59	0
Other	990	1,544	2,035	390	0
Commission expenses	4,307	4,538	0	0	0
III. Financial investment income	-6	-28	-1	6	-25
IV. Net exchange differences and other operating products and expenses	-237	-234	-126	-52	-20
V. Gross income	11,435	8,663	6,573	1,520	311
VI. Operating income	5,860	3,331	3,172	623	-2
VII. Earnings from continuous activities	4,135	2,335	2,222	439	-2
VIII. Net earnings of the period	4,135	2,335	2,222	439	-2

1 Only public information about portfolio management companies is shown since I-2016 with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this.
2 Accumulated data from the beginning of the year. It includes companies removed during the year.

Capital adequacy and capital ratio[1]

TABLE 2.11

				2018		2019		
	2016	2017	2018	III	IV	I	II	III
TOTAL[2]								
Total capital ratio[3]	44.13	33.40	42.36	34.20	42.36	39.00	36.69	35.74
Own fund surplus (thousand euro)	965,833	803,793	915,383	825,626	915,383	919,676	919,410	901,336
Surplus (%)[4]	451.60	317.54	429.49	327.45	429.49	387.56	358.66	346.78
Number of companies according to surplus percentage								
≤100%	15	18	20	20	20	23	21	24
>100-≤300%	25	23	29	22	29	28	28	26
>300-≤500%	13	14	10	18	10	9	9	10
>500%	18	18	15	15	15	16	19	20
BROKER-DEALERS								
Total capital ratio[3]	45.97	34.28	45.16	35.54	45.16	41.02	38.02	36.95
Own fund surplus (thousand euro)	912,248	755,143	874,235	780,992	874,235	875,732	870,260	852,187
Surplus (%)[4]	474.60	328.55	464.51	344.24	464.51	412.79	375.22	361.84
Number of companies according to surplus percentage								
≤100%	8	8	7	9	7	7	5	7
>100-≤300%	11	10	10	7	10	12	14	14
>300-≤500%	9	8	7	10	7	5	4	3
>500%	12	13	14	13	14	14	15	15
BROKERS								
Total capital ratio[3]	26.35	24.69	21.17	22.13	21.17	21.98	24.11	24.11
Own fund surplus (thousand euro)	47,620	48,452	40,952	44,634	40,952	43,944	49,151	49,149
Surplus (%)[4]	229.33	208.66	164.84	176.67	164.84	174.71	201.36	201.40
Number of companies according to surplus percentage								
≤100%	7	10	13	11	13	16	16	17
>100-≤300%	13	12	18	15	18	16	14	12
>300-≤500%	4	6	3	8	3	4	5	7
>500%	5	5	1	2	1	2	4	5
PORTFOLIO MANAGEMENT COMPANIES[2]								
Total capital ratio[3]	61.64	30.70	29.68	–	29.68	–	–	–
Own fund surplus (thousand euro)	5,965	198	196	–	196	–	–	–
Surplus (%)[4]	670.22	282.86	272.22	–	272.22	–	–	–
Number of companies according to surplus percentage								
≤100%	0	0	0	–	0	–	–	–
>100-≤300%	1	1	1	–	1	–	–	–
>300-≤500%	0	0	0	–	0	–	–	–
>500%	1	0	0	–	0	–	–	–

1 On 1 January 2014 Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms entered into force, which has changed the own fund requirement calculation. Since January 2014, only the entities subject to reporting requirements are included, in accordance with CNMV Circular 2/2014, of 23 June, on the exercise of various regulatory options regarding solvency requirements for investment firms and their consolidated groups.
2 Only public information about portfolio management companies is shown since I-2016 with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.
3 Total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount. This ratio should not be under 8%, pursuant to the provisions of Regulation.
4 Average surplus percentage is weighted by the required equity of each company. It is an indicator of the number of times, in percentage terms, that the surplus contains the required equity in an average company.

Return on equity (ROE) before taxes[1]

TABLE 2.12

	2016	2017	2018	2018 III	IV	2019 I	II	III
TOTAL[2]								
Average (%)[3]	15.74	17.73	12.27	9.83	12.27	1.42	4.93	6.91
Number of companies according to annualised return								
Losses	18	20	40	35	40	41	36	39
0-≤15%	31	28	22	23	22	24	24	27
>15-≤45%	17	22	10	17	10	16	20	17
>45-≤75%	6	4	6	6	6	2	3	4
>75%	11	15	14	12	14	10	11	10
BROKER-DEALERS								
Average (%)[3]	15.93	17.84	12.16	9.52	12.16	0.08	3.92	6.36
Number of companies according to annualised return								
Losses	7	7	18	16	18	19	18	19
0-≤15%	20	17	12	13	12	13	12	15
>15-≤45%	6	11	5	9	5	6	8	5
>45-≤75%	2	1	2	1	2	0	1	1
>75%	5	4	2	1	2	1	0	0
BROKERS								
Average (%)[3]	11.30	16.49	13.24	13.43	13.24	13.40	14.55	11.80
Number of companies according to annualised return								
Losses	11	13	21	19	21	22	18	20
0-≤15%	10	11	10	10	10	11	12	12
>15-≤45%	11	10	5	8	5	10	12	12
>45-≤75%	3	3	4	5	4	2	2	3
>75%	6	11	12	11	12	9	11	10
PORTFOLIO MANAGEMENT COMPANIES[2]								
Average (%)[4]	46.28	20.65	-0.84	–	-0.84	–	–	–
Number of companies according to annualised return								
Losses	0	0	1	–	1	–	–	–
0-≤15%	1	0	0	–	0	–	–	–
>15-≤45%	0	1	0	–	0	–	–	–
>45-≤75%	1	0	0	–	0	–	–	–
>75%	0	0	0	–	0	–	–	–

1 ROE has been calculated as:

$$ROE = \frac{Earnings\_before\_taxes\ (annualized)}{Own\_Funds}$$

Own Funds= Share capital + Paid-in surplus + Reserves – Own shares + Prior year profits and retained earnings – Interim dividend.

2 Only public information about portfolio management companies is shown since I-2016 with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.

3 Average weighted by equity, %.

Financial advisory firms. Main figures[1]

TABLE 2.13

Thousand euro

	2014	2015	2016	2017	2018
ASSETS UNDER ADVICE[2]					
Total	21,284,942	25,084,882	30,174,877	30,790,535	31,658,460
Retail clients	5,671,431	6,499,049	7,588,143	9,096,071	10,281,573
Professional	4,808,250	5,108,032	5,654,358	6,482,283	7,052,031
Other	10,805,261	13,477,801	16,932,376	15,212,181	14,324,856
COMMISSION INCOME[3]					
Total	48,460	57,231	52,534	65,802	62,168
Commission revenues	47,641	56,227	51,687	65,191	61,079
Other income	819	1,004	847	611	1,088
EQUITY					
Total	24,808	25,021	24,119	32,803	33,572
Share capital	5,372	5,881	6,834	8,039	6,894
Reserves and retained earnings	7,978	7,583	12,123	13,317	15,386
Income for the year[3]	11,458	11,481	7,511	11,361	10,626
Other own funds	–	76	-2,349	86	666

1 Annual frequency since 2015 (CNMV Circular 3/2014, of 22 October).

2 Data at the end of each period.

3 Accumulated data from the beginning of the year.

3 Collective Investment Schemes (CIS)[a]

Number, management companies and depositories of CIS registered at the CNMV

TABLE 3.1

				2018	2019			
	2016	2017	2018	IV	I	II	III	IV
Total financial CIS	5,035	4,564	4,386	4,386	4,351	4,324	4,290	4,233
Mutual funds	1,748	1,676	1,617	1,617	1,612	1,620	1,611	1,595
Investment companies	3,239	2,833	2,713	2,713	2,682	2,643	2,614	2,569
Funds of hedge funds	7	8	7	7	7	7	7	7
Hedge funds	41	47	49	49	50	54	58	62
Total real estate CIS	9	7	7	7	6	6	6	5
Real estate mutual funds	3	3	3	3	2	2	2	2
Real estate investment companies	6	4	4	4	4	4	4	3
Total foreign CIS marketed in Spain	941	1,013	1,024	1,024	1,000	1,020	1,017	973
Foreign funds marketed in Spain	441	455	429	429	396	403	392	339
Foreign companies marketed in Spain	500	558	595	595	604	617	625	634
Management companies	101	109	119	119	119	121	123	123
CIS depositories	56	54	37	37	36	36	36	36

Number of CIS investors and shareholders[1, 2]

TABLE 3.2

				2018	2019			
	2016	2017	2018	IV	I	II	III	IV[3]
Total financial CIS	8,704,329	10,704,585	11,627,118	11,627,118	11,615,863	11,748,951	11,620,670	11,825,445
Mutual funds	8,248,249	10,283,312	11,213,482	11,213,482	11,208,135	11,347,628	11,221,151	11,427,106
Investment companies	456,080	421,273	413,636	413,636	407,728	401,323	399,519	398,339
Total real estate CIS	4,601	1,424	905	905	905	909	811	801
Real estate mutual funds	3,927	1,097	483	483	483	483	483	483
Real estate investment companies	674	327	422	422	422	426	328	318
Total foreign CIS marketed in Spain[4, 5]	1,748,604	1,984,474	3,172,682	3,172.682	3,233,984	3,147,153	3,144,420	n/a
Foreign funds marketed in Spain	372,872	431,295	547,517	547,517	546,485	500,154	488,522	n/a
Foreign companies marketed in Spain	1,375,732	1,553,179	2,625,165	2,625,165	2,687,499	2,646,999	2,655,898	n/a

1 Investors and shareholders who invest in many sub-funds from the same CIS have only been taken into account once. For this reason, investors and shareholders may be different from those in Tables 3.6 and 3.7.
2 From I-2018, data on foreign CIS are estimated.
3 Available data: October 2019.
4 Only data on UCITs are included. Data on Exchange Traded Funds (ETFs) are not included until IV-2017.
5 On 1 January 2018 CNMV Circular 2/2017, of 25 October, entered into force, which has increased the entities subject to reporting requirements; therefore, data may not be comparable with previous information.

a Information about mutual funds and Investment companies contained in this section does not include hedge funds or funds of hedge funds. The information about hedge funds and funds of hedge funds is included in Table 3.12.

CIS total net assets[1]

TABLE 3.3

Million euro

				2018	2019			
	2016	2017	2018	IV	I	II	III	IV[2]
Total financial CIS	269,953.8	296,619.5	286,930.9	286,930.9	297,624.2	300,021.8	301,467.3	302,187.00
Mutual funds[3]	237,862.2	265,194.8	259,095.0	259,095.0	268,363.8	270,916.0	273,100.7	273,839.0
Investment companies	32,091.6	31,424.7	27,835.9	27,835.9	29,260.4	29,105.8	28,366.6	28,348.10
Total real estate CIS	1,077.4	991.4	1,058.2	1,058.2	1,061.6	1,070.20	1,069.50	1,056.80
Real estate mutual funds	370.1	360.0	309.4	309.4	309.4	309.4	309.3	309.3
Real estate investment companies	707.3	631.4	748.8	748.8	752.3	760.8	760.2	747.4
Total foreign CIS marketed in Spain[4, 5]	114,990.2	150,420.6	162,701.9	162,701.9	177,916.0	180,975.8	177,366.2	n/a
Foreign funds marketed in Spain	21,337.5	26,133.9	34,237.0	34,237.0	36,028.6	36,796.2	30010.57	n/a
Foreign companies marketed in Spain	93,652.8	124,286.7	128,464.8	128,464.8	141,887.4	144,179.6	147,356	n/a

1 From I-2018, data on foreign CIS are estimated.
2 Available data: October 2019.
3 Mutual funds investment in financial mutual funds of the same management company reached 7,202.9 million euros in September 2019.
4 Only data on UCITs are included. Data on Exchange Traded Funds (ETFs) are not included until IV-2017.
5 On 1 January 2018 CNMV Circular 2/2017, of 25 October, entered into force, which has increased the entities subject to reporting requirements; therefore, data may not be comparable with previous information.

Asset allocation of mutual funds

TABLE 3.4

Million euro

				2018		2019		
	2016	2017	2018	III	IV	I	II	III
Asset	237,862.2	265,194.8	259,095.0	274,645.4	259,095.0	268,363.8	270,916.0	273,100.7
Portfolio investment	219,141.1	244,598.0	241,016.2	253,303.6	241,016.2	247,325.5	251,189.1	251,719.1
Domestic securities	95,799.1	83,032.1	74,486.1	75,622.0	74,486.1	74,823.9	73,843.0	69,542.8
Debt securities	63,471.1	55,389.1	50,537.5	48,998.8	50,537.5	50,908.9	51,611.7	47,670.3
Shares	8,529.9	10,911.7	10,868.4	12,330.6	10,868.4	10,718.9	9,788.0	9,258.3
Collective investment schemes	6,249.5	7,625.9	6,984.9	7,982.1	6,984.9	7,591.5	7,690.2	7,982.2
Deposits in credit institutions	17,134.3	8,657.1	5,854.8	5,973.5	5,854.8	5,358.8	4,493.0	4,375.5
Derivatives	405.7	441.4	235.4	331.8	235.4	240.1	254.7	251.3
Other	8.5	6.8	5.2	5.3	5.2	5.7	5.4	5.2
Foreign securities	123,336.0	161,556.6	166,522.5	177,674.3	166,522.5	172,494.1	177,336.6	182,169.4
Debt securities	56,307.9	67,794.0	74,079.1	76,175.4	74,079.1	74,020.9	77,987.5	82,625.8
Shares	20,035.3	27,081.8	26,660.8	30,409.3	26,660.8	27,351.1	26,943.6	30,924.1
Collective investment schemes	46,435.1	66,099.9	65,624.3	70,839.7	65,624.3	70,906.7	72,134.2	68,328.8
Deposits in credit institutions	81.2	74.7	21.1	38.4	21.1	24.2	29.9	14.7
Derivatives	474.3	504.7	136.0	210.0	136.0	190.0	240.4	275.0
Other	2.3	1.4	1.2	1.4	1.2	1.1	1.0	1.0
Doubtful assets and matured investments	6.1	9.3	7.6	7.3	7.6	7.5	9.5	6.9
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash	18,392.6	19,988.5	16,897.1	20,668.7	16,897.1	19,929.6	18,625.3	20,954.7
Net balance (Debtors - Creditors)	328.5	608.3	1,181.7	673.1	1,181.7	1,108.7	1.101,6	426,9

Asset allocation of investment companies

TABLE 3.5

Million euro

	2016	2017	2018	2018 III	2018 IV	2019 I	2019 II	2019 III
Asset	32,091.6	31,424.7	27,835.9	30,758.8	27,835.9	29,260.4	29,105.8	28,366.6
Portfolio investment	28,127.7	28,804.9	24,840.8	27,919.3	24,840.8	25,815.5	25,773.8	25,140.6
Domestic securities	7,707.1	6,229.4	5,031.5	5,390.3	5,031.5	5,027.8	4,828.1	4,621.3
Debt securities	2,395.4	1,653.8	1,433.8	1,237.0	1,433.8	1,369.5	1,346.1	1,265.2
Shares	2,871.9	2,674.5	2,193.7	2,543.9	2,193.7	2,224.3	2,077.3	1,992.2
Collective investment schemes	1,485.3	1,625.9	1,193.8	1,400.3	1,193.8	1,239.3	1,217.6	1,178.6
Deposits in credit institutions	925.3	236.2	164.3	170.4	164.3	148.2	152.7	134.6
Derivatives	-5.2	-0.6	-0.2	-5.5	-0.2	-1.1	-16.9	-2.1
Other	34.4	39.7	46.2	44.2	46.2	47.5	51.2	52.9
Foreign securities	20,412.7	22,566.2	19,803.8	22,524.0	19,803.8	20,782.3	20,940.9	20,512.8
Debt securities	4,263.3	4,396.6	4,241.6	4,298.8	4,241.6	4,430.9	4,495.4	4,469.0
Shares	6,465.5	6,987.8	5,979.1	7,169.8	5,979.1	6,297.4	6,188.7	5,975.1
Collective investment schemes	9,653.0	11,153.5	9,540.9	11,048.2	9,540.9	10,010.0	10,205.1	10,023.7
Deposits in credit institutions	6.7	0.0	0.0	0.0	0.0	1.1	1.1	1.1
Derivatives	15.7	19.3	27.6	-5.6	27.6	27.2	36.6	27.6
Other	8.4	8.9	14.5	12.8	14.5	15.7	14.1	16.3
Doubtful assets and matured investments	7.9	9.3	5.6	4.9	5.6	5.4	4.8	6.4
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	0.1	0.6	0.5	0.6	0.5	0.5	0.5	0.5
Cash	3,791.7	2,421.7	2,731.9	2,576.1	2,731.9	3,235.0	3,121.1	2,926.1
Net balance (Debtors - Creditors)	172.2	197.5	262.6	262.9	262.6	209.4	210,3	299,4

Financial mutual funds: number, investors and total net assets by category[1, 2]

TABLE 3.6

	2016	2017	2018	2018 IV	2019 I	II	III	IV[3]
NO. OF FUNDS								
Total financial mutual funds	1,805	1,741	1,725	1,725	1,704	1,737	1,723	1,721
Fixed income[4]	306	290	279	279	274	283	283	285
Mixed fixed income[5]	148	155	168	168	166	173	171	171
Mixed equity[6]	168	176	184	184	188	191	186	187
Euro equity	112	111	113	113	113	114	113	113
Foreign equity	201	211	236	236	240	253	257	261
Guaranteed fixed income	122	79	67	67	66	66	66	66
Guaranteed equity[7]	198	188	163	163	161	164	159	159
Global funds	203	225	242	242	238	240	252	254
Passive management[8]	220	202	172	172	160	161	148	137
Absolute return	106	104	99	99	96	90	86	86
INVESTORS								
Total financial mutual funds	8,253,611	10,287,454	11,217,569	11,217,569	11,211,400	11,350,779	11,227,036	11,432,443
Fixed income[4]	2,347,984	2,627,547	2,709,547	2,709,547	2,737,450	3,279,530	3,376,056	3,499,138
Mixed fixed income[5]	1,043,798	1,197,523	1,188,157	1,188,157	1,168,810	1,124,303	1,044,836	1,054,517
Mixed equity[6]	448,491	584,408	624,290	624,290	620,258	695,823	695,444	697,020
Euro equity	395,697	710,928	831,115	831,115	820,890	564,406	553,832	567,551
Foreign equity	1,172,287	1,865,367	2,225,366	2,225,366	2,226,793	2,301,171	2,512,222	2,574,075
Guaranteed fixed income	307,771	190,075	165,913	165,913	162,551	164,034	161,392	160,624
Guaranteed equity[7]	552,445	527,533	494,660	494,660	493,318	491,969	461,897	454,076
Global funds	658,722	1,086,937	1,501,730	1,501,730	1,535,831	1,553,357	1,291,172	1,317,568
Passive management[8]	746,233	638,966	543,192	543,192	525,194	503,369	474,947	453,901
Absolute return	565,325	858,170	930,641	930,641	917,346	669,857	652,278	651,013
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	237,862.2	265,194.8	259,095.0	259,095.0	268,363.8	270,916.0	273,100.7	273,839.0
Fixed income[4]	74,226.4	70,563.9	66,889.3	66,889.3	70,391.3	73,202.8	77,871.1	78,363.7
Mixed fixed income[5]	40,065.6	43,407.0	40,471.0	40,471.0	40,980.6	39,643.5	38,959.2	39,310.0
Mixed equity[6]	16,310.6	22,386.7	23,256.0	23,256.0	24,465.0	27,350.1	27,613.4	27,763.6
Euro equity	8,665.9	12,203.2	12,177.7	12,177.7	11,844.7	10,676.8	10,034.3	9,943.8
Foreign equity	17,678.8	24,064.6	24,404.9	24,404.9	27,088.3	27,262.4	30,447.0	31,235.6
Guaranteed fixed income	8,679.8	5,456.7	4,887.4	4,887.4	5,065.6	5,197.8	5,143.1	5,084.4
Guaranteed equity[7]	15,475.7	15,417.5	14,556.0	14,556.0	14,724.9	14,938.2	14,395.0	14,030.6
Global funds	20,916.8	35,511.5	42,137.2	42,137.2	44,221.3	44,669.4	41,702.5	41,737.8
Passive management[8]	23,601.6	19,477.8	16,138.6	16,138.6	16,396.7	15,983.2	15,355.0	14,660.0
Absolute return	12,215.2	16,705.9	14,172.5	14,172.5	13,181.5	11,988.8	11,577.6	11,706.8

1 Sub-funds which have sent reports to the CNMV excluding those in process of dissolution or liquidation.
2 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.
3 Available data: October 2019.
4 Until I-2019 includes: Fixed income euro, Foreign fixed income, Monetary market funds and Short-term monetary market funds. From II-2019 includes: Short-term Euro fixed income, Euro fixed income, Foreign fixed income, Public debt constant net asset value short-term money market funds (MMFs), Low volatility net asset value short-term MMFs, Variable net asset value short-term MMFs and Variable net asset value standard MMFs.
5 Mixed euro fixed income and Foreign mixed fixed income.
6 Mixed euro equity and Foreign mixed equity.
7 Guaranteed equity and Partial guarantee.
8 Until I-2019 Passive management CIS. From II-2019 includes: Passive management CIS, Index-tracking CIS and Non-guaranteed specific return target CIS.

Financial mutual funds: Detail of investors and total net assets by types

TABLE 3.7

	2016	2017	2018	2018 IV	2019 I	II	III	IV[1]
INVESTORS								
Total financial mutual funds	8,253,611	10,287,454	11,217,569	11,217,569	11,211,400	11,350,779	11,227,026	11,432,443
Natural persons	8,059,916	10,080,255	11,008,977	11,008,977	11,005,326	11,145,137	11,024,532	11,228,258
Residents	7,985,404	9,994,395	10,917,387	10,917,387	10,913,775	11,051,925	10,931,913	11,134,775
Non-residents	74,512	85,860	91,590	91,590	91,551	93,212	92,619	93,483
Legal persons	193,695	207,199	208,592	208,592	206,074	205,642	202,494	204,185
Credit institutions	497	515	655	655	655	649	638	1,425
Other resident institutions	192,381	205,804	207,073	207,073	204,512	204,084	200,945	201,856
Non-resident institutions	817	880	864	864	907	909	911	197,167
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	237,862.2	265,194.8	259,095.0	259,095.0	268,363.8	270,916.0	273,100.7	273,839.0
Natural persons	195,567.5	218,429.6	215,785.0	215,785.0	223,371.6	225,612.8	227,293.8	227,702.6
Residents	192,743.0	215,290.8	212,758.3	212,758.3	220,238.6	222,417.1	224,066.0	224,541.9
Non-residents	2,824.5	3,138.8	3,026.7	3,026.7	3,132.9	3,195.7	3,227.8	3,160.7
Legal persons	42,294.8	46,765.1	43,310.0	43,310.0	44,992.2	45,303.2	45,806.9	46,136.4
Credit institutions	374.3	342.2	384.1	384.1	402.1	358.0	321.5	421.0
Other resident institutions	41,212.4	45,518.8	41,967.9	41,967.9	43,629.7	44,069.5	44,662.0	44,916.3
Non-resident institutions	708.1	904.1	957.9	957.9	960.4	875.8	823.4	799.1

1 Available data: October 2019.

Subscriptions and redemptions of financial mutual funds by category[1, 2]

TABLE 3.8

Million euro

	2016	2017	2018	2018 III	IV	2019 I	II	III
SUBSCRIPTIONS								
Total financial mutual funds	113,274.7	151,586.4	130,577.0	23,005.0	24,709.7	28,564.6	35,971.0	32,555.6
Fixed income	53,163.3	59,088.5	53,165.8	8,699.0	9,957.0	15,237.7	19,188.6	15,125.4
Mixed fixed income	11,065.3	20,513.3	14,823.4	2,410.4	2,181.0	2,760.4	3,396.7	3,373.1
Mixed equity	4,250.6	10,452.2	10,406.8	2,037.0	1,722.8	1,454.2	4,411.4	1,624.4
Euro equity	3,716.3	9,452.9	7,024.3	1,215.5	1,168.8	1,045.0	672.9	511.4
Foreign equity	7,167.6	14,866.5	13,265.2	2,768.8	2,698.0	2,263.4	3,305.0	7,452.2
Guaranteed fixed income	2,005.3	986.9	796.0	171.2	346.9	507.6	301.5	36.7
Guaranteed equity	7,942.5	2,413.1	2,116.8	358.8	921.7	411.8	395.5	68.6
Global funds	8,914.5	21,571.9	20,455.3	4,014.5	3,820.1	3,373.1	3,416.6	2,296.0
Passive management	10,195.7	2,374.0	3,014.3	559.7	1,344.8	1,025.7	383.0	376.4
Absolute return	4,853.2	9,867.1	5,493.3	770.1	548.6	485.7	499.9	1,691.4
REDEMPTIONS								
Total financial mutual funds	99,492.3	130,248.0	122,669.5	22,161.3	28,594.5	28,990.0	35,660.4	32,262.7
Fixed income	45,549.5	62,087.2	55,823.7	9,449.9	10,707.5	12,244.8	16,719.5	10,531.1
Mixed fixed income	14,242.9	18,011.6	16,685.2	3,002.9	4,122.6	3,285.9	5,360.9	4,307.6
Mixed equity	7,280.8	4,942.6	7,344.0	1,298.8	1,812.1	1,629.8	1,792.4	1,551.0
Euro equity	4,259.2	6,908.0	5,246.8	1,340.1	1,381.0	2,381.9	1,899.1	1,024.1
Foreign equity	6,821.0	10,363.6	9,476.0	1,763.1	2,257.4	2,451.9	3,466.6	4,691.8
Guaranteed fixed income	5,208.0	3,876.9	1,202.9	170.2	323.5	409.2	277.3	162.9
Guaranteed equity	2,464.1	3,001.5	2,582.6	544.7	619.8	440.1	381.1	816.4
Global funds	5,334.6	8,587.6	11,301.6	2,268.8	3,951.1	3,173.8	3,124.3	5,702.2
Passive management	4,405.7	6,954.8	5,776.3	807.1	1,331.6	1,312.0	1,063.1	1,139.0
Absolute return	3,906.8	5,488.2	7,230.5	1,515.7	2,087.8	1,660.6	1,575.9	2,336.3

1 Estimated data.
2 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.

Change in assets in financial mutual funds by category: Net subscriptions/redemptions and return on assets[1]

TABLE 3.9

Million euro

				2018		2019		
	2016	2017	2018	III	IV	I	II	III
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	13,823.2	21,325.0	7,841.8	856.1	-3,941.6	-402.3	326.2	295.6
Fixed income	8,243.5	-3,638.0	-2,766.0	-887.2	-762.9	2,996.7	2,469.2	4,352.6
Mixed fixed income	-4,750.8	2,890.5	-1,063.7	-295.7	-1,948.2	-543.8	-1,631.4	-949.3
Mixed equity	-5,194.5	5,498.6	2,485.9	634.5	-67.4	-27.3	2,623.8	-0.8
Euro equity	-538.0	2,549.7	1,848.7	-124.6	-111.6	-1,331.1	-1,272.8	-518.3
Foreign equity	-32.5	4,514.0	3,864.1	961.8	450.3	-183.5	-38.9	2,843.5
Guaranteed fixed income	-3,699.6	-3,262.6	-575.8	-168.1	53.7	98.3	24.2	-126.2
Guaranteed equity	5,465.9	-309.5	-667.2	-245.6	215.0	-28,5	-4.7	-745.2
Global funds	7,801.3	13,405.9	9,448.9	1,836.9	-139.1	182.9	93.2	-3,325.4
Passive management	5,603.4	-4,585.0	-2,790.4	-77.2	10.0	-270.6	-680.3	-780.1
Absolute return	943.5	4,287.3	-1,899.6	-794.1	-1,641.4	-1,295.4	-1,256.1	-454.9
RETURN ON ASSETS								
Total financial mutual funds	1,909.9	6,022.6	-13,919.3	25.4	-11,605.9	9,677.3	2,229.8	1,898.4
Fixed income	399.3	-24.1	-908.5	-57.8	-284.1	505.3	342.6	316.0
Mixed fixed income	25.1	451.4	-1,865.1	-40.9	-1,219.8	1,055.2	296.2	267.5
Mixed equity	2.2	577.8	-1,616.6	108.3	-1,459.3	1,236.3	261.2	264.1
Euro equity	110.8	987.8	-1,871.2	-172.4	-1,695.6	998.1	105.4	-124.2
Foreign equity	568.4	1,872.3	-3,522.6	202.1	-3,693.2	2,867.1	213.7	341.1
Guaranteed fixed income	3.9	39.4	6.6	-35.0	54.0	79.9	107.9	71.5
Guaranteed equity	43.1	251.3	-194.2	-124.2	46.8	197.3	218.0	202.0
Global funds	432.1	1,190.3	-2,602.1	206.3	-2,399.5	1,901.9	355.3	359.1
Passive management	281.5	472.9	-537.5	-21.4	-451.9	532.5	266.7	157.6
Absolute return	43.7	203.4	-796.6	-38.4	-493.2	304.3	63.5	43.7

1 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.

Return on assets in financial mutual funds. Breakdown by category[1]

TABLE 3.10

% of daily average total net assets

	2016	2017	2018	2018 III	IV	2019 I	II	III
MANAGEMENT YIELDS								
Total financial mutual funds	1.91	3.41	-4.19	0.25	-4.14	3.92	1.08	0.95
Fixed income	1.24	0.59	-0.79	0.05	-0.30	0.88	0.61	0.55
Mixed fixed income	1.26	2.22	-3.25	0.16	-2.66	2.86	1.01	0.95
Mixed equity	1.45	4.36	-5.46	0.73	-5.72	5.48	1.33	1.32
Euro equity	3.38	11.14	-11.98	-0.75	-12.66	8.42	1.44	-0.81
Foreign equity	5.55	10.80	-11.89	1.15	-13.73	11.43	1.21	1.55
Guaranteed fixed income	0.79	1.14	0.56	-0.63	1.23	1.77	2.21	1.50
Guaranteed equity	1.09	2.18	-0.80	-0.71	0.43	1.50	1.61	1.54
Global funds	3.95	5.39	-5.11	0.77	-5.25	4.67	1.09	1.15
Passive management	2.11	2.81	-2.55	0.02	-2.66	3.44	1.81	1.15
Absolute return	1.41	2.32	-4.01	-0.02	-3.09	2.42	0.74	0.59
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.95	0.91	0.86	0.22	0.21	0.21	0.21	0.21
Fixed income	0.58	0.54	0.45	0.12	0.11	0.11	0.11	0.11
Mixed fixed income	1.12	1.05	0.96	0.24	0.24	0.23	0.22	0.23
Mixed equity	1.40	1.34	1.26	0.32	0.31	0.31	0.32	0.32
Euro equity	1.75	1.71	1.47	0.37	0.35	0.37	0.37	0.37
Foreign equity	1.71	1.69	1.41	0.36	0.33	0.38	0.35	0.34
Guaranteed fixed income	0.68	0.48	0.38	0.09	0.09	0.09	0.09	0.09
Guaranteed equity	0.70	0.58	0.53	0.13	0.13	0.12	0.12	0.11
Global funds	1.26	1.07	0.98	0.25	0.25	0.25	0.25	0.26
Passive management	0.56	0.52	0.48	0.12	0.11	0.11	0.11	0.10
Absolute return	0.96	0.91	0.79	0.20	0.20	0.19	0.20	0.20
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.08	0.08	0.07	0.02	0.02	0.02	0.02	0.02
Fixed income	0.07	0.07	0.06	0.01	0.02	0.02	0.02	0.02
Mixed fixed income	0.09	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.11	0.10	0.10	0.02	0.02	0.02	0.02	0.02
Euro equity	0.12	0.11	0.10	0.02	0.02	0.02	0.03	0.03
Foreign equity	0.12	0.10	0.09	0.02	0.02	0.02	0.02	0.02
Guaranteed fixed income	0.06	0.05	0.05	0.01	0.01	0.01	0.01	0.01
Guaranteed equity	0.06	0.05	0.05	0.01	0.01	0.01	0.01	0.01
Global funds	0.10	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Passive management	0.06	0.06	0.05	0.01	0.01	0.01	0.01	0.01
Absolute return	0.08	0.07	0.06	0.02	0.02	0.01	0.02	0.02

1 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.

Quarterly returns of mutual funds. Breakdown by category[1]

TABLE 3.11

In %

	2016	2017	2018	2018 IV	2019 I	II	III	IV[2]
Total financial mutual funds	0.98	2.42	-4.89	-4.13	3.85	0.83	0.71	0.12
Fixed income	0.52	-0.13	-1.44	-0.42	0.75	0.47	0.42	-0.15
Mixed fixed income	0.27	1.10	-4.27	-2.85	2.65	0.75	0.69	-0.05
Mixed equity	1.19	3.23	-6.45	-5.83	5.32	1.03	0.97	0.08
Euro equity	2.61	11.16	-13.01	-11.94	8.21	0.82	-1.13	1.52
Foreign equity	4.15	8.75	-12.34	-13.06	11.86	0.79	1.37	1.11
Guaranteed fixed income	-0.03	0.72	0.09	1.14	1.51	2.12	1.39	-0.40
Guaranteed equity	0.19	1.61	-1.33	0.34	1.38	1.42	1.42	-0.27
Global funds	1.99	4.46	-5.69	-5.27	4.62	0.82	0.77	-0.01
Passive management	1.16	2.13	-3.16	-2.74	3.37	1.66	0.96	0.08
Absolute return	0.38	1.44	-4.81	-3.14	2.26	0.54	0.35	-0.05

1 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.
2 Available data: October 2019.

Hedge funds and funds of hedge funds

TABLE 3.12

	2016	2017	2018	2018 III	IV	2019 I	II	III
HEDGE FUNDS								
Investors/shareholders	2,930	3,656	4,444	4,350	4,444	5,937	5,846	6,451
Total net assets (million euro)	1,889.2	2,298.2	2,262.2	2,397.7	2,262.2	2,395.0	2,321.5	2,467.1
Subscriptions (million euro)	425.5	663.9	500.7	150.2	89.2	106.7	139.6	208.3
Redemptions (million euro)	376.6	607.2	320.4	74.5	7.2	71.4	225.7	68.7
Net subscriptions/redemptions (million euro)	48.9	56.7	180.3	75.6	82.0	35.3	-86.2	139.6
Return on assets (million euro)	75.5	149.4	-153.8	-13.2	-155.0	97.5	12.6	6.0
Returns (%)	4.32	7.84	-6.47	-0.75	-6.16	5.56	0.36	0.22
Management yields (%)[1]	4.68	9.51	-5.46	-0.40	-6.51	4.42	0.83	0.49
Management fees (%)[1]	2.25	2.59	1.70	0.24	0.22	0.48	0.25	0.23
Financial expenses (%)[1]	0.10	0.00	0.01	0.00	0.00	0.00	0.00	0.00
FUNDS OF HEDGE FUNDS								
Investors/shareholders	1,237	3,596	2,804	2,802	2,804	2,847	2,850	2,681
Total net assets (million euro)	293.7	468.7	468.8	472.2	468.8	506.9	513.7	562.4
Subscriptions (million euro)	0.0	205.4	7.2	1.5	1.8	29.9	0.2	42.2
Redemptions (million euro)	28.1	22.1	0.6	0.0	0.0	0.2	0.2	-0.1
Net subscriptions/redemptions (million euro)	-28.1	183.4	6.6	1.4	1.8	29.7	0.0	42.2
Return on assets (million euro)	2.1	-8.3	-6.5	1.8	-5.2	8.6	6.8	6.5
Returns (%)	0.90	-1.66	-1.28	0.42	-1.06	1.86	1.30	1.10
Management yields (%)[2]	-0.95	-0.24	-3.04	0.99	-0.76	2.20	1.64	1.61
Management fees (%)[2]	0.82	1.45	1.64	0.42	0.43	0.48	0.39	0.39
Depository fees (%)[2]	0.06	0.06	0.06	0.02	0.02	0.01	0.02	0.02

1 % of monthly average total net assets.
2 % of daily average total net assets.

Management companies. Number of portfolios and assets under management

TABLE 3.13

	2016	2017	2018	2018 IV	2019 I	II	III	IV[1]
NUMBER OF PORTFOLIOS[2]								
Mutual funds	1,748	1,676	1,617	1,617	1,612	1,620	1,611	1,607
Investment companies	3,231	2,824	2,713	2,713	2,673	2,634	2,605	2,591
Funds of hedge funds	7	8	7	7	7	7	7	7
Hedge funds	41	47	49	49	50	54	58	61
Real estate mutual funds	3	3	3	3	2	2	2	2
Real estate investment companies	6	4	4	4	4	4	4	3
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	237,862.2	265,194.8	259,095.0	259,095.0	268,363.8	270,916.0	273,100.7	273,839.0
Investment companies	31,783.2	31,021.1	27,479.7	27,479.7	28,865.9	28,712.6	27,984.6	27,961.6
Funds of hedge funds	293.7	468.7	468.8	468.8	506.9	513.7	562.4	-
Hedge funds	1,889.2	2,298.2	2,262.2	2,262.2	2,389.7	2,321.5	2,467.1	-
Real estate mutual funds	370.1	360.0	309.4	309.4	309.4	309.4	309.3	309.3
Real estate investment companies	707.3	631.5	748.8	748.8	752.3	760.8	760.2	747.4

1 Available data: October 2019.
2 Data source: Registers of Collective Investment Schemes.

Foreign Collective Investment Schemes marketed in Spain[1, 2, 3]

TABLE 3.14

				2018		2019		
	2016	2017	2018	III	IV	I	II	III
INVESTMENT VOLUME[4] (million euro)								
Total	114,990.2	150,420.6	162,701.9	176,791.3	162,701.9	177,916.0	180,975.8	177,366.2
Mutual funds	21,337.5	26,133.9	34,237.1	34,852.9	34,237.1	36,028.6	36,796.2	30,010.6
Investment companies	93,652.8	124,286.7	128,464.8	141,938.4	128,464.8	141,887.4	144,179.6	147,355.6
INVESTORS/SHAREHOLDERS								
Total	1,748,604	1,984,474	3,172,682	3,036,154	3,172,682	3,233,984	3,147,153	3,144,420
Mutual funds	372,872	431,295	547,517	593,081	547,517	546,485	500,154	488,522
Investment companies	1,375,732	1,553,179	2,625,165	2,443,073	2,625,165	2,687,499	2,646,999	2,655,898
NUMBER OF SCHEMES								
Total	941	1,013	1,024	1,031	1,024	1,000	1,020	1,020
Mutual funds	441	455	429	445	429	396	403	403
Investment companies	500	558	595	586	595	604	617	617
COUNTRY								
Luxembourg	391	429	447	444	447	455	457	457
France	286	292	263	270	263	233	234	234
Ireland	160	184	200	200	200	200	211	211
Germany	32	35	42	41	42	43	46	46
UK	32	33	27	31	27	25	25	25
The Netherlands	2	2	2	2	2	2	2	2
Austria	23	21	24	24	24	23	25	25
Belgium	4	5	5	5	5	5	5	5
Denmark	1	1	1	1	1	1	1	1
Finland	4	8	9	9	9	9	10	10
Liechtenstein	6	3	4	4	4	4	4	4

1 Only includes data on UCITs. Data on Exchange Traded Funds (ETFs) are not included until IV-2017.
2 On 1 January 2018 CNMV Circular 2/2017, of 25 October, entered into force, which has increased the entities subject to reporting requirements; therefore data may not be comparable with previous information.
3 Investment volume and number of investors data on Exchange Traded Funds (ETFs) are not included until IV-2017. From I-2018, data on investment volume and number of investors are estimated.
4 Investment volume: participations or shares owned by the investors/shareholders at the end of the period valued at that time.

Real estate investment schemes[1]

TABLE 3.15

				2018	2019			
	2016	2017	2018	IV	I	II	III	IV[2]
REAL ESTATE MUTUAL FUNDS								
Number	3	3	2	2	2	2	2	2
Investors	3,927	1,097	483	483	483	483	483	483
Assets (million euro)	370.1	360.0	309.4	309.4	309.4	309.4	309.3	309.3
Return on assets (%)	-5.35	-2.60	0.24	-0.01	-0.01	0.00	-0.01	0.00
REAL ESTATE INVESTMENT COMPANIES								
Number	6	4	4	4	4	4	4	3
Shareholders	674	327	422	422	422	426	383	318
Assets (million euro)	707.3	631.5	749.1	748.8	752.3	760.8	760.2	747.4

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: October 2019.