CNMV
Comisión Nacional del Mercado de Valores

Annual Report 2016

CNMV Annual Report 2016

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Abbreviations

AAPP	Public Authorities
ABS	Asset-backed security
AIAF	Asociación de Intermediarios de Activos Financieros (Spanish market in fixed-income securities)
ANCV	Agencia Nacional de Codificación de Valores (Spain's national numbering agency)
ASCRI	Asociación española de entidades de capital-riesgo (Association of Spanish venture capital firms)
AV	Agencia de valores (broker)
BME	Bolsas y Mercados Españoles
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)
CCP	Central Counterparty
CDS	Credit default swap
CEBS	Committee of European Banking Supervisors
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
CESFI	Comité de Estabilidad Financiera (Spanish government committee for financial stability)
CESR	Committee of European Securities Regulators
CMVM	Comissão do Mercado de Valores Mobiliários (Portugal's National Securities Market Commission)
CNMV	Comisión Nacional del Mercado de Valores (Spain's National Securities Market Commission)
CSD	Central Securities Depository
EAFI	Empresa de asesoramiento financiero (financial advisory firm)
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ECR	Entidad de capital-riesgo (venture capital firm)
EICC	Entidad de inversión colectiva de tipo cerrado (closed-ended collective investment entity)
EIOPA	European Insurance and Occupational Pensions Authority
EMU	Economic and Monetary Union (euro area)
ESFS	European System of Financial Supervisors
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
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)
FOGAIN	Fondo General de Garantía de Inversiones (investment guarantee fund)
FROB	Fund for Orderly Bank Restructuring
FSB	Financial Stability Board
FTA	Fondo de titulización de activos (asset securitisation trust)
FTH	Fondo de titulización hipotecaria (mortgage securitisation trust)
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIC	Institución de inversión colectiva (UCITS)

IICIL	Institución de inversión colectiva de inversión libre (hedge fund)
IIMV	Instituto Iberoamericano del Mercado de Valores (Ibero-American Securities Market Institute)
IOSCO	International Organization of Securities Commissions
ISIN	International Securities Identification Number
LATIBEX	Market in Latin American securities, based in Madrid
MAB	Mercado Alternativo Bursátil (alternative stock market)
MEFF	Spanish financial futures and options market
MIBEL	Mercado Ibérico de Electricidad (Iberian electricity market)
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MMU	CNMV Market Monitoring Unit
MoU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
OMIP	Operador del Mercado Ibérico de Energia (Operator of the Iberian energy derivatives market)
P/E	Price/earnings ratio
PRIIP	Packaged retail and insurance-based investment products
RENADE	Registro Nacional de los Derechos de Emisión de Gases de Efecto Invernadero (Spain's national register of greenhouse gas emission allowances)
ROE	Return on Equity
SAREB	Asset Management Company for Assets Arising from Bank Restructuring
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)
SENAF	Sistema Electrónico de Negociación de Activos Financieros (electronic trading platform in Spanish government bonds)
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)
SGFT	Sociedad gestora de fondos de titulización (asset securitisation trust management company)
SGIIC	Sociedad gestora de instituciones de inversión colectiva (UCITS management company)
SIBE	Sistema de Interconexión Bursátil Español (Spain's electronic market in securities)
SICAV	Sociedad de inversión de carácter financiero (open-ended investment company)
SII	Sociedad de inversión inmobiliaria (real estate investment company)
SIL	Sociedad de inversión libre (hedge fund in the form of a company)
SIM	Sociedad de inversión mobiliaria (securities investment company)
SME	Small and medium-sized enterprise
SMN	Sistema multilateral de negociación (multilateral trading facility)
SON	Sistema organizado de negociación (organised trading facility)
SV	Sociedad de valores (broker-dealer)
TER	Total expense ratio
TRLMV	Texto refundido de la LMV (RDL 4/2015, de 23 de octubre) (recast text of the Securities Market Act)
UCITS	Undertaking for Collective Investment in Tradable Securities

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I Economic and financial framework

1 Economic and financial environment

Last year stood out for a series of political events of transcendent importance, most notably the outcome of the referendum on the United Kingdom's exit from the European Union and the results of the American presidential elections. The negotiations around what has become known as Brexit, triggered by the UK government in March 2017, open up a new stage for the European Union. One whose consequences we can only dimly foresee but which will undoubtedly resonate through the markets. In the United States, the economic policy path mapped out during the electoral campaign and in the first months of the new administration have generated expectations that pan out very differently for the sectors and countries tipped as winners or losers from the new scenario. As we discuss later in this chapter, the power handover in the United States has already impacted widely on financial markets by driving up medium and long-term yields rates and boosting expectations of a less gradual monetary normalization on both sides of the Atlantic.

On the macroeconomic front, the gathering pace of gross domestic product (GDP) in most world regions appeared to confirm hopes of a global upswing. Inflation held at lows to the end of the year, when escalating oil prices began to push headline rates steadily higher. In the United States, the Federal Reserve was able to raise rates in December 2016, and again in March 2017, on the strength of the country's robust activity and employment figures. In the euro area, conversely, the scant likelihood of inflation consistently registering levels compatible with its definition of price stability led the European Central Bank (ECB) to cut its marginal refinancing rate to 0% in March and commit to continuing its asset purchase programme at least until December 2017. The recent pickup in inflation has cast doubts on how long the ECB will stick with its current monetary stance. However, the bank, for the moment, regards the uptick as transitory and has issued no hints of an imminent change.

Economic and political uncertainty factors made themselves strongly felt on global financial markets. In equities, sizeable losses over the first months of 2016, accompanied by heightened volatility, were safely recouped in the sustained advance of the year's second half. Most indices managed to close the year in gains, with US markets, particularly, receiving a late boost from the new government's announcement of presumably growth-enhancing measures like import barriers, fiscal loosening and the deregulation of certain sectors. The inflationary nature of these measures was immediately priced in by investors, triggering a steady increase in long-term bond yields across the major advanced economies. By mid-March 2017, US ten-year treasuries were yielding 2.5%, almost 70 basis points (bp) higher than last November, while German, France and Italian bonds in the same tenor were trading at 0.4%, 1% and 2.3% respectively (between 24 bp and 55 bp more than in November 2016).

Despite the uncertainty stoked by new general elections and the struggle to form a government, Spain conserved its lead over the euro area with GDP growth upwards of 3%. Employment expanded at a similar pace, allowing further inroads into the jobless rate (down to 18.6% in the closing quarter). Against this supportive macro backdrop, inflation moved in negative terrain until the second half-year, when rising energy prices lifted the annual rate to 1.6% in December (2.3% in March 2017). Core rates, meantime, were considerably lower, holding throughout at around or under 1%. The public deficit narrowed further in 2016 (to 4.5% of GDP),[1] and seems set to continue on this path according to the undertakings made in the latest Budget Plan update (3.1% in 2017 and 2.2% in 2018).

Stress readings on domestic financial markets swung higher at the end of February, pressured by the same uncertainties present elsewhere. Equity prices registered two major dips, in January-February and following the UK referendum.[2] The market subsequently rallied, with strong gains that were nonetheless not enough to offset earlier losses (the Ibex 35 shed 2%, penalised by the significant country risk exposure of some of its largest members). In fixed-income markets, the 2016 keynotes were ultra-low yields and falling turnover. It was not until late in the year that long bond yields entered an upward course, which would last through the first months of 2017. By mid-March, specifically, ten-year yields on sovereign bonds were trading at 1.8% (1.8% and 1.6% in December 2015 and 2016, respectively).

This chapter contains two exhibits. The first outlines the CNMV's role and key responsibilities in detecting systemic risk and maintaining financial stability. The second looks at a recent CNMV initiative in regard to FinTech, a blanket term for the use of digital technologies to support new models of financial sector business. A new FinTech portal, housed on the Commission's website, offers help and a communication channel to innovative firms wishing to operate through these technologies in the securities market sphere.

1.1 International economic and financial developments

1.1.1 The world economy

Global GDP growth closes the year at 3.1%, on a par with 2015

According to International Monetary Fund (IMF) estimates,[3] the global economy grew by 3.1% in 2016, down slightly on the 3.4% of 2015, on a combination of 1.7% growth for the advanced economies and 4.1% across the emerging market group. In the United States and United Kingdom, activity picked up after a subdued first half to close with full-year rates of 1.6% and 1.8% respectively. In the euro area, GDP growth of 1.7% drew on a mixed set of outcomes, with Germany (1.8%) and, above all, Spain (3.2%) advancing strongly against the more restrained pace of France and Italy (1.2% and 0.9% respectively). Among the emerging market economies, growth was led by Asia (6.4% overall), with China (6.7%) and India (6.8%) to the fore. Latin America, finally, saw GDP contract 1% due above all to the beleaguered Brazilian economy (-3.6%).

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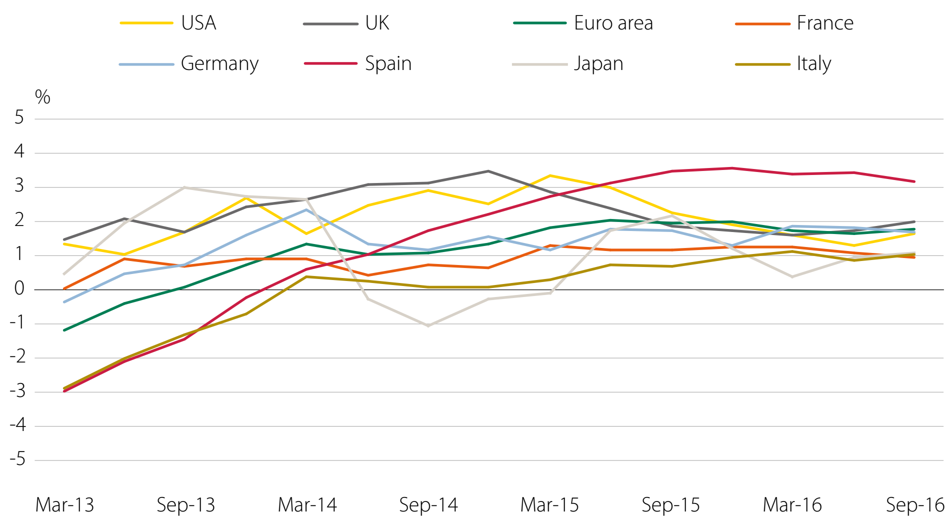
1 The deficit figure drops to 4.3% of GDP if we strip out aid to the financial sector.

2 Publication of the results of the UK referendum vote triggered the Ibex 35's largest ever intraday fall (12.4%).

3 *World Economic Outlook* (April 2017).

GDP: annual change

FIGURE 1.1



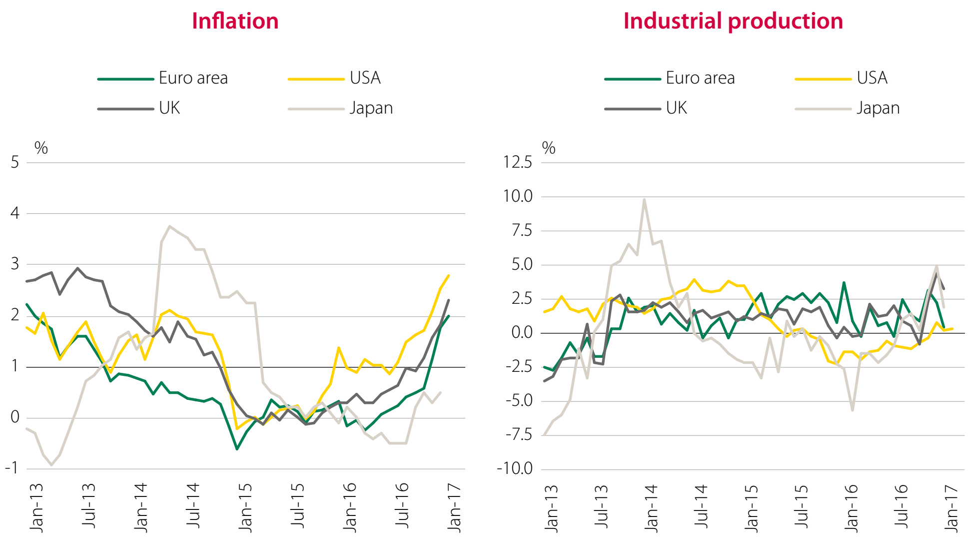
Source: Thomson Datastream.

Inflation picks up in the closing months due to rising prices of the most volatile items in the basket

Headline rates in the major advanced economies held broadly flat in the first months of 2016 then began to accelerate under the spur of the more volatile index components, primarily energy prices. By the end of the year, rates were highest in the United States (2.2%) and United Kingdom (1.2%), compared to the 1.1% of the euro area and Japan's 0.3% (see Figure 1.2). Core inflation – excluding volatile energy and fresh food constituents – traced a notably more stable course, maintaining the existing gap between geographical regions. In the United States, specifically, core rates kept within the 2.1-2.3% interval, while those in Europe moved all year between 0.7% and 1%.

Inflation and industrial production (annual change)

FIGURE 1.2



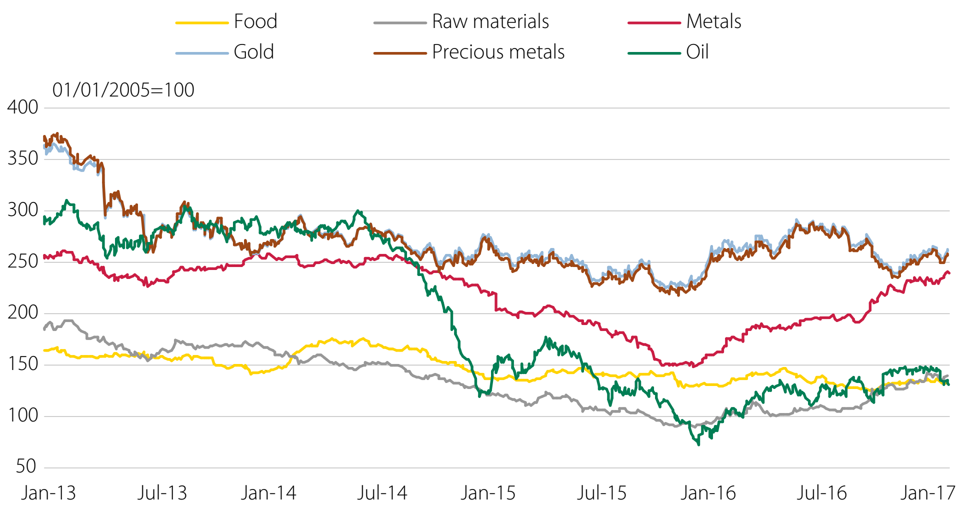
Source: Thomson Datastream.

Monetary policy diverges further between the United States and Europe

Monetary policies in leading economies continued along divergent paths, in tune with their diverse cyclical positions and experience of inflation. In the United States, the Federal Reserve continued the rates upcycle initiated in 2015 with a December hike (to 0.75%) followed by another in March 2017 (to 1%). The Fed based its decision on the solid labour market figures coming through, and the fact of inflation nearing its target rate. The policy lines announced by the new US administration will presumably boost public spending and inflation, and may urge the monetary authority to speed up its calendar of interest rate rises. For the moment, the Federal Reserve has said that it will stick to its accommodative stance and raise rates on a gradual basis, though it also warns that the prospects for the US economy are hedged in by considerable uncertainty, so inevitably this calendar is subject to change. The markets, meantime, are pricing in two additional rate hikes in the present year.

Conversely, central banks in the United Kingdom and euro area opted for fresh cuts in policy rates. The Bank of England reduced its key rate in August (from 0.50% to 0.25%), weeks after the referendum vote favourable to the UK leaving the European Union, citing widespread expectations of a resulting slowdown in the economy. In the euro area, with inflation moving far short of the official target,[4] the ECB lowered the interest rate on its main refinancing operations to 0% in March (from 0.05%), and opted to keep monthly debt purchases at 80 billion euros until March 2017 then taper to 60 billion from April to December. The Bank also stated its preparedness to expand the scope of the program, if warranted, in both volume and duration.

Commodity prices FIGURE 1.3

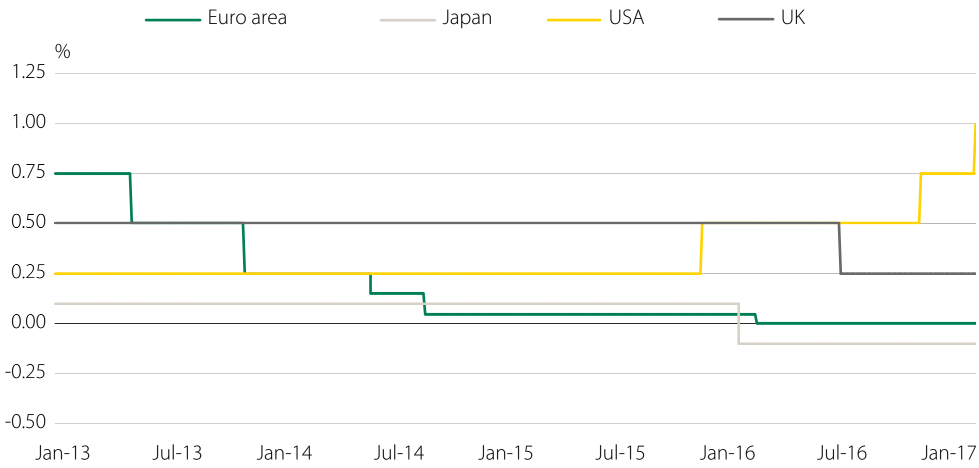


Source: Thomson Datastream.

4 Below but close to 2%.

Official interest rates

FIGURE 1.4



Source: Thomson Datastream.

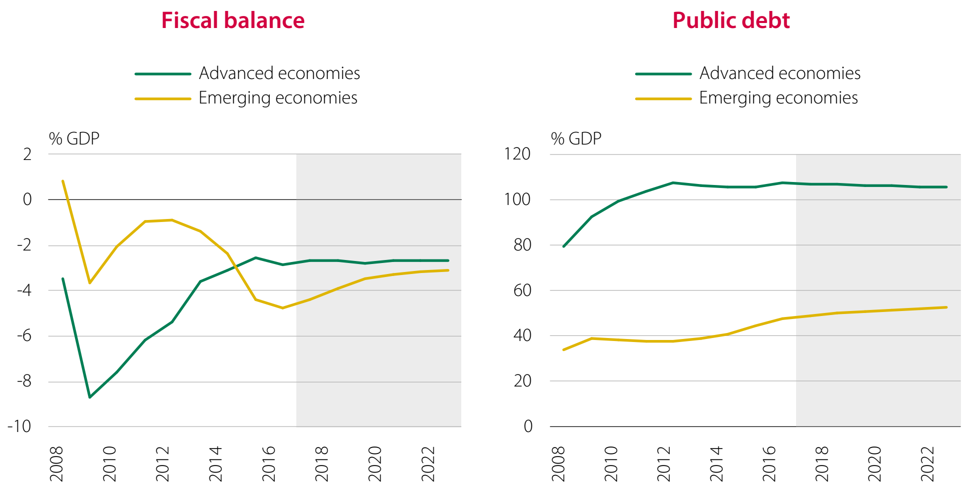
Fiscal deficits widen slightly in many advanced economies and the majority of emerging market economies

According to IMF estimates, both the advanced and the emerging and developing economies closed 2016 with a slightly larger fiscal deficit. Among the former, the deficit widened from 2.6% of GDP in 2015 to 2.9% in 2016, and, among the latter, from 4.4% to 4.8%. The increase in the advanced economy deficit is mainly explained by the deterioration in US public accounts.[5] Among emerging and developing economies, the increase was more widespread on factors like fiscal policy easing and the dent produced in some countries' tax revenues by the low commodity prices prevailing for most of the year. The aggregate public debt of advanced economies climbed to 107.6% of GDP (105.4% in 2015) and that of emerging and developing economies to 47.4% of GDP (44.5% in 2015).

The IMF projects that advanced economies will return to the path of fiscal consolidation after the 2016 blip, leading the public deficit to stabilise at around 3% of GDP in aggregate terms, and steering public debt levels back towards 105% of GDP. The risk for these forecasts lies primarily in the United States, since it is hard to predict the final extent of the anticipated fiscal stimulus. In the case of the emerging economies, the IMF expects deficits to narrow progressively to just over 3% of GDP in 2021, and public debt ratios to ratchet up to somewhere over 52% (see Figure 1.5).

5 The IMF estimates that the US public deficit has widened from 3.5% of GDP in 2015 to 4.1% in 2016 (*Fiscal Monitor*, October 2016).

Fiscal balance and public debt FIGURE 1.5



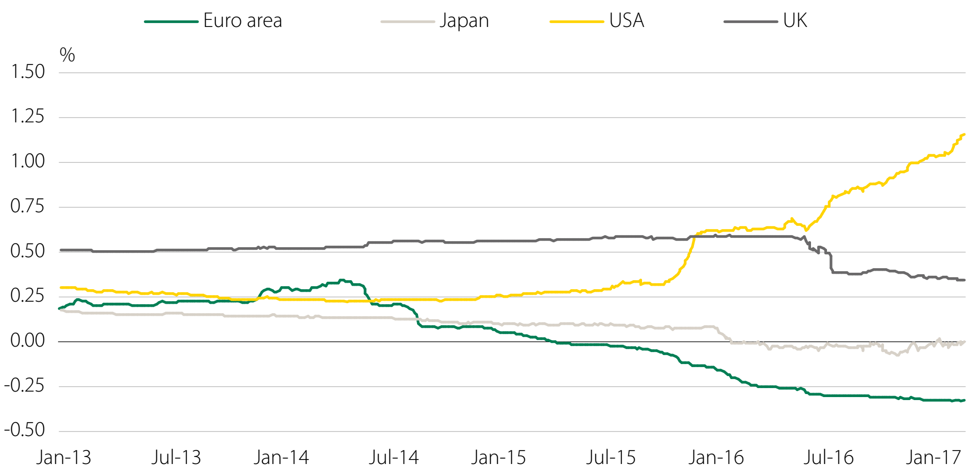
Source: IMF.

1.1.2 Developments in international financial markets

Short-term interest rates head upwards in the United States, veering away from those of other advanced economies

Short-term interest rates in the advanced economies began diverging at end-2015, a trend accentuated in 2016 by the differing monetary stances referred to in the previous section. The result was a steady rise in US rates contrasting with downward movements in the euro area and United Kingdom. Euro-area rates specifically, slipped deeper into negative territory, while UK rates headed lower as of mid-2016 in light of the new economic and financial scenario ushered in by the EU membership referendum.

Short-term interest rates[1] (three months) FIGURE 1.6



Source: Thomson Datastream. (1) Three-month Libor.

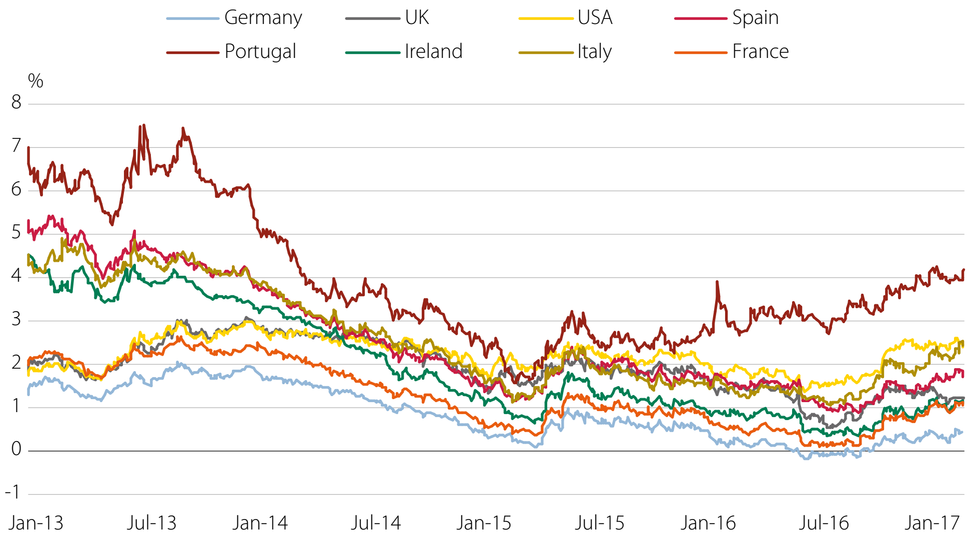
As we can see from Figure 1.6, three-month rates closed at 1% in the United States, 39 bp more than in December 2015, in contrast to the -0.32% and 0.37% of the euro area and UK respectively (19 and 22 bp less than at end-2015). In Japan, rates in this tenor remained broadly flat to end the year at -0.05% (0.08% in December 2015).

The new US administration prompts a run-up in long-term bond yields

Long-term bond yields in advanced economies trended lower in the first half-year, levelled off in summer and turned upwards in the closing stretch, as macro and financial expectations shifted gear in response to the new US administration.[6] Despite this late spurt, yields on the ten-year bonds of European economies stopped short of the levels of the 2015 close. The exceptions were Italy and Portugal where yields rose more sharply on concerns over the health of their banking sectors. In the United States, the upturn in ten-year yields came sooner and faster than in Europe, such that the full-year increase stretched to 15 bp.[7]

The rise in long-term yields persisted, with some fluctuations, through the first months of 2017, most markedly in Europe given the uncertain outcomes of electoral processes due in the year.

Ten-year government bond yields FIGURE 1.7



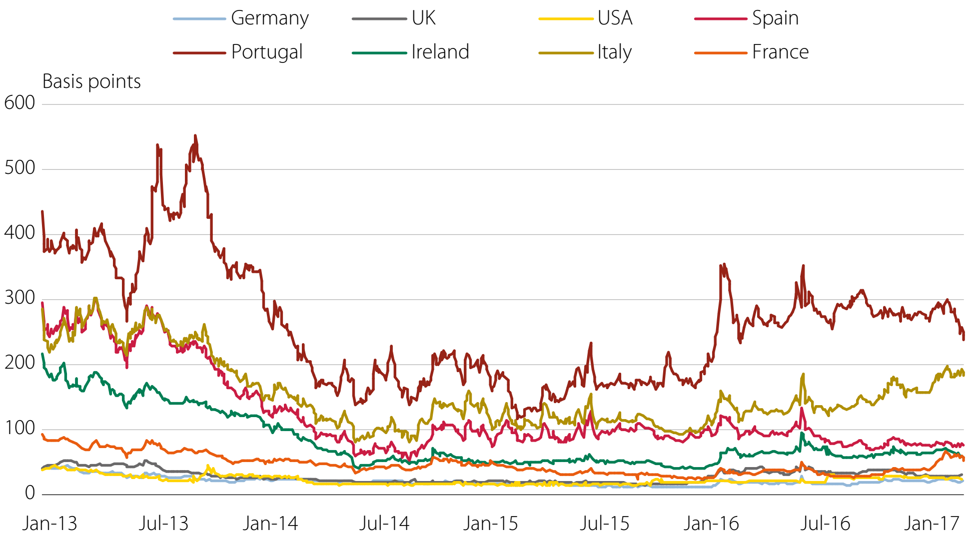
Source: Thomson Datastream.

Sovereign credit risk premiums remained largely unchanged through 2016. The only two rises of substance coincided with moments of elevated uncertainty: the first, during the opening weeks, on a wave of concern over the performance of the emerging economies and the effects of the oil price slump; and the second, around mid-year, following the news of the UK vote on EU membership. In the euro area, spreads suffered most in Portugal and Italy due to the weakness of their banking systems, rising by 108 and 67 bp to 278 and 164 bp respectively, as measured by the CDS of their respective sovereign bonds. Elsewhere in Europe movements in spreads were contained within a limited range of around plus or minus 10 bp (see Figure 1.8).

6 This scenario assumes a degree of fiscal policy loosening, with tax cuts and a more protectionist trade policy, which would tend to drive up both inflation and interest rates. For further information, see the article "Securities markets and their agents: Situation and outlook" in the *CNMV Bulletin* of December 2016.

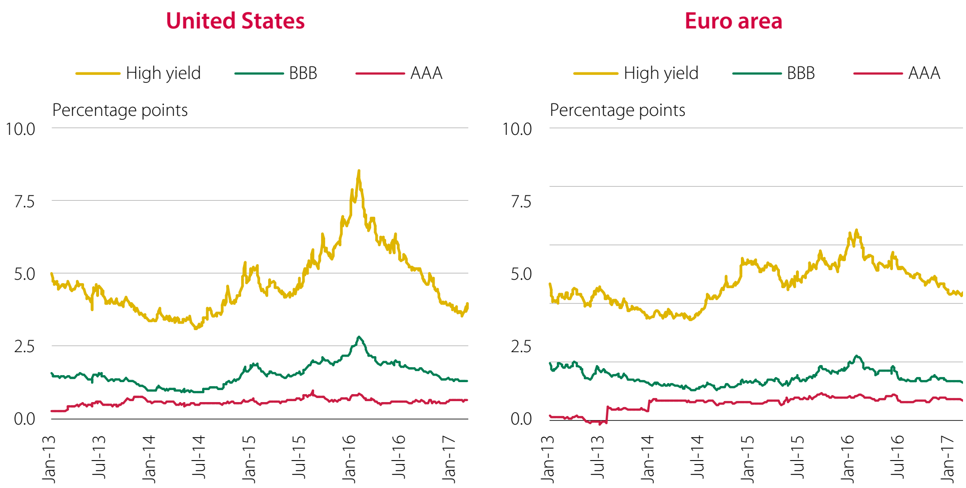
7 In the second half of 2016, ten-year treasury yields in the United States climbed more than one full point from 1.37% to 2.43%.

Sovereign CDS spreads FIGURE 1.8



Source: Thomson Datastream.

Corporate bond spreads[1] FIGURE 1.9



Source: Thomson Datastream (BofA Merrill Lynch and IBOXX indices). (1) Expressed as the difference between the yield of a set of bonds belonging to an index of determined maturity and credit quality and that of ten-year government bonds (the German benchmark in the case of the euro area).

US and European corporate bond spreads were driven wider in the opening months by the uncertainties referred to earlier, only to ease back steadily as the year progressed. The initial rise ran highest among US high-yield instruments, whose spreads briefly exceeded 8 percentage points. An additional factor here could be the preponderance in bond indices of energy sector firms, burdened by the oil price trough lasting from mid-2015 into the first months of 2016. By the 2016 close, high-yield spreads in the US and euro area were running at 403 and 467 bp respectively, a decrease of 260 and 92 bp with respect to the levels of end-2015. In the case of BBB-rated bonds, spreads narrowed by a lesser 79 bp in the United States and 30 bp in the euro area, while the spreads of AAA-rated instruments varied little in the year.

Net debt issuance climbs by 5.2% in 2016, with sovereign and corporate paper sharing in the advance

Net long-term issuance in global bond markets summed 2.72 trillion dollars, a 5.2% increase with respect to 2015. Growth extended to both sovereign and corporate paper, whose volumes rose by 91 and 45 billion respectively in the year to 1.43 and 1.29 trillion dollars.

In Europe, net sovereign issuance was again curtailed by ongoing fiscal consolidation efforts. Issues volumes dropped in consequence from 110 billion dollars in 2015 to 70 billion in 2016, most notably in the second half when the figure turned negative in net terms (see upper-right panel of Figure 1.10). Net sovereign issuance also contracted in the United States, although the cause in this case was a redemptions bill 16.5% higher than in 2015.

Net financial sector issuance in the United States came to 220 billion dollars, 14 billion more than in 2015. Among European financials, net issuance turned more steeply negative in the year. This outcome reflects the ongoing deleveraging of European banks, as they confront the challenges posed by the persistence of ultra-reduced interest rates, excess industry capacity, a heavy bad debt burden and elevated operating costs, further compounded by growing competition in some financial services.

Net international debt issuance FIGURE 1.10

Source: Dealogic. Half-year figures. Data for 2017 are to 15 March and restated on a half-year basis.

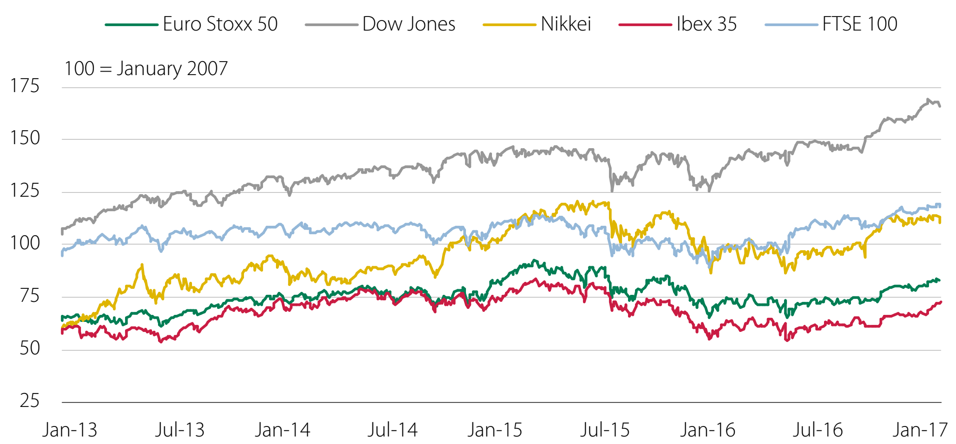
Corporate bond issuance rose in 2016 in all regions except the United States. Net volumes, specifically, climbed by 29% in Europe to 165 billion dollars, and in Japan reached 10 billion dollars, after running a negative balance through 2015. These advances were likely motivated in part by the asset purchase programmes of the ECB and Bank of Japan, and by companies bringing forward placements to lock in lower costs ahead of the expected upcycle in rates. In the United States, net volumes dropped by 15.4% after the issuance upswing of 2015, the first half especially, when companies stepped up their primary market activity presuming an imminent rate hike by the Federal Reserve. An added factor was that corporations most exposed to falling oil prices opted to rein in their issue volumes.

Net bond issuance on international markets receded 40% year on year in the first months of 2017,[8] due to falling sovereign debt sales in both the United States and Europe.

Most stock indices shake off first-half upsets to close the year in gains

Leading stock indices in advanced economies began the year with a run of losses on concerns over the performance of emerging market economies. Further pressure was then piled on by the result of the UK vote on EU membership. Prices, however, rallied in the second half, in most cases making up the ground lost. Volatility indicators in some markets pulled ahead of 40% (see Figure 1.12) at times of elevated uncertainty. Among the major indices, full-year losses were confined to Italy's Mib 30 (-10.2%), Spain's Ibex 35 (-2.0%) and the Japanese Topix (-1.9%). US stock indices managed sizeable gains, topped off by a price spurt in the closing weeks on news of the results of the presidential elections. Finally, the Dow Jones closed up by 13.4%, the S&P 500 by 9.5% and the Nasdaq tech composite by 7.5%, strongly outperforming both euro-area and Japanese indices. Within Europe, fortunes also varied, with the aforementioned price falls in Italy and Spain contrasting with solid gains elsewhere, like those of the German Dax 30 (6.9%) and France's Cac 40 (4.9%).[9]

Performance of main world stock indices FIGURE 1.11



Source: Thomson Datastream.

8 Data to 15 March.

9 Britain's FTSE 100 also posted a strong advance of 14.4% in local currency terms. However, GB pound depreciation turned this gain into a 1.9% loss in euros.

Emerging stock markets performed creditably in 2016, with Latin American indices particularly recording strong gains on the back of the recovering economies of constituent countries, aided by the upswing in commodity prices (see Table 1.1). The laggards in the group were the markets most exposed to the Chinese economy, which weakened in the opening quarter on concerns over a possible slowdown of the Asian giant. Overall, however, 2016 was a year of rising markets, which closed with the MSCI emerging index up by 7.1%. Further, emerging market bond spreads, as measured by the EMBI, narrowed substantially in the full-year period to 365 bp (446 bp in December 2015) after an initial spike that carried them above the 500 bp mark (see Figure 1.13).

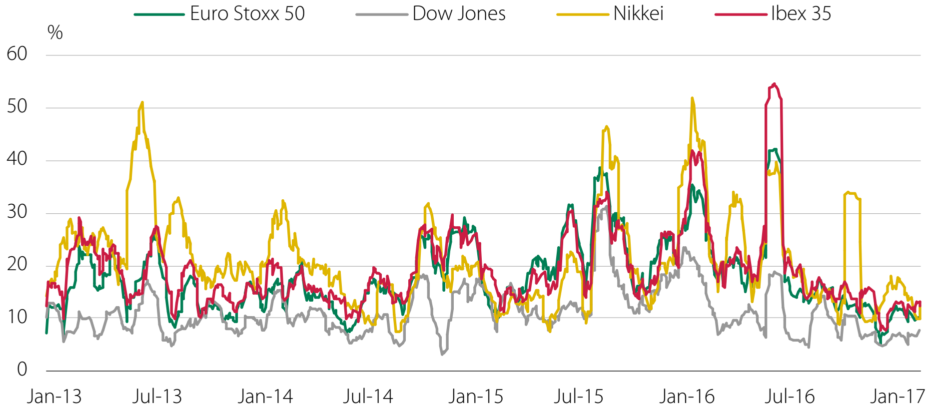
Performance of main world equity markets TABLE 1.1

Exchange	Index	Change[1] (%)				
Developed countries		**2012**	**2013**	**2014**	**2015**	**2016**
United States	Dow Jones Ind. A.	7.3	26.5	7.5	-2.2	13.4
United States	Nasdaq Composite	15.9	38.3	13.4	5.7	7.5
Japan	Topix	18.0	51.5	8.1	9.9	-1.9
United Kingdom	FTSE 100	5.8	14.4	-2.7	-4.9	14.4
Euro area	Euro Stoxx 50	13.8	17.9	1.2	3.8	0.7
Euronext	Euronext 100	14.8	19.0	3.6	8.0	3.0
Germany	Dax 30	29.1	25.5	2.7	9.6	6.9
France	Cac 40	15.2	18.0	-0.5	8.5	4.9
Italy	Mib 30	7.8	16.6	0.2	12.7	-10.2
Spain	Ibex 35	-4.7	21.4	3.7	-7.2	-2.0
Latin America and Asia						
Argentina	Merval	15.9	88.9	59.1	36.1	44.9
Brazil	Bovespa	7.4	-15.5	-2.9	-13.3	38.9
Chile	IGPA	4.7	-13.5	3.5	-3.8	14.2
Mexico	IPC	17.9	-2.2	1.0	-0.4	6.2
Peru	IGBL	5.9	-23.6	-6.1	-33.4	58.1
South Korea	Korea Cmp Ex	9.4	0.7	-4.8	2.4	3.3
Hong Kong	Hang Seng	22.9	2.9	1.3	-7.2	0.4
China	Shanghai Composite	3.2	-6.7	52.9	9.4	-12.3
India	BSE	30.0	5.9	32.3	-3.2	3.6

Source: Thomson Datastream. (1) In local currency.

Stock market gains have largely carried over to the opening months of 2017. US indices have taken an early lead, bolstered by expectations of greater fiscal stimulus and regulatory rollback in certain key industries, while, in Europe, some indices have been held back by increased political uncertainty. Finally, volatility readings on main world exchanges have remained subdued since the start of the year.

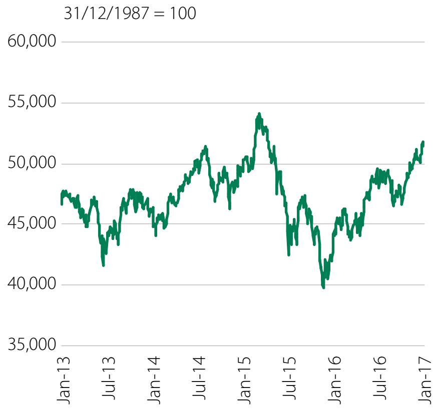
Historical volatility[1] of main stock indices FIGURE 1.12



Source: Thomson Datastream. (1) Historical volatility on day t is calculated as the standard deviation of daily index returns in the 20 preceding sessions.

Emerging economy financial markets FIGURE 1.13

Emerging market stock index (MSCI)



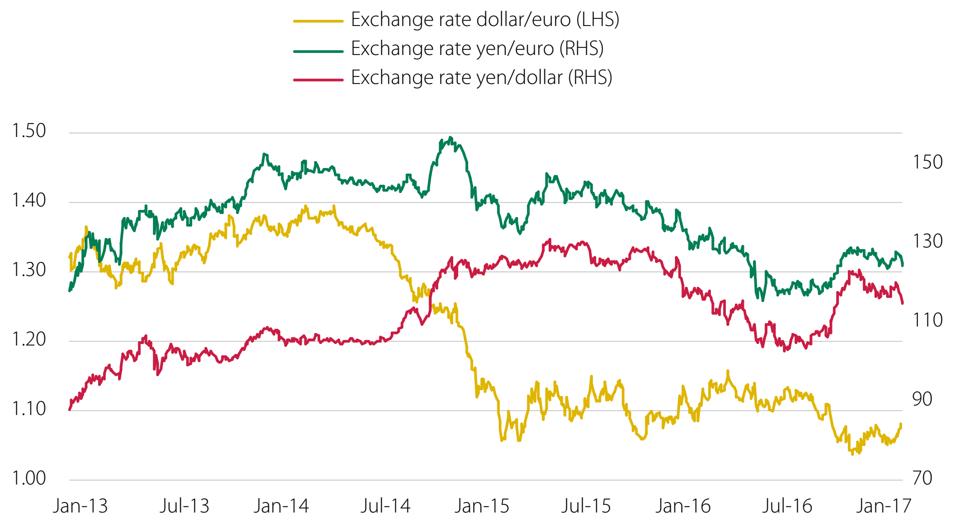
Emerging market bond spreads (EMBI)

Source: Thomson Datastream and Bloomberg.

The dollar enjoys a run of strength against other top currencies in the closing months of 2016

In currency markets, the euro gained ground against the dollar as far as a spring high of 1.15 dollars. This trend reversed in the second half, more intensely in the closing weeks in the aftermath of the US elections, driving the European currency to a December low of 1.04 dollars. After a run of strength lasting most of the year against the euro and dollar, the Japanese yen turned downwards in the fourth quarter to close at 123 yens per euro, below the 131 yens of end-2015 (see Figure 1.14). Both the euro and yen have appreciated against the dollar in the opening months of 2017.

Euro exchange rates against the dollar and yen FIGURE 1.14



Source: Thomson Datastream.

1.2 National economic and financial developments

The positive dynamics of activity and employment persist through 2016, accompanied by a late spurt in inflation

Spain's economy expanded at the same rate as in 2015 while conserving a clear lead over the remainder of the euro area. GDP growth was finally 3.2% (0.7% in the closing quarter), against the euro area's 1.7% (0.4% in the closing quarter).

Domestic demand input 2.8 points to GDP growth, 0.5 points less than in 2015, with net exports taking up the slack. Of domestic demand components, only private consumption picked up speed (from 2.8% to 3.2%), while gross fixed capital formation slowed from 6.0% to 3.1% and public consumption from 2.0% to 0.8%. Meantime, imports decelerated faster than exports (5.6% to 3.3% against 4.9% to 4.4%), lifting the external sector contribution to GDP growth into positive terrain (up from -0.1 to 0.5 points).

On the supply side of the economy, all branches quickened their advance with respect to 2015, except the industrial and energy sector whose growth slowed from 5.5% to 2.4%. Specifically, the gross value added of primary sectors rose by 3.4% in 2016 (-2.9% the previous year), against the 2.5% of construction (0.2% in 2015) and the 3.4% of the service sector (2.6% in 2015).

Inflation rebounded sharply after moving in negative terrain up to August 2016, due chiefly to the bottoming out of energy prices. The headline rate closed at 1.6%, almost a full point higher than in November, and has continued accelerating through the first months of 2017 (to 2.3% in March). Meantime, the items making up core inflation – excluding volatile constituents such as energy and fresh food – traced a far more stable course, with rates averaging 0.8% in 2016 and 1% in the first quarter of 2017. Finally, Spain's inflation gap versus the euro area moved from an average -0.6 points in 2016 to around 1 point in the first two months of 2017, before closing slightly to 0.6 points in the month of March.

Key variables of the Spanish economy TABLE 1.2

	2012	2013	2014	2015	2016
GDP	-2.9	-1.7	1.4	3.2	3.2
Private consumption	-3.6	-3.2	1.6	2.8	3.2
Public consumption	-4.7	-2.1	-0.3	2.0	0.8
Gross fixed capital formation, of which:	-8.6	-3.4	3.8	6.0	3.1
Equipment	-6.2	4.9	8.1	8.8	5.0
Exports	1.1	4.3	4.2	4.9	4.4
Imports	-6.4	-0.5	6.5	5.6	3.3
Net exports (growth contribution, p.p.)	2.2	1.5	-0.5	-0.1	0.5
Employment[1]	-4.8	-3.4	1.1	3.0	2.9
Unemployment rate (% of active population)	24.8	26.1	24.4	22.1	19.6
Consumer price index	2.4	1.4	-0.2	-0.5	-0.2
Current account balance (% GDP)	-0.2	1.5	1.1	1.4	2.0
General government balance (% GDP)[2]	-10.5	-7.0	-6.0	-5.1	-4.5

Source: Ministry of Economy and Competitiveness, European Commission and Thomson Datastream. Annual change unless otherwise stated. (1) Full-time equivalent jobs. (2) Figures for 2012, 2013, 2014, 2015 and 2016 include state aid to credit institutions amounting to 3.7%, 0.4%, 0.1%, 0.1% and 0.2% of GDP respectively.

In the labour market, employment growth of 2.9% was on par with the previous year (3%). The 463,000 net jobs created lifted the employed population to 17.51 million at the 2016 close in seasonally and calendar adjusted terms. The unemployment rate dropped to 18.6% in the fourth quarter for a yearly average of 19.6%, a large improvement on the 22.1% average of 2015. Year-on-year growth in unit labour costs stayed negative throughout, with apparent productivity (up by an annual average of 0.37%) sizeably outstripping compensation per worker (up by a bare 0.01% on average).

The general government deficit closed last year at 4.5% of GDP (4.3% if we strip out aid to the financial sector), a little below the government's target of 4.6% and more than 0.5 points lower than the register for 2015. A breakdown by account shows a small increase in the central government deficit (from 2.59% to 2.7% of GDP), contrasting with the large reduction achieved by the autonomous regions (who practically halved their deficit from 1.74% to 0.82%).[10] Improvement too from local authorities, with an 0.64% surplus up from 0.47% in 2015. The social security system, finally, returned a wider deficit than in 2015 (up from 1.22% to 1.62% of GDP). According to the excessive deficit procedure (EDP), general government debt inched down to 99.4% in the second half from its mid-year peak of 101% (99.8% of GDP at end-2015). The latest updated Budget Plan sets deficit targets of 3.1% of GDP in 2017, followed by 2.2% in 2018 and 1.3% in 2019.[11]

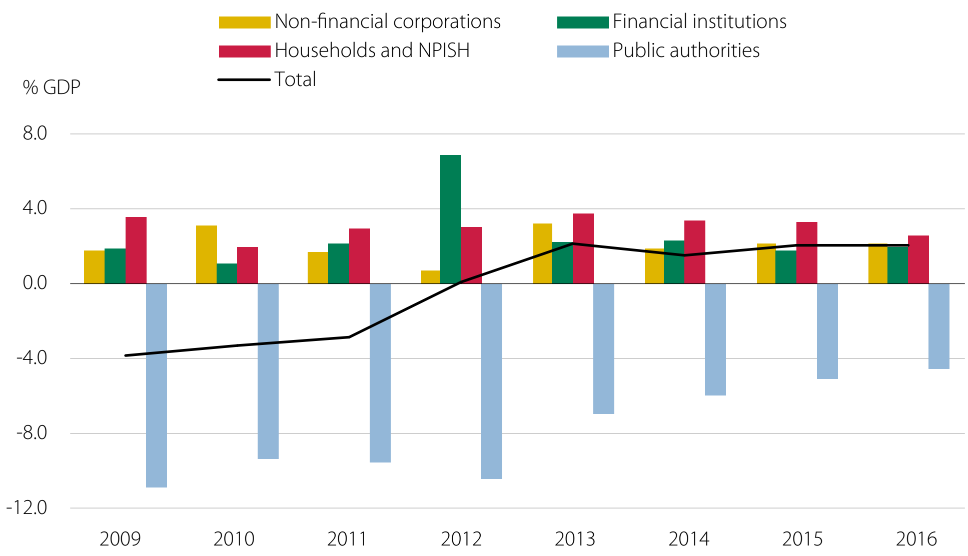
10 The fiscal outcome of the autonomous regions was affected by an increase in regional funding of over 8.2 billion euros in 2016, deriving from the application of the financing system. Eleven autonomous regions met the deficit target.

11 These figures are lower than the February estimates published by the European Commission (3.5% in 2017 and 2.9% in 2018).

The Spanish economy continues to enlarge its net lending position vs. the rest of the world

Acquisitions of non-financial assets in the Spanish economy increased for the third year running in 2016. Although savings rose by a larger margin, the resultant improvement in the current external balance was wiped out by a smaller surplus under net capital transfers with the rest of the world. The upshot was to leave Spain's aggregate lending position at an unchanged 2.0% of GDP with respect to 2015. Some of the sectoral trends observed in prior years persisted through 2016, notably the reduced financing capacity of households (down from 3.2% in 2015 to 2.6%) and the drop in general government borrowing requirements (from 5.1% to 4.5% of GDP). Non-financial corporates have left behind the large net borrowing position of the pre-crisis years and maintained a net lending position since 2009, which has apparently settled in the last few years at around 2% of GDP.

Net lending (+) or borrowing (-) capacity of the Spanish economy FIGURE 1.15



Source: Banco de España.

Further improvement in the financial position of Spanish households in 2016

The latest figures for the financial position of Spanish households point to a small drop in the savings rate in 2016 to just under 8% of gross disposable income (GDI), along with a prolongation of the downtrend in debt-to-income and debt burden ratios. Debt-to-income, specifically, fell from 106.9% of GDI at the 2015 close to 102% in December 2016 on a combination of lower indebtedness and rising household income, while the concurrent decline in the debt burden ratio from 12.1% to 11.7% of GDI drew additionally on the lower cost of borrowed funds. Net household wealth, finally, expanded in 2016 on the strength of lower liabilities and real asset appreciation.

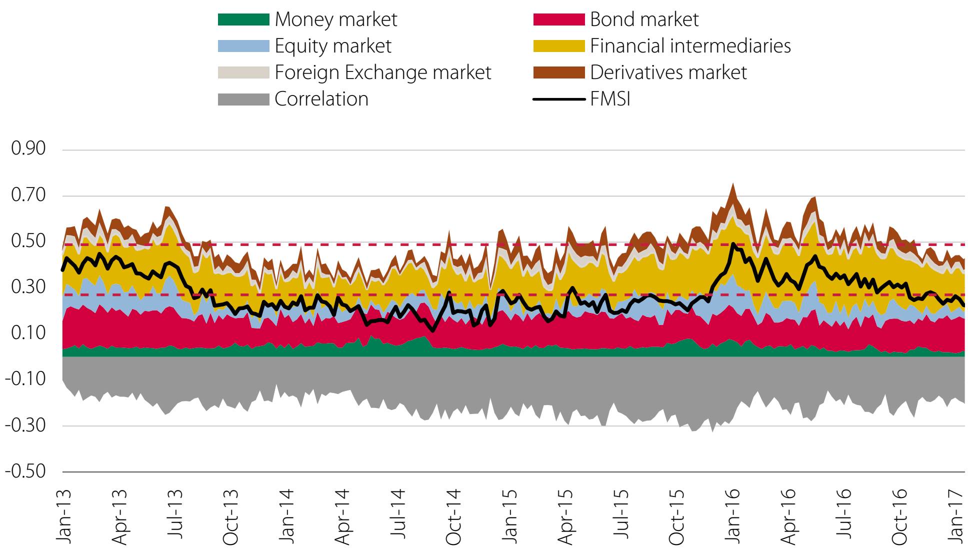
The net financial acquisitions of Spanish households summed around 3.5% of GDP, up from 1.9% in 2015. The pattern of investment was similar to 2015 with households withdrawing on a large scale from time deposits and fixed-income securities (5.4% of GDP), due to the poor returns on offer, in favour of cash and sight deposits (6.4% of GDP) – the most liquid of categories – as well as mutual funds (1.5% of GDP) and insurance technical reserves (1.2%).

Spikes in the financial market stress indicator coincide with heightened uncertainties around China and Brexit

The stress indicator for Spanish financial markets swung higher around the start and middle of 2016. The first spike coincided with the apparent growth stall of the emerging market economies, China in particular, and the second with the news of the UK referendum vote to abandon the European Union. During the earlier episode, the indicator stopped at 0.49, equal to a level of stress in the medium-to-high bracket, while its post-Brexit reading of 0.44 signaled stress in the medium interval (see Figure 1.16). Stress levels were highest in the financial intermediaries segment, reflecting the price correction in bank sector shares, but have tended to ease back in recent months.

The stress indicator has stayed below 0.30 in the first months of 2017, corresponding to medium-to-low risk. The salient development has perhaps been the upswing in the bond market segment, more volatile and with thinner liquidity since the US presidential elections.[12]

Stress indicator of Spanish financial markets[1] FIGURE 1.16



Source: CNMV. (1) See footnote 7.

12 For more detailed information on the recent progress of this indicator and its various components, see the quarterly *Financial Stability Note* (http://www.cnmv.es/portal/Menu/Publicaciones-CNMV.aspx) and the CNMV statistical series (market stress indicators) available from http://www.cnmv.es/portal/Publicaciones/estadisticas.aspx. For more information on the indicator's methodology, see Cambón, M.I. and Estévez, L. (2016), "A Spanish Financial Market Stress Index (FMSI)", in *Spanish Review of Financial Economics* 14, pp. 23-41 or as written up in CNMV Working Paper No. 60 (http://www.cnmv.es/portal/Menu/Publicaciones-CNMV.aspx).

The CNMV's role in maintaining financial stability

EXHIBIT 1.1

The concept of financial stability refers to all the conditions enabling the financial system to properly fulfill its function of intermediation between the saving and investment in an economy. In a stable financial system, any shock or imbalance in one part of the system should be able to be absorbed with no significant damage to the real economy, other parts of the domestic financial system or the financial systems of other countries.

Until recently, the identification and measurement of systemic risk and, more widely, the monitoring of financial stability fell within the remit of central banks. However, the global financial crisis and distrust in the financial system, exacerbated by the Lehman Brothers collapse, revealed the need for a broader-based approach that allowed for the complexity of today's financial system, particularly the size and influence of capital markets, and was not confined to the realm of banking. This new, more demanding and comprehensive approach to the detection and measurement of systemic risk and the monitoring of financial stability assigns a prominent role in these endeavours to non-banking financial supervisors, primarily those in charge of securities and markets and the insurance and pensions sector.

In Spain, coordination and information sharing between supervisors takes place at various levels, though there is as yet no macroprudential authority of the kind set up in other European countries. Such an authority would certainly facilitate coordination between the institutions involved in the upkeep of financial stability and strengthen the effectiveness of domestic macroprudential policy. In its absence, the reality is that although in Spain, as elsewhere, there is no explicit provision within the securities supervisor's mandate assigning it responsibilities in the realm of financial stability and systemic risk, the CNMV began to engage with these matters as early as 2007, based on a considered reading of both the regulation and the economic and financial context.

Since 2016, the CNMV Internal Regulation has formally required it to undertake: i) in-depth analysis and monitoring of risks affecting financial stability, ii) efficient management of macroprudential policy within the scope of its competences, and iii) effective coordination of the CNMV's involvement in all working groups dealing with financial stability matters. Most of these tasks are undertaken and coordinated by the Department of Research, Statistics and Publications, part of the Directorate-General of Policy and International Affairs. More recently, the CNMV's 2017 Activities Plan defines one of the institution's four strategy lines as analysis of securities markets with regard to their potential impact on financial stability.

The CNMV's handling of tasks relative to the identification of systemic risk and maintenance of financial stability is in line with the mandate in these matters assigned to ESMA under European legislation, as well as the guidelines issued by IOSCO, including since 2011 the recommendation that they should rank among the key responsibilities of securities supervisors.

Listed below are the CNMV's main lines of approach to matters of systemic risk and financial stability:

- Analytical approach. The CNMV's risk identification and assessment process focuses on: i) the size of supervised entities (as a rule, fairly small from the standpoint of systemic risk), ii) the nature of markets and their potential role as transmitters or magnifiers of risks, and iii) the conduct of market participants.

  Analysis starts from the compilation of data, both internal (collected in the course of its supervisory duties) and external (for instance, from commercial databases) and the generation of risk indicators in diverse domains: i) on the financial system as a whole[1] (market stress indicators or colour maps) and ii) on CNMV supervised sectors, basically the collective investment industry, financial intermediaries and securities markets themselves. Priorities in collective investment would be, for instance, analysis of the liquidity of fund portfolios and investor risk appetite, or the carrying out of stress tests. In the case of financial markets, indicators are applied to identify market risk, liquidity risk and the risk of contagion across asset classes.

– Cooperation and information sharing at national and international level. The CNMV collaborates with other domestic financial supervisors and other European and international institutions in order to identify, measure and prevent systemic risk.

  Within Europe, the CNMV is a member of CEMA (Committee for Economic and Markets Analysis), set up by the European Securities and Markets Authority (ESMA), and of the European Systemic Risk Board (ESRB), where it serves on both the Advisory Technical Committee (ATC) and the General Board. It is also represented on two expert groups analysing mutual fund leverage and liquidity and the rise of "shadow banking". The CNMV, finally, works with the Financial Stability Board (FSB) on two fronts: collaborating with the Shadow Banking Expert Group (SBEG) and on the Standing Committee for Standards Implementation (SCSI).

– Macroprudential tools. The CNMV has a set of tools developed in the course of its microprudential supervision, which could presumably help contain the spread of macro-level perturbations or the impact of idiosyncratic risks arising in systemically important entities. In the mutual funds sphere, such tools would include liquidity ratios, leverage limits, investment concentration in certain products or markets, stress tests, the option of suspending redemptions at given points, etc., while in connection with financial intermediaries (brokers and broker-dealers) the list might be headed by capital requirements, similar to those imposed on credit institutions, in accordance with European legislation. Market infrastructures such as central counterparties (CCPs) – increasingly important players, particularly with regard to the centralised settlement of standardised OTC derivatives envisioned in EU law and that of other industrialised nations – must also comply with a series of capital standards.

Another key set of macroprudential tools has to do with procedures for the resolution of entities under European legislation, which so far apply to credit institutions and investment firms (basically broker-dealers), although the European Commission recently presented a draft proposal to extend their scope to central counterparties (see Exhibit 5.2). These procedures are important enough to warrant the setup of a Resolution Unit within the CNMV, further to its competences in this matter (preventive stage) in respect of investment firms (the CNMV's 2016 activities under this remit are described in section 11.1.3 of this report).

Also, the CNMV forms part of the College of Supervisors for the euribor, set up under recent EU rules governing benchmark indices (see Exhibit 10.1). This legislation came about in response to the index manipulation detected among some financial institutions inputting to its calculation. The euribor is a key reference rate in Spanish and European financial markets, above all in derivatives markets, where it is employed as a benchmark in numerous contracts. In Spain, furthermore, its importance is magnified by its widespread use in mortgage loans.

A final set of tools have more of an *ad hoc* nature. One example would be the ban on increasing short positions in specified financial instruments, deployed by the CNMV during the sovereign debt crisis. This decision was taken on two occasions, in 2011 and 2012, in response to the volatility and distrust that gripped Spanish markets in the midst of the debt storm. Both times, the measure successfully calmed volatility at the cost of only a minor dent in market liquidity.

– Publications. The CNMV reports on its work in connection with financial stability and risk identification in two types of publications: some periodical (*CNMV Bulletin* and *Financial Stability Note*) and others occasional (the Working Papers series). The former include prominently the report "Securities markets and their agents: Situation and outlook",[2] published twice yearly as part of the *CNMV Bulletin*, and the *Financial Stability Note*[3] that comes out every quarter. The first of these reports, published since 2008, provides a description of the national and international macroeconomic and financial environment and identifies the main risks affecting markets and their agents. The *Financial Stability Note,* of recent creation (the first issue came out in January 2017), offers a more detailed analysis of each risk category (credit, market, liquidity…) using tools like stress indicators and colour maps. Finally, the Working Papers series deals in depth with subjects with a bearing on financial stability (network calculations, contagion indicators, analysis of high-grade debt…).[4]

1 See footnote 12 in this chapter.
2 www.cnmv.es/portal/Publicaciones/Mercados.aspx.
3 www.cnmv.es/portal/Publicaciones/PublicacionesGN.aspx?id=51.
4 Working papers are available at www.cnmv.es/portal/Publicaciones/monografias.aspx.

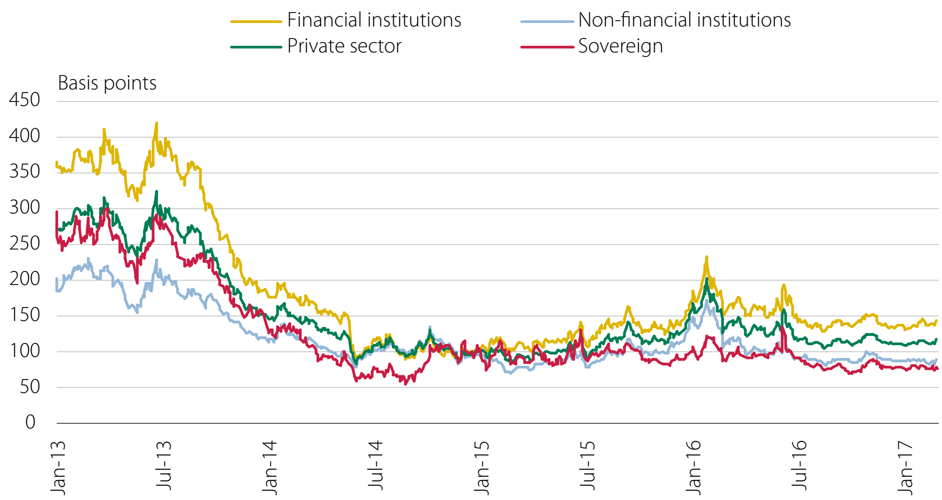
Long-term bond yields change course at end-2016 with rises approaching 0.5 points

The story on Spanish fixed-income markets to the month of September was a continuation of prior years, with yields falling steadily in response to the tone of the ECB's monetary policy and its commitment to step in as needed with purchases of high-grade bonds. However, the outcome of the US presidential elections brought a reversal of the trend among longer-dated instruments, while short-term yields continued downwards, in some cases reaching record lows. Three-, six- and twelve-month governments turned more steeply negative to close at -0.47%, -0.34% and -0.25% respectively, between 23 and 33 bp lower than at end-2015. Conversely, ten-year governments pulled back from their August low of under 1% and by end-December were trading at 1.44% (1.72% at end-2015). This rise in long-term yields has lasted moreover through the first months of 2017.

The credit risk premiums of Spanish issuers registered mid-February peaks of over 230 bp and 170 bp for financial and non-financial corporations respectively (see Figure 1.17), coinciding with times of elevated uncertainty, before falling back to year-end levels of 136 bp and 90 bp. Meantime, the sovereign risk premium held at reduced levels despite the delays experienced in forming a government, the only blip occurring in the wake of the United Kingdom referendum when the spread vs. the German benchmark stretched to 169 bp. This was short-lived, however, and by end-2016 the same spread was trading at 118 bp, at a considerable distance from the 162 bp of the Italian bond.

The CNMV recorded over 139 billion euros in gross issuance over 2016, 1.8% more than in the previous year. The advance drew heavily on sales of asset-backed securities (up 25% to 35.51 billion) and non-convertible bonds (up 2.7% to 40.17 billion). Note that this last figure includes a large SAREB issue in the month of December.[13] Fixed-income issuance abroad, at 58.39 billion euros, was 11% lower than in 2015. Leading the decline were sales of commercial paper (19%), while bond issues rose by 2.7%. Exhibit 3.1 in chapter 3 of this report offers a comparison between Spanish fixed-income issuance abroad and that of our main partner countries.

Risk premiums paid by Spanish issuers[1] FIGURE 1.17

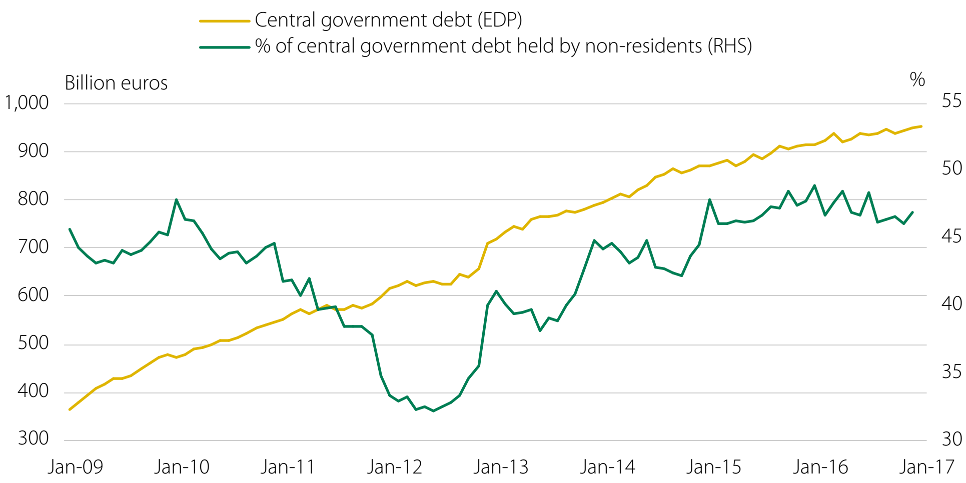


Source: Thomson Datastream. (1) Credit derivatives market. Five-year maturity. Simple average, except for Spanish sovereign CDS.

13 In December 2016, SAREB issued four sets of bonds amounting to over 30 billion euros.

Alternative fixed-income market MARF, which seeks to facilitate medium-sized firms' access to finance via the issuance of fixed-income securities and focus on institutional investors, continued to build up business through 2016. Finally, MARF channelled placements amounting to 2.20 billion euros, almost three times the figure for 2015. Commercial paper was again the most popular instrument (80.8% of volumes), thanks to the more flexible issuance conditions on offer, while medium- and long-term bonds were less in favour with firms finding it easier and cheaper to raise finance through the traditional banking channel. Secondary market activity remained low-key throughout.

Central government debt and non-resident holdings FIGURE 1.18



Source: Banco de España.

Low interest rates continue to take their toll of bank sector earnings

Banks again had to negotiate a complex business landscape in both Spain and the rest of Europe, characterised by ultra-reduced interest rates, the large volume of unproductive assets carried on sector balance sheets and the consolidation of new competitive forces (shadow banking, FinTech...);[14] a combination of factors that has driven profitability ratios well below the historical average. The only way forward is to adapt to this changed environment, the most urgent challenge being to rationalise costs in order to unlock efficiency gains. Spanish banks are fortunate in being able to count on the support of strong domestic activity, which has helped make substantial inroads into non-performing loan ratios.[15]

Bank income statements showed a combined 6.09 billion euros profit in 2016 (9.31 billion in 2015). A look at key income captions reveals: i) a decline in gross income mainly reflecting the erosion of net interest margin; ii) flat operating expenses, and iii) lower impairment losses on financial assets. The earnings stall owed not only to lower gross income, but also to higher provisioning and steeper impairment losses on non-financial assets.

14 See Exhibit 1.2 on the FinTech portal launched recently by the CNMV.

15 Sector NPL ratios closed the year at 9.1%, almost one full point below end-2015 and far from the peak levels of 2013 (13.6%).

Bank lending to the non-financial resident sector (households and companies) reduced at a slower rate in 2016. In the euro area, conversely, the stock of outstanding loans to businesses and households was up by 1.9% and 2.1% respectively at the 2016 close.

Among non-financial corporations, year-on-year growth in the flow of finance stood at -0.2% in December 2016 (-0.4% one year before). In this case, the positive impact of loans from abroad and securities other than shares was not enough to offset the drop in resident credit institution lending.

The picture with lending to households was broadly similar, with last December's year-on-year rate of -1.4% improving on the -2.1% of December 2015. Negative growth in this case was due to a fall in home purchase loans (-3%), with the advance of consumer lending (4.2%) not enough to take up the resulting slack.

Bank sector balance sheets shrank further in 2016 prolonging the downtrend of previous years. By the month of December, the sector-wide balance sheet was down to 2.65 trillion euros, equivalent to 113 billion less in assets compared to year-end 2015. All main funding sources contracted in the period: deposits by 74 billion euros, outstanding debt by 24 billion and equity by 8 billion. Meantime, banks increased their net Eurosystem borrowings to 139 billion in December 2016, up from the 133 billion of December 2015, after the initial reduction was wiped out by heavier borrowing in the second half.

The CNMV FinTech portal EXHIBIT 1.2

The rise of financial technology (FinTech) currently features high on sector agendas, mindful that its application supports business models closer to the end investor while boosting the efficiency and competitiveness of industry participants, including those operating in securities markets.

In Spain, some business models grouped under FinTech already have their own regulation; the case of loan and equity crowdfunding platforms. But other, unregulated initiatives revolving around innovative processes, products or services also have a securities market focus. Among them:

– Automated portfolio management.

– Distributed ledger technology (DLT).

– Alternative distribution channels applied to securities markets.

– Big data.

– Other kinds of crowdfunding platform.

A number of European supervisory authorities have opted for a proactive strategy in response to FinTech. Most initiatives (Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Liechtenstein and Sweden) have centred on innovation portals. These serve as informal communication channels where innovators can find out about the rules governing their activity, and supervisors can gain first-hand knowledge on the innovations happening in their markets, with their attendant risks and opportunities. In the United Kingdom and the Netherlands, innovation portals are supplemented by a safe regulatory space (Regulatory Sandbox) where FinTech promoters can test their innovations in a controlled environment.

On 23 December, the CNMV launched its own FinTech portal along the same lines as European colleagues, with two aims in view:

– Assist promoters and financial entities with aspects of securities market rules and regulations that have a bearing on their projects.

– Create an informal space for exchanging information with promoters and financial entities on their initiatives in this domain.

The CNMV undertakes to respond to enquirers within three business days of submitting their request. Communications between the CNMV and portal users are of an informal nature, i.e., they are not treated as part of an administrative procedure. When the enquiry turns on regulatory aspects, the CNMV will make every effort to respond as promptly and accurately as possible, allowing for the novelty of the subject matter and the particularities of the business model described.

When a FinTech operator wishes to present a business project, the portal team will verify whether the project is truly innovative and beneficial to investors. Only securities market business projects meeting these requirements will be eligible for this service, with criteria as follows:

– Projects will be considered innovative if they are not already on the market or, if so, have not been rolled out on a significant scale.

– A project is considered beneficial to the investor when it improves the quality of the product or service and/or brings down its price.

After projects are evaluated, those deemed to require CNMV authorization will be passed on to the corresponding department, provided the business model described complies with existing regulations. Projects received from other sectors will be passed on to either Banco de España or the Directorate-General of Insurance (who will, in turn, refer enquiries from firms within its remit to the CNMV).

The FinTech portal has been busy to date. A total of 20 notifications had come in by 28 February 2017, and the CNMV has had informal contacts with various financial entities that have offered it an outline of their FinTech projects.

The following were the main issues discussed with companies approaching the CNMV through its FinTech portal:

– The applicability or otherwise of the rules on crowdfunding platforms set out in Law 5/2015, of 27 April, on the promotion of business financing:

platforms using websites to raise public funds for their own or third-party projects; closed platforms for selected entrepreneurs and investors that do not advertise their initiatives, etc.

– Use of robo-advising platforms, purely algorithm-based or combined with traditional advice provision.

– Provision of online portfolio management services and order reception and transmission services.

– Digitalisation of the diverse stages of customer relations by supervised entities, running from customer identification to mandatory statements.

Strong activity helps non-financial listed companies to full-year profits growth

Non-financial listed companies obtained 17.08 billion euros profits in 2016. All sectors secured major advances in EBITDA and pre-tax profits on the back of robust domestic activity (see Table 1.3). Growth of pre-tax profits was strongest in money terms in the energy sector (upwards of 5 billion euros) and retail and services (almost 2.80 billion). Consolidated profits rose 75% among energy companies to 8.83 billion euros and 8.8% in the industrial sector to 4.91 billion, against the 4.3% slippage experienced by construction and real estate. The retail and services sector, finally, closed the year in red numbers, affected by heavy losses at one leading company.[16] In fact this firm alone explains the 3.5% decline in non-financial sector earnings. Without it, the (consolidated) profits of retail and services operators would have expanded 23.8%, and those of all non-financials by 29.7%.

Earnings by sector: non-financial listed companies TABLE 1.3

	EBITDA[1]		Pre-tax profits		(Consolidated) profit for the year	
Million euros	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
Energy	7,692	13,167	5,818	10,841	5,030	8,829
Industry	6,713	7,280	6,085	6,667	4,514	4,913
Retail and services	9,649	12,808	3,824	6,621	4,716	-114
Construction and real estate	5,186	5,623	2,908	3,886	3,398	3,253
Adjustments	-60	83	46	192	39	197
Total	**29,180**	**38,961**	**18,681**	**28,207**	**17,697**	**17,078**

Source: CNMV. (1) Earnings before interest, taxes, depreciation and amortisation.

The aggregate debt of non-financial listed companies, at 253.87 billion euros, was a bare 0.5% higher than in full-year 2015. There was no set trend, with debt levels rising among energy sector and retail and services firms and falling across the industrial sector and, most markedly, in construction and real estate (a difference of

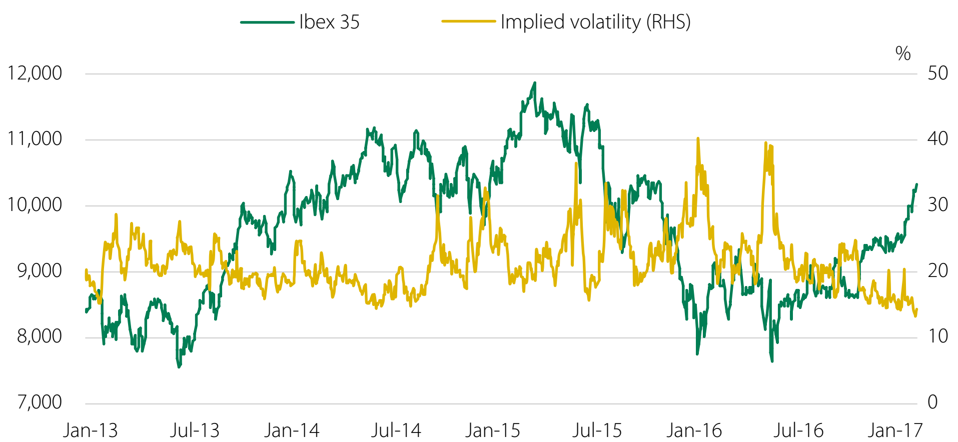
16 Abengoa.

over 2.80 billion euros). The average leverage (debt to equity) of non-financial listed companies dropped from 1.15 in 2015 to 1.11 in 2016, while their debt coverage ratio (debt to EBITDA) strengthened from 8.7 to 6.5.

The Ibex 35 sheds 2% in 2016 as several large corporates struggle to cope with external uncertainty factors

Spanish equity markets had an up-and-down year with steep first-half losses in a climate of increased volatility that unwound steadily as the year progressed, though not enough to recoup all the ground lost. The falling markets of the opening months were primarily about fears of a slowdown in China and other emerging economies, the sharp drop in oil prices and, to a lesser extent, the political impasse at home. The next round of losses came with the referendum on the United Kingdom's membership of the European Union, in the aftermath of which the Ibex 35 suffered the biggest intraday slump in its history (12.4%). But in the ensuing months, a series of factors produced a strong price rebound: confirmation that the ECB would stick with its expansionary stance, the improved economic outlook nationally and internationally and a return to stability in domestic politics.

Ibex 35 performance and implied volatility[1] FIGURE 1.19



Source: Thomson Datastream.

Finally, the Ibex 35 shed 2% in full-year 2016, underperforming the majority of European indices. One contributory factor was the price correction suffered by large Spanish firms with interests in the UK or else in Latin American countries that stand to lose out from the decisions of the US government. By way of contrast, the index grouping small cap stocks managed a full-year advance of 8.9% (see Table 1.4). Sectors experienced mixed fortunes, with oil, chemicals, basic materials and insurance shares as the year's big winners and telecommunications, health and basic consumption bringing up the rear.

Performance of Spanish stock market indices and sectors (%) TABLE 1.4

	2012	2013	2014	2015	2016
Index					
Ibex 35	-4.7	21.4	3.7	-7.2	-2.0
Madrid	-3.8	22.7	3.0	-7.4	-2.2
Ibex Medium Cap	13.8	52.0	-1.8	13.7	-6.6
Ibex Small Cap	-24.4	44.3	-11.6	6.4	8.9
FTSE Latibex All-Share	-10.7	-20.0	-16.1	-39.2	71.0
FTSE Latibex Top	-2.6	-12.4	-11.1	-34.6	67.8
Sector[1]					
Oil and gas	-31.2	29.9	-9.8	-21.0	32.7
Chemicals	-62.7	-34.6	-17.1	56.7	198.2
Basic materials	-5.6	25.4	17.8	-8.5	24.0
Construction and construction materials	-5.4	28.3	9.9	6.3	-4.3
Industrial goods and services	17.8	39.7	-1.4	9.1	8.4
Health	83.0	41.1	1.1	23.9	-7.8
Utilities	1.7	28.4	27.3	7.9	-0.7
Banks	-4.4	23.1	8.1	-22.7	-1.1
Insurance	-2.8	44.7	-9.2	-5.1	15.5
Real estate	15.7	4.9	46.3	12.6	-5.0
Financial services	3.4	31.5	5.3	-2.7	-1.3
Telecommunications and media	-20.1	23.5	3.8	-8.2	-8.3
Discretionary consumption	56.8	18.9	-0.1	29.7	3.1
Basic consumption	13.3	19.7	-7.8	5.5	-6.0

Source: Thomson Datastream. (1) Thomson Datastream classification.

Market capitalisation grew for the fifth year running, by a very small margin (0.7%), to 631 billion euros. The year's mild price correction was offset by the funds raised in the numerous capital increases launched by firms in a bid to strengthen their balance sheets.

Volatility and uncertainty took their toll on equity trading volumes on official Spanish markets in the form of a 32.4% slump to 643 billion euros, the lowest figure since 2004. Domestic exchanges again accounted for most turnover in Spanish shares, despite the growing share grabbed by other regulated markets and multilateral trading facilities (MTFs); a sizeable 28% in 2016, up from 15.2% and 20% in 2014 and 2015, respectively. Chapter 2 of this report offers a more detailed analysis of trading patterns on secondary equity markets.

1.3 Economic and financial outlook

According to the IMF's forecasts of April this year, global GDP growth will reach 3.5% in 2017 and 3.6% in 2018. These rates improve on the 3.1% of 2016, but are viewed as particularly uncertain in light of potential changes in the policy stance of the new US administration. Advanced economies are projected to grow by 2% in both 2017 and 2018, compared to last year's 1.7%, while the emerging market economies should pick up to 4.5% in 2017 and 4.8% in 2018 (4.1% in 2016).

Internationally, the new US government brings a series of risks to the global growth outlook. Restrictions on trade and immigration could disrupt the world economy in the medium to long run, while expectations of fiscal easing are already pushing up bond yields in the medium and long curve segments, and could yet trigger fresh corrections in financial asset prices and stoke volatility on global markets.

In Europe, increased uncertainty and, in some countries, political fragmentation threaten to weaken the pace of structural reforms and reignite doubts about the sustainability of the debt load of some euro-area economies. Much will hinge on the progress of negotiations on the UK's exit from the European Union – the separation process was officially triggered at the end of March 2017 – as well as on this year's general elections in France and Germany. Another risk focus is the banking sector, particularly in Europe, as banks struggle to squeeze out more profitability in the face of reduced interest rates, excessive non-performing exposure in certain countries, high operating costs and growing competition from FinTech and shadow banking operators.

In the case of the Spanish economy, the IMF projects some moderation of the growth pace to 2.6% in 2017 and 2.1% in 2018, a mark-up of 0.4 and 0.2 points on its forecasts of October 2016 (0.3 points and no change respectively on its forecasts of January 2017). Despite this mild slowdown, which assumes a more modest advance in private consumption, growth of the Spanish economy will easily outpace that of the euro area (an augured 1.7% in 2017 and 1.6% in 2018). The main challenges for Spain are still high unemployment and fiscal consolidation, although strong domestic activity has delivered recent progress on both fronts. Other risks have to do with the resilience of the banking sector in the face of threats shared with other European economies, and the outlook for firms most exposed to Latin America and the United Kingdom in light of the policy stances of the US government and Britain's abandonment of the European Union.

II Markets and issuers

2 Equity markets

Prices in Spanish equity markets followed an uneven path over the year, with significant falls in the first half that were largely offset by rises in the second half, such that the year closed with a slight loss in the Ibex 35. Nevertheless, capitalisation rose slightly as a result of the capital increases performed. Financial institutions were once again responsible for a significant proportion of the new funds raised.

Trading fell significantly both in terms of trading on Spanish stock markets and in terms of total trading in Spanish securities admitted to trading on those markets, in which trading platforms located in other countries, especially in the United Kingdom, participate with a significant and growing share. This share rose once again in 2016, with the start of the year coinciding with the implementation of the first stage of the reform of the clearing, settlement and registry system in Spain (see Chapter 5). It reached a high in August and then fell back in the following months, although it closed the year with a higher level than in 2015. In this chapter, Exhibit 2.1 offers an overview of the impact that the trading on said platforms has on the regulated markets operated by BME, as well as a comparison of the main European regulated markets.

2.1 General overview

Spanish equity markets began 2016 with significant price falls and notable volatility. As in other markets, this was driven by doubts about emerging economies, although the Spanish market was particularly sensitive to the economic performance of Brazil and Mexico, countries where some of the leading Spanish companies hold significant interests. The Ibex 35 fell by 8.6% in the first quarter and continued accumulating losses over the second quarter. In fact, the losses were more pronounced following the result of the referendum in the United Kingdom, a country in which the risk exposure of some large Spanish companies is also significant, although the losses were partially corrected over the following days, and the quarter closed with a fall of 6.4%. Expectations about a change in the direction of monetary policy in the United States and the possibility that rises in interest rates would be passed on to European markets also contributed towards the fall in prices over that part of the year.

In contrast with the first half of the year, the evolution of prices in the second two quarters was clearly positive and the Ibex 35 was able to recover most of the accumulated losses by the end of the year. This change in direction of the trend in share prices was mainly the result of the confirmation of the continuity of the expansive monetary policy measures of the ECB[1] and the consolidation of a domestic environment of economic growth and greater political stability. The improvement took

1 The President of the ECB reiterated over the second half of 2016 that the bank will continue purchasing assets until the end of 2017 or beyond, if necessary. Finally, in December it announced the extension of

place despite the uncertainties generated as result of the US presidential elections, in particular due to the possibility that this would lead to an acceleration in the schedule and intensity of the interest-rate rises of the Federal Reserve.[2] The Ibex 35 rose by 7.5% during the third quarter, and by 6.5% in the fourth quarter. The year closed with a slight fall of 2%. As indicated above, the performance of the Ibex 35 remained below that of the leading European indices, except the Italian Mib 30, which fell by 10.2%. This poorer relative performance can be mainly explained by the high proportion in the Spanish index of large companies with a significant risk exposure in countries whose performance has generated doubts.

With regards to volatility, the uncertainty generated by the international environment was reflected in the implicit volatility of the Ibex 35 index, which in 2016 moved within a range of 25 percentage points, eight and five points up on 2014 and 2015, respectively, although below the levels reached in 2011 and 2012. The year closed with implicit volatility of 17.51%, the lowest level since the end of 2007, although at one point it reached 40.23%, the highest level since 2012. The average volatility for the year stood at 23.67%, similar to the levels of the previous two years, although above that recorded in the major European markets, with the exception of the Italian market.

Stock-market capitalisation rose slightly to 631 billion euros. This rise took place despite the small fall in prices, which was offset by the new funds raised through capital increases performed over the year by numerous companies. 2016 was the fifth consecutive year of growth in capitalisation, although capitalisation still remains below the level reached prior to the crisis.

Trading volumes in Spanish markets recorded falls over the first three quarters of the year and only recorded a slight recovery in the fourth quarter, which coincided with the fall in volatility and the return to price rises in the market. During the year as a whole, trading of equity on official secondary markets fell by 32.4% on the previous year to 643.2 billion euros, its lowest volume since 2004. Spanish markets continued concentrating most of the trading of Spanish securities admitted to trading on those markets, although the relative weighting once again fell in favour of other European regulated markets and multilateral trading facilities (MTFs), which now account for around 28% of the amount traded, eight percentage points up on 2015 and almost 13 percentage points up on 2014. As indicated in Exhibit 2.1, the rise in the transfer of trading towards other European trading platforms coincided with the implementation of the first stage of the reform of the clearing, settlement and registry system, focused on equity (see Exhibit 5.1), which facilitates the settlement in the Spanish post-trading system of trades outside the Spanish stock market system.

Non-resident investors continued playing a key role in the Spanish equity market. According to the BME 2016 Market Report, these investors accounted for 75% of trading (82% in 2015). Their proportional share of ownership stood at around 43.2% at the end of the first half of the year (42.3% at the end of the previous year). The participation of Spanish households in share ownership remained at around 25.4% on the same date (24.4% in 2015).

the public and corporate debt purchase programmes from March to December 2017, although it reduced the amount of the purchases from 80 billion to 60 billion euros per month.

2 The Federal Reserve raised its interest rates on 14 December by a quarter of a percentage point, to a range of between 0.5% and 0.75%, the first measure of this type since December 2015.

Table 2.1 presents a comparison of the size of the main international equity markets, while also taking into account the size of the corresponding economy. With regard to capitalisation, the most noteworthy changes compared with the previous year were recorded in the United States and Canada, where the ratio of trading over GDP rose significantly, reflecting more favourable price performance, and in China and Japan, where the opposite occurred. In Europe, the ratios of capitalisation over GDP remained relatively stable. With regard to trading, the most noteworthy change took place in China, where the ratio over GDP fell sharply. This ratio also fell, although at a much more moderate rate, in all the markets analysed except for Canada, which reflects the negative impact of the uncertain environment around trading. The fall in Spain was sharper. At any event, as can be seen, the relative size of the Spanish equity market remains in line with that of other European markets both in terms of capitalisation and in terms of trading.

Market capitalisation and trading on regulated markets as a percentage of nominal GDP TABLE 2.1

	Market capitalisation[1]		Trading volume	
	2015	2016	2015	2016
USA[2]	139.7	147.3	167.2	152.9
Canada	124.8	149.0	86.2	86.2
China[3]	109.0	95.0	397.2	178.2
Japan[4]	118.2	107.9	134.5	113.9
London Stock Exchange[5]	115.5	117.0	64.0	61.2
Euronext[6]	87.7	93.5	54.5	45.5
Germany	51.9	52.4	46.6	38.0
Italy[5]	34.7	31.2	48.9	37.3
Spain	58.0	57.1	85.6	57.5

Source: World Federation of Exchanges; Eurostat; Governments of the United States, Canada and Japan; Datastream and CNMV. (1) In local currency, the market capitalisation figures correspond to the last working session of the year. (2) The numerator is the combined total of the NYSE and Nasdaq. (3) Includes data from the Hong Kong, Shanghai and Shenzhen stock markets, as well as the GDP of the People's Republic of China and Hong Kong. (4) Includes data from the Tokyo and Osaka stock exchanges. (5) Although Borsa Italiana was integrated into the LSE Group, here the percentages of capitalisation and trading over GDP corresponding to each country are provided separately. (6) The denominator is the sum of the nominal GDP of France, the Netherlands, Belgium and Portugal.

2.2 Listed companies and capitalisation

Spanish stock markets closed 2016 with 149 listed companies, three fewer than at year-end 2015.[3] There were four new listings, all on the electronic market, two of which corresponded to companies in the food and drink sector, one to the leisure sector and the other to the technology sector. There were seven delistings: three from the electronic market and four from open outcry.[4] Only one of the seven companies was delisted as a result of a delisting made by the company itself, while another was delisted in order to be admitted to the Alternative Stock Market (MAB).

3 This total refers to the official equity markets and hence does not include the companies listed on the Latibex or on the MAB, which are multilateral trading facilities.

4 Annex I.3 provides further information on new listings and delistings.

Number of companies listed on Spanish stock markets[1]

TABLE 2.2

	All markets	Electronic market Total	Electronic market National	Electronic market Foreign	Open outcry	Second market
Listed at 31/12/2015	152	129	122	7	18	5
Listed at 31/12/2016	149	130	123	7	14	5
New listings in 2016	**4**	**4**	**3**	**1**	**0**	**0**
New listings	4	4	3	1	0	0
Listed due to merger	0	0	0	0	0	0
Change of market	0	0	0	0	0	0
Delistings in 2016	**7**	**3**	**2**	**1**	**4**	**0**
Delistings	5	1	0	1	4	0
Delisted due to merger	1	1	1	0	0	0
Change of market	1	1	1	0	0	0
Net change in 2016	**-3**	**1**	**1**	**0**	**-4**	**0**

Source: CNMV. (1) Totals do not include MAB, Latibex or ETFs.

The capitalisation of the stock markets rose by 0.7% in 2016 to 631 billion euros, its highest level since the start of the financial crisis in 2007, but still almost 134 billion euros below the value reached at the end of that year. The capital increases performed by numerous companies over the year (see Section 2.3) explains this increase, which was sufficient to offset the loss in value of the companies admitted to trading resulting from the fall in share prices.

Capitalisation[1] of equity on Spanish stock markets

TABLE 2.3

Million euros

	2013	2014	2015	2016	% change 16/15
All markets	**570,028.7**	**609,380.0**	**626,700.22**	**630,995.33**	**0.69**
Electronic market	567,055.1	606,883.1	625,639.34	629,589.71	0.63
National	564,019.8	602,456.7	624,640.42	628,080.62	0.55
Foreign[2]	3,035.2	4,426.4	998.93	1,509.09	51.07
Open outcry[3]	2,906.2	2,466.6	1,040.28	1,291.55	24.15
Madrid	519.4	376.5	296.94	289.89	-2.37
Barcelona	2,749.5	162.5	887.67	1,136.60	28.04
Bilbao	183.6	326.4	943.28	53.97	480.61
Valencia	342.5	326.4	150.05	349.21	132.73
Second market	67.5	30.2	20.60	114.07	453.76

Source: CNMV. (1) Only includes capitalisation of companies that were traded at some time during the year. Excludes Latibex, MAB and ETFs. (2)The capitalisation of foreign companies listed on Spanish markets is based on the number of shares registered by Iberclear. (3) The market capitalisation of companies traded by open outcry in more than one market has been included in the figures for each market at the price for that market, but only once in the total for all markets.

The changes in capitalisation by sector were uneven with the largest increases concentrated in sectors linked to the price of oil and commodities. Some sectors recorded falls (see Table 2.4 and Annexes I.5 and I.7), but the falls were more moderate than in previous years. The largest increase in capitalisation corresponded to the oil sector, whose sole company rose by 38.8% as a result of the recovery in crude prices[5] following two consecutive years of falls. There were also noteworthy increases in the insurance, mining and base metals sectors, as well as in cement and construction materials sectors, which benefited from the recovery in the economy, commodity prices and greater construction activity.

In contrast, there were falls in the telecommunications sector (whose leading company suffered as a result of the slowdown in Latin American economies and the depreciation of their currencies, as well as the impact of Brexit), the chemical sector and the construction sector. Banks, which in the previous year had recorded significant falls due to the complex scenario faced by the financial sector, showed stable performance over the year with virtually no changes in the value of their capitalisation.

Concentration of the market in terms of capitalisation remains high, although it fell slightly on the previous year. Six shares in 2016 accounted for around half of market capitalisation, while the number of companies necessary to reach 75% rose from 12 to 17, with all of them included in the Ibex 35. The five Spanish shares included in the Eurostoxx 50 accounted for around 47% of the total capitalisation of Spanish stock markets, compared with 55% in 2015.

Number of listed companies and capitalisation by sector[1] TABLE 2.4

Million euros

Sector	2015	2016	2015	2016	% change 16/15
Oil	1	1	14,171.65	19,668.94	38.8
Energy and water	8	7	97,364.04	95,082.56	-2.3
Mining & base metals	8	7	5,333.10	7,132.37	33.7
Cement and construction materials	4	4	2,107.19	2,366.13	12.3
Chemical	7	7	5,388.73	4,991.28	-7.4
Textile and paper	15	15	114,542.00	116,206.60	1.5
Metal-mechanical	15	15	10,129.35	10,166.39	0.4
Food	10	12	6,632.90	7,057.71	6.4
Construction	8	8	32,695.92	31,103.71	-4.9
Real estate	22	20	11,315.52	11,408.07	0.8
Transport and communications	7	7	105,537.87	95,353.15	-9.7
Other non-financial	26	28	44,868.57	51,559.38	14.9
Total non-financial sector	**131**	**131**	**450,086.84**	**452,096.30**	**0.4**
Banks	10	10	162,967.61	163,430.19	0.3
Insurance	2	2	10,962.33	12,663.90	15.5
Portfolio companies	8	6	2,669.60	2,804.93	5.1
SICAV	1	0	13.84	0.00	-100.0
Total financial sector	**21**	**18**	**176,613.38**	**178,899.03**	**1.3**
Total	**152**	**149**	**626,700.22**	**630,995.33**	**0.7**

Source: CNMV. (1) Only includes capitalisation of companies that were traded at some time during the year. Excludes Latibex, MAB and ETFs.

5 The price of oil rose by 52% in 2016.

2.3 Listings, issues and public offerings

In 2016, a total of 45 companies listed on Spanish stock markets, the same number as in 2015, performed 79 capital increases, 20 fewer than in the previous year (see Annexes I.1 and I.2 for further details). The reduction in the number of operations of this type was accompanied by a fall in their amount, which amounted to a little over 19.7 billion euros, 31.3% down on the previous year.

Capital increases aimed at raising funds accounted for 70% of the total amount registered, while bonus issues accounted for the remaining 30%. Noteworthy amongst the former were the capital increases with pre-emption rights of shareholders, although their amount fell compared with 2015. Operations with a waiver of pre-emption rights, which were absent in the previous year, accounted for a low proportion of the total. Noteworthy among the other capital increases that effectively raised funds were those performed through debt conversion, which grew by 25.4% on 2015 as a result of the restructuring processes of some companies. Capital increases with non-monetary consideration also increased dramatically (almost four times higher than in 2015). No capital increases through accelerated book builds were performed.

The total amount of bonus issues, 19 of which were associated with scrip dividends, fell for the second consecutive year (38.7% down on 2015), as shown in Table 2.5. This new fall confirms that there has been a change in the dividend policy of many companies with regard to the pattern maintained in the peak years of the crisis, with companies once again preferring the traditional practice of remunerating shareholders in cash compared with remunerating them by means of shares.

Primary and secondary public offerings[1] TABLE 2.5

Million euros

	2013	2014	2015	2016	% change 16/15
Capital increases aimed at raising funds	**29,186.2**	**15,221.5**	**19,106.1**	**13,846.7**	**-27.5**
With pre-emption right	11,463.1	2,790.8	7,932.6	6,513.3	-17.9
Without pre-emption right[2]	1,742.8	2,951.5	0.0	807.6	–
Accelerated book builds	600.8	2,595.6	8,092.3	0.0	–
Increases with non-monetary consideration[3]	224.4	2,811.3	365.2	1,791.7	390.7
Capital increase by conversion	7,462.6	3,645.6	1,868.7	2,343.9	25.4
Other	7,692.5	426.6	847.4	2,390.2	182.1
Bonus issues	**9,932.8**	**12,650.8**	**9,627.8**	**5,898.3**	**-38.7**
Of which, scrip dividend	9,869.4	12,573.8	9,627.8	5,898.3	-38.7
Total capital increases	**39,119.1**	**27,872.3**	**28,733.9**	**19,745.1**	**-31.3**
Secondary offerings	**0.0**	**4,886.9**	**8,331.6**	**506.6**	**-93.9**

Source: CNMV. (1) Does not include data from the MAB, ETF or Latibex. (2) Primary offerings. (3) Capital increases with non-monetary consideration have been recorded at market prices.

In total, capital increases aimed at raising funds fell by 27.5% to around 14 billion euros. Among the companies raising funds through capital increases, banks once again took on a key role as they continue to raise capital to strengthen their balance sheets, as well as one large European steel company, which raised over 5.7 billion euros. In addition, capital continued to flow into the real estate sector, mostly through SOCIMIs (Spanish REIT companies), and into some companies with financial difficulties with the aim of restructuring their debt and strengthening their capital structure.

The adverse movements in prices and the high volatility prevailing over a considerable part of the year negatively affected public offerings, whose number and amount fell sharply compared with the previous year. The number of public share offerings fell to two in 2016 from six in the previous year, while the amount raised fell by 93.9% to only 507 million euros. The two public offerings took place in the electronic market.

2.4 Trading

2.4.1 Spot trading

The trading of Spanish shares listed on official Spanish markets fell significantly in 2016 compared with the previous year, as shown in Table 2.6, which includes all the significant trading venues for these shares. The bulk of the trading, which corresponds to shares admitted to trading on the Spanish Stock Markets Interconnection System (SIBE), recorded a fall of 24.4%, with the total amount standing at 877.4 billion euros. The fall was particularly focused in the markets operated by BME and in Chi-X, the two trading venues with the highest shares of trading. There were increases in other trading platforms, particularly in Turquoise and BATS, but these were insufficient to offset the fall in the other two main venues. In total, the amount traded on foreign platforms that compete with BME rose by 3.1% to a little over 242 billion euros.

Total trading in Spanish equity listed on official Spanish markets[1] TABLE 2.6

Million euros

	2012	2013	2014	2015	2016	% change 16/15
Total	**710,387.1**	**765,502.2**	**1,002,992.8**	**1,162,979.7**	**878,323.7**	**-24.48**
Admitted on SIBE	**709,851.7**	**764,933.4**	**1,002,095.8**	**1,161,222.9**	**877,402.7**	**-24.44**
BME	687,456.1	687,527.6	849,934.5	925,978.7	634,908.8	-31.43
Chi-X	16,601.3	53,396.7	95,973.0	150,139.9	117,419.4	-21.79
Turquoise	3,519.6	11,707.9	28,497.5	35,680.5	51,051.8	43.08
BATS	2,261.9	10,632.1	18,671.0	35,857.6	44,839.8	25.05
Other [2]	12.8	1,669.2	9,019.8	13,566.2	29,182.9	115.12
Open outcry	**49.9**	**51.4**	**92.5**	**246.1**	**7.5**	**-96.97**
Second market	**0.4**	**1.7**	**0.7**	**13.8**	**3.2**	**-76.99**
ETF[3]	**485.1**	**515.7**	**803.9**	**1,496.8**	**910.4**	**-39.18**

Source: Bloomberg and CNMV. (1) Equity instruments admitted to trading on Spanish official secondary markets and identified by means of an ISIN issued in Spain. Hence, this does not include foreign securities admitted to trading on those markets whose ISIN is not issued in Spain. (2) It is calculated as the difference between the amount traded of the EU Composite calculated by Bloomberg for each share and the amount traded for the markets and MTF included in the table, and hence includes trading on other regulated markets and MTFs, as well as OTC trading. (3) Only ETFs with Spanish ISIN.

In 2016, there was therefore once again an increase in the relative weighting of other European markets and MTFs in the trading of Spanish shares, which began at the same time as the implementation of the first stage of the reform of the clearing, settlement and registry system in Spain. As indicated in Exhibit 2.1, this increase extended until August, and then fell back partially during the last part of the year. The BME share at the end of the year stood at around 72%, compared with 80% in the previous year and 90% in 2014. Nevertheless, the weighting of BME in the total remains considerably higher than that recorded in traditional stock markets in the United Kingdom, Germany and France, which have faced an earlier and more intense transfer of trading to other venues. The main competitor of the Spanish operator, the British platform Chi-X,[6] accounted for 13.4% of the trading of Spanish shares, below the 16.2% recorded for 2015, but still well above the figure for other competitors, which include Turquoise and BATS, each with a share of above 5% in 2016 (each with 3% in the previous year).

Trading of Spanish shares listed on BME on other European platforms EXHIBIT 2.1

One of the main consequences of the Markets in Financial Instruments Directive (MiFID)[1] has been the promotion of competition for the execution of orders between organised trading facilities for equity instruments, by fostering the creation of new regulated markets and including within their scope two types of facilities (multilateral trading facilities and facilities for internalising orders against the proprietary account of an intermediary), which previously had some presence in Europe, but whose activity was very limited compared with traditional stock markets, which accounted for the bulk of trading.

This situation changed substantially following the entry into force of the Directive, with particularly fast growth of MTFs, essentially based on the trading of securities listed on traditional regulated markets: stock markets. The most important in terms of trading share are located in the United Kingdom and some of them have become regulated markets. This is the case, for example, of Chi-X and BATS-Europe (since 2013), the two most important together with Turquoise, which continues operating as an MTF. Chi-X and BATS-Europe form part of the same group although their trading platforms operate separately. MTFs have mainly been promoted by financial institutions, but also by the regulated markets themselves, which use them in certain trading segments.[2]

Table E2.1.1 shows the evolution of the shares of the main regulated markets in the trading of their own securities since 2013. As can be seen, the shares have changed little since then in the London, Paris and Frankfurt stock markets, but substantially more in the Spanish, Italian and Portuguese markets. This is because the impact of the new competitive framework introduced by MiFID was felt in the former much sooner and with greater intensity than in the latter, where the adjustments still remain

6 Chi-X and BATS-Europe merged in 2011, but continue to maintain two separate trading platforms.

significant. As shown by the level of the shares, said impact took place both in the lit trading segment (trading through order books, which are presented in the table without taking into account opening and closing auctions) and in the other segments, where the impact was even more intense. Only taking into account lit trading plus opening and closing auctions – to date only the auctions of this type performed by the main market have been significant – the share of the major European markets in the trading of their own securities at the end of last year stood at 59% for the United Kingdom, 65% for France and Germany, and 81% for Italy. As indicated, this percentage stood at 72% for Spain.

Share of the main European regulated markets TABLE E2.1.1

%	BME-Spain	LSE-London	Euronext-Paris	XETRA-Frankfurt	Milan-Italy	Euronext-Lisbon
			Lit trading[1]			
Dec-13	74.4	48.4	58.4	61.7	78.7	78.9
Dec-14	69.1	49.2	56.6	55.9	76.8	70.8
Dec-15	60.4	46.6	56.3	52.4	69.0	65.1
Dec-16	60.6	49.8	57.5	58.0	79.5	61.1
			Total trading[2]			
Dec-13	59.6	35.2	40.9	39.3	68.0	52.7
Dec-14	59.5	34.4	40.0	36.9	68.6	44.7
Dec-15	49.9	35.5	36.1	35.0	57.4	39.2
Dec-16	48.4	37.0	41.1	34.2	62.3	37.3

Source: Reuters and CNMV. (1) Trading in order books, excluding opening and closing auctions. (2) Trading in order books, including opening and closing auctions, plus the other segments: special operations, OTC, etc.

The impact of foreign trading platforms on the trading of Spanish securities was relatively low until recently in comparison with the major European markets, except the Italian market (Tables E2.1.1 and E2.1.2). One of the main reasons for this was the peculiarity of the clearing, settlement and registry system for Spanish securities, which hinders the settlement of trades conducted outside the national market system. An amendment to the Regulation of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores[3] entered into force in 2010 and facilitated this type of trading by allowing Iberclear to clear OTC trading directly, including that performed on foreign regulated markets and MTFs. Following this modification, the share of BME gradually fell to the benefit of competing trading platforms, especially those located in the United Kingdom, although it still remains higher than in other major regulated markets.

Operator market share of Spanish equity[1] TABLE E2.1.2

Percentage over total trading in order books, including opening and closing auctions

	2011	2012	2013	2014	2015	2016 1Q	2016 2Q	2016 3Q	2016 4Q
BME	96.8	93.6	84.1	79.4	73.7	69.4	68.1	63.5	66.5
Chi-X	1.8	3.9	10.7	13.5	17.8	17.9	16.5	18.6	18.3
Turquoise	0.1	0.8	2.2	4.0	4.1	7.0	7.9	10.9	8.5
BATS-Europe	0.2	0.5	1.4	1.5	2.5	3.5	5.1	4.6	4.3
Other	1.1	1.2	1.6	1.6	1.9	2.2	2.4	2.4	2.4

Source: Reuters and CNMV. (1) Annual data at year-end and average of corresponding quarter in 2016.

In 2016, there was a significant fall in the share as from May, coinciding with entry into force of the reform of the clearing, settlement and registry system (see Exhibit 5.1). BME's share in August stood at 63% of trading in the order book, although it subsequently recorded a partial recovery. The reform has eliminated the differences that still existed in the clearing and settlement procedures with regard to most European countries, which might have led to this new fall in the share.

In the case of BME, as with the other main European regulated markets, trading through other platforms is concentrated in Chi-X, Turquoise and BATS-Europe, which account for 90% of the amount traded outside Spain. Ibex 35 shares are by far the most highly traded. Opening and closing auctions have thus far provided BME with a significant part of its share of the trading in order books, specifically 11.4 percentage points of a total of 72 in December 2016.

Both traditional stock markets and many competing platforms also report trading performed in systems without pre-trade transparency (see Table E2.1.1). The most active in this segment are also Chi-X, BATS-Europe and Turquoise, but here other operators also have a significant share, such as UBS MTF, Posit and Liquidnet. In fact, as indicated above, the data suggest that growth has been most intense in these segments. In the case of BME, we can also see that, taking into consideration total trading, its share in December 2016 stood at 48.4%, almost 24 percentage points higher than in the order book.

1 Directive 2004/39/EC of the European Parliament and of the Council, of 21 April 2004, on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council, and repealing Council Directive 93/22/EEC. The MiFID entered into force on 1 November 2007.

2 There are currently four MTFs registered in Spain: the Alternative Stock Market (equity securities issued by small and medium-sized companies), Latibex (trading in euros of Latin American securities), SENAF (fixed-income instruments) and the Alternative Fixed-Income Market (fixed income of small and medium-sized enterprises). All of these are operated by the BME group.

3 Order EHA/2054/2010, of 26 May, approving the amendment to the Regulation of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, approved by Order ECO/689/2003, of 27 March.

Trading on official markets operated by BME

As shown in Table 2.7, equity trading on official markets operated by BME is almost completely concentrated in the SIBE, also known as the electronic market. The amount traded in equity through this segment fell significantly: by almost a third on the previous year, to 643.19 billion euros.[7] The number of trades fell by 12.1%, thus recording two consecutive years of falls, to a little under 54.5 million. Similarly, the effective average amount per trade fell to 11,992 euros, 22.8% down on the previous year. Orders, which had grown significantly in recent years, also fell in 2016, in this case by 5.3%. Nevertheless, the orders/trades ratio once again rose, standing at 11.2 (10.4 in 2015). This new rise, together with a fall in the amount per trade suggests that algorithmic trading, including high-frequency trading, continues to grow, although at a seemingly more moderate rate. The rise in this type of trading generates a substantial increase in orders and applies downward pressure on the average size of the trades.[8]

Equity trading on markets operated by BME TABLE 2.7

Million euros

	2013	2014	2015	2016	% change 16/15
Total	**703,768.7**	**882,482.4**	**957,990.7**	**648,423.5**	**-32.3**
Official markets	**697,505.1**	**874,386.1**	**951,290.3**	**643,200.3**	**-32.4**
SIBE	**697,451.9**	**874,292.9**	**951,030.4**	**643,190.0**	**-32.4**
of which ETFs	4,283.9	9,849.4	12,633.8	6,045.2	-52.2
Open outcry	**51.4**	**92.5**	**246.1**	**7.4**	**-97.0**
Madrid	7.3	32.6	19.4	3.2	-83.4
Bilbao	0.1	14.3	7.5	0.0	-99.5
Barcelona	44.1	45.2	219.1	4.2	-98.1
Valencia	0.0	0.3	0.1	0.0	-82.9
Second market	**1.7**	**0.7**	**13.8**	**3.1**	**-77.2**
Alternative stock market (MAB)	**5,896.4**	**7,723.2**	**6,441.7**	**5,066.2**	**-21.4**
Latibex	**367.3**	**373.1**	**258.7**	**156.7**	**-39.4**

Source: CNMV.

Table 2.8 shows that there was a significant fall in the amount traded in all trading categories on the electronic market. The three main categories remain regular trading through orders (54% of the total), block trading (31%) and applications (11%).

7 This figure includes the trading of exchange-traded funds (ETFs), which rose to 6.05 billion euros.

8 An overview of the evolution of the average size of trades on the SIBE, the number of orders and the orders/trades ratio can be found in Exhibit 2.1 of the CNMV's 2013 Annual Report. The data for the period 2014-2016 clearly confirms the trend described in said exhibit, which is mainly associated with the impact of algorithmic trading, particularly high-frequency trading.

Trading on BME by type TABLE 2.8

Million euros

	2012	2013	2014	2015	2016	% change 16/15
Regular trading	658,891.4	668,553.2	831,962.6	903,397.2	614,798.3	-31.9
Order-based	299,022.0	346,049.6	453,294.9	475,210.0	346,980.9	-27.0
Applications	80,617.0	56,565.3	73,056.8	96,187.7	68,631.6	-28.6
Block trades	279,252.4	265,938.3	305,610.8	331,999.5	199,185.8	-40.0
Off-hours	9,630.0	7,654.7	7,568.9	3,137.9	2,196.1	-30.0
Other types	23,036.9	16,960.1	24,912.5	31,861.5	20,150.4	-36.8

Source: CNMV.

Stock market trading continued to be highly concentrated in a relatively low number of shares. As in 2015, five shares were sufficient to account for 50% of the effective amount traded on the SIBE, while 15 shares were sufficient to account for 75% (see Annex I.6 for further details). The shares with the highest level of trading were the two largest banks and the main telecommunications company, followed by a company in the textile sector and an electricity company (see Annex I.8). All the shares form part of the EuroStoxx 50.

2.4.2 Securities lending

In April, the special register of securities lending in force at that date was withdrawn as a consequence of the implementation of the first stage of the reform of the clearing, settlement and registry system. As from that moment, as established in Article 46 of Royal Decree 878/2015, of 2 October,[9] participating entities have to maintain an internal registry of securities lending, whether on their own account or on behalf of clients. Entities must reconcile, whenever requested by the CNMV and, at least, on a quarterly basis, the validity of the trading using securities lending in order to guarantee the accuracy of the outstanding balance of loaned and borrowed securities.

According to the now withdrawn special registry, margin trading using securities lending amounted to 207.89 billion euros over the first four months of the year, a period in which the market continued a predominantly downward trend, which might have stimulated this activity. There is no data available for the rest of the year.

9 Royal Decree 878/2015, of 2 October, on clearing, settlement and registration of negotiable securities represented in book-entry form, on the legal regime of central securities depositories and central counterparties and on transparency requirements of issuers of securities admitted to trading on an official secondary market.

Securities lending[1] TABLE 2.9

Million euros

	Outstanding balance [2]	Trading volume
2012	34,915.1	395,859.3
2013	43,398.9	464,521.5
2014	61,076.1	601,557.1
2015	79,952.8	691,486.7
2016[3]	92,662.6	207,894.2

Source: CNMV. (1) Regulated in Article 84 of Royal Legislative Decree 4/2015, of 23 October, approving the recast text of the Securities Market Act. (2) Total balance less amount of re-lending. (3) Up to April.

2.5 Takeover bids (OPAs)

Five takeover bids were authorised in 2016 with a potential amount of 1.68 billion euros (1.74 billion euros if we include previously-agreed acquisitions), a third of the amount recorded in the previous year. The transactions effectively performed stood at 50.72% of the potential amount. The list of takeover bids authorised last year is shown in Annex I.9.

The bid made by Audax Energía for Fersa Energías Renovables, S.A. was voluntary, while the other four bids were mandatory. These were the bids by the Mexican group Carso to take over Fomento de Construcciones y Contratas (FCC), Realia Business and Cementos Portland Valderrivas (CPV), plus the delisting bid of Inverfiatc made by its controlling shareholder. In addition, a transaction performed by FCC over Cementos Portland Valderribas was formalised as a delisting bid.

The two delisting bids authorised during the year established the possibility of requiring a squeeze-out subsequent to termination of the bid under the circumstances required by regulation. Accordingly, in the case of Inverfiatc, the bidder required the sale from all of the shareholders upon the bid receiving an acceptance higher than 90% of the shares included in the bid.

All the bids, including the voluntary bid, were made with payments in cash at the price classified as fair in accordance with applicable legislation. In the case of the delisting bids, the valuation rules used for setting the price were supported by means of an independent expert report.

In addition, in 2016 two exemptions from the obligation to make a takeover bid were approved: firstly, that requested by the English group Paragon with regard to the takeover, within a bankruptcy process, of the company Service Point Solution; and, secondly, the exemption from the mandatory takeover bid requested by the German group Siemens as a result of the controlling share reached in Gamesa Corporación Tecnológica, through the merger of the latter (acquirer) with Siemens Wind Holdco, S.L. (acquiree), in which the wind farm business of Siemens is concentrated.

Takeover bids TABLE 2.10

Million euros

	2012	2013	2014	2015	2016
Authorised[1]					
Number	3	6	7	9	5
Potential amount	1,402	395	478	5,049	1,682
Potential amount plus agreements prior to acquisition[2]	1,426	395	644	7,360	1,743
Carried out[3]					
Number	2	6	7	8	5
Amount	1,282	351	216	4,394	853
Amount plus agreements prior to acquisition[2]	1,306	351	382	6,705	914

Source: CNMV. (1) Authorised during the year. (2) Potential amount of takeover bids plus cash volume of acquisitions agreed prior to each bid. (3) All bids authorised during the year, even if completed in the following year, except where the bid was unsuccessful or was withdrawn. Does not include the amounts for squeeze outs.

2.6 Multilateral trading facilities

2.6.1 Latibex

The shares traded on Latibex performed positively in most of the quarters of the year compared with the falls in the previous year. This positive trend intensified in the second half of the year, driven by the improvement in expectations relating to Latin American economies, particularly Brazil, thanks to the recovery in commodity[10] and oil prices. The rise in the value of the Brazilian real also contributed to the improvement in share prices, which offset the negative impact of the depreciation of the Mexican peso and the Argentinean peso.[11] The two representative indices of Latin American shares associated with this MTF – FTSE Latibex All-Share and FTSE Latibex Top – rose by 71% and 67.8%, respectively. Brazilian companies have a predominant weighting in both indices. Shares tradable on Latibex must be previously registered in Iberclear. These shares currently only account for a very small part of the total admitted to trading for the different companies in the main Latin American market. Accordingly, in 2016 the market value of the shares traded on this MTF rose by 71% on the previous year to almost 243 million euros. However, this amount accounted for only 0.1% of the capitalisation of the companies in question. Most of the balance registered in Iberclear corresponded to Brazilian companies, which accounted for 86% of the total, followed by Mexican companies, which accounted for 8%. At year-end 2016, a total of 20 companies were listed on this market, one fewer than in the previous year. As shown by Table 2.11, the country with the highest number of companies remains Brazil, followed by Mexico, with ten and seven companies, respectively.

Despite the improvement in the value of the market in negotiable securities, effective trading fell once again, in this case by 39.4% to 156.7 million euros. Brazilian

10 The CRB commodity index rose by 21.9% in 2016.

11 The Brazilian real rose by 25.4% against the euro in 2016, while the Mexican and Argentinean pesos fell by 14.2% and 16% against the euro, respectively, in the same period.

and Mexican companies accounted for 88% and 11.5% of this amount, respectively. The trading of securities of Argentinean and Peruvian companies was very low.

Companies listed on Latibex, by country TABLE 2.11

Million euros

	No. of companies		Negotiable securities at market price[1]			Trading volume		
Country	2015	2016	2015	2016	% change	2015	2016	% change
Argentina	2	2	3.9	13.5	247.8	0.8	0.6	-26.8
Brazil	11	10	104.9	208.3	98.6	228.0	137.9	-39.5
Chile	0	0	0.0	0.0	–	2.4	0.0	-100.0
Colombia	0	0	0.0	0.0	–	1.0	0.0	-100.0
Mexico	7	7	32.8	19.9	-39.3	26.2	18.1	-31.0
Peru	1	1	0.5	1.1	135.1	0.4	0.2	-54.4
Total	**21**	**20**	**142.0**	**242.8**	**71.0**	**258.7**	**156.7**	**-39.4**

Source: CNMV. (1) Securities deposited in Iberclear.

2.6.2 The Alternative Stock Market (MAB)

The performance of the different MAB segments was uneven in 2016. As shown in Table 2.12, the segments of growth stocks, hedge funds and SOCIMIs (Spanish REIT companies) recorded growth both in number of listed companies and capitalisation. In contrast, the segment of SICAVs (investment companies) suffered falls, although it remains by far the largest segment. With regard to trading, there was a significant fall in growth stocks and SICAVs and significant rises, in relative terms, of the other two segments, although in this case the volumes were much lower.

The most positive trend undoubtedly corresponded to the SOCIMI segment, which has not stopped growing since its creation. In 2016, the number of entities of this type rose by 17, up to 28 companies, while their capitalisation grew by 131.7% to 3.32 billion euros, thus reflecting the recovery of the real estate sector. Through SOCIMIs, Spanish legislation adapted the real estate investment trusts (REITs) operating in other countries.[12] These vehicles have a particularly advantageous tax regulation, which exempts them from paying corporate income tax and allows them to enjoy a 95% credit on transfer tax and stamp duty. In return, they are required to distribute 80% of the profits obtained from rental income and 50% of the gains generated by the sale of assets. Their activities focus on the promotion, refurbishment and operation of leased real estate, holdings in other SOCIMIs and the performance of ancillary real estate activities. They are required to have a minimum capital of 5 million euros and be listed on a regulated market or multilateral trading facility.

The number of companies listed in the growth stock segment rose by five up to a total of 28. Capitalisation at year-end stood at over 2.15 billion euros, almost 19% up on 2015. However, the effective amount traded fell to 248 million euros, practically half the figure recorded in the previous year. The six companies that joined the market were Clerhp, in March; Atrys Health and Voztelecom Oiga360, in July; and

12 Law 11/2009, 26 October, regulating SOCIMIs.

Clever Global, Mondo TV Iberoamerica and Pangaea Oncology, in December. Seafood Global Processor was delisted in February.

Companies listed on MAB, by segment TABLE 2.12

Million euros

	No. of companies		Market capitalisation[1]			Trading volume		
	2015	2016	2015	2016	% change	2015	2016	% change
Growth stocks	34	39	1,811.8	2,154.6	18.9	453.6	247.8	-45.4
SICAV	3,372	3,256	33,644.8	32,691.5	-2.8	5,963.6	4,780.2	-19.8
Hedge funds	12	13	370.7	418.3	12.8	18.2	23.2	27.4
SOCIMIs	11	28	1,431.2	3,316.5	131.7	6.3	15.0	140.1
Total	**3,429**	**3,336**	**37,258.5**	**38,580.8**	**3.5**	**6,441.7**	**5,066.2**	**-21.4**

Source: CNMV. (1) Includes only the value of those entities for which there was trading during the year.

2.7 Exchange-traded funds (ETF)

The fall in equity trading also affected the ETF segment on the SIBE, where most funds are referenced to equity indices. Both the trading of the segment and the assets under management in ETFs fell to less than one half of the figures for the previous year. At year-end 2016, 21 ETFs were traded on Spanish markets, 37 fewer than in 2015, due to the disappearance of the least liquid funds. The ETFs traded were managed by three financial institutions: two French and one Spanish. The Spanish institution only had two funds.

Trading of ETFs listed on the SIBE fell by 52% to 6.04 billion euros, while their assets under management fell to 16.96 billion euros, 62.3% down on 2015. As in previous years, trading remained concentrated in a low number of funds referenced to the Ibex 35, which accounted for over 95% total amount.

Spanish operators continue to have a very low share of this collective investment segment, whose growth over recent years has been very high. According to data from the European Fund and Asset Management Association (EFAMA), at year-end there were only two ETFs established in Spain, both listed on the SIBE, whose assets only accounted for 0.1% of the total assets of Spanish CIS. In contrast, on the same date, 106 ETFs established in Germany and 268 in France, which accounted for 2.2% and 3.9%, respectively, of CIS assets in these countries, were active.[13] The number of ETFs listed on the SIBE is also very low compared with other similar countries, such as France, where a total of 477 funds of this type were listed, with total assets of around 103 billion euros.[14]

The vast majority of the ETFs traded on the SIBE follow passive management strategies based on index tracking. There are only a low number of inverse and leveraged funds which, however, concentrate a substantial part of the trade.

13 In Europe, the weighting of ETFs with regard to total CIS assets is much higher, particularly in Ireland (13.8%). In the United States, this percentage stood at 12.2%.

14 ETFs listed on Euronext Paris, including funds established in both France and in other countries.

3 Fixed income

As in the previous year, the context of low interest rates offered Spanish issuers a good opportunity to raise funds or to reduce the cost of their debt. However, the continuing deleveraging of the private sector and the reduction in the public deficit led to a fall in gross issues. Net issues were positive for public authorities and for non-financial companies and negative for the financial sector, although for the latter the gap between redemptions and funds raised was lower.

Issues registered with the CNMV rose slightly, with a noteworthy rise from the Asset Management Company for Assets Arising from Bank Restructuring (SAREB), which once again accounted for a significant part of the total issues registered. Although issues made abroad fell compared with the previous year, they continue to account for a significant portion of fixed-income issues in the private sector. In particular, the issuing activity of non-financial companies is mostly conducted abroad.

Spanish issuers, like issuers from other European countries, make a significant percentage of their issues in other jurisdictions outside their home country. As indicated in Exhibit 3.1, which offers the main conclusions of a comparative study, these issues have increased across the board in Europe. Although there are other factors involved in companies' decision on the country of issue, the CNMV is aware of the importance of economic and procedural costs. The CNMV will continue to strive to become more efficient in verifying prospectuses, in line with one of its strategic commitments for the two-year period 2017-2018: promoting the appeal and competitiveness of Spanish markets (see Exhibit 15.1).

Trading fell significantly in all secondary fixed-income markets, with a noteworthy fall in trading volumes of public debt in repos and sell-buybacks/buy-sellbacks, which in previous years had been used by financial institutions in order to obtain funding.

3.1 General overview

Fixed income yields in Spain followed a downward path for almost the entire year, in line with the trend seen in other markets of the Economic and Monetary Union, which was largely the result of the expansive monetary policy of the European Central Bank (ECB), which continued injecting abundant liquidity into the economy through an extension of the asset purchase programme and the long-term refinancing operations. As indicated in Chapter 1, it was only at the end of the year that long-term interest rates rose significantly, dragged by the increase in the return on US bonds following the US presidential election and the increase in the Federal funds rate. In contrast, short-term interest rates not only remained negative, but they ended the year below the figure for year-end 2015, which reflects the solid expectations of continuity in the ECB's monetary policy in the coming months.

The persistence of low interest rates once again offered a favourable framework for obtaining financing or restructuring debt in more favourable conditions using primary markets. However, the predominance of the deleveraging strategies of the private sector and the reduction of the deficit in the public sector continued putting downward pressure on issuing activity. Both sectors also benefited from the growth in the economy, which allowed them to generate greater resources and increase their self-financing capacity. In this context, gross issues of securities, including issues made both in Spain and abroad, fell by 5.3%. As shown in Table 3.1, the greatest reduction corresponded to public authorities (-6.8%), which, however, were once again the most active, accounting for 53.0% of total gross issues.

The public authorities' need for funding once again translated into net positive issues for this sector although with a significant fall compared with 2015 (-40.1%). In contrast, in the private sector, where financial institutions continue to account for the bulk of gross issues (94% of the nominal amount), net issues were clearly negative due to the clear predominance of redemptions over the raising of funds in these institutions, although the difference fell considerably compared with the previous year. Non-financial companies also raised net funds, although with a fall of 22.2% on the previous year. These companies continued conducting most of their issues abroad.

The SAREB maintained a significant presence in the primary fixed-income market. Its bond issues accounted for around one quarter of long-term private fixed-income securities registered with the CNMV. These issues are fully subscribed by its members and are used to refinance the maturities of previous issues.

As shown in Table 3.2, all official secondary fixed-income markets recorded falls in traded volumes. The most significant fall corresponded to the public debt book-entry market, which is the market that traditionally concentrates the highest volume of trading. Within this market, the largest falls once again took place in trading of State *bonos* [bonds] and *obligaciones* [debentures] (see Table 3.3). Some of the key reasons explaining the downward trend in this trading are the intensity of the reduction in State issues of long-term debt and the lower interest of financial institutions in using sell-buybacks/buy-sellbacks based on these instruments, given the reduced need for financing, the availability of alternatives and the impact of the ECB's public sector purchase programme, which has led to the withdrawal of a significant volume from the market. As occurred in 2015, the most common type of trading was outright trading, while the weighting of sell-buybacks/buy-sellbacks once again fell.

Issues and outstanding balances: breakdown by issuer

TABLE 3.1

Nominal amount in million euros

	Amount[1]		Change (%)	*Pro memoria*: euro area	
	2015	2016	16/15	2016	% change 16/15
Gross issues[2]	**449,821**	**425,999**	**-5.3**	**6,503,294**	**-2.0**
Public authorities	241,990	225,621	-6.8	2,373,505	-3.6
Financial institutions	196,369	188,207	-4.2	3,546,120	-2.1
Non-financial companies	11,461	12,170	6.2	583,669	5.8
Net issues[2]	**-50,888**	**-34,420**	**32.4**	**4,159**	**-90.7**
Public authorities	45,334	27,161	-40.1	149,055	15.0
Financial institutions	-101,333	-65,559	35.3	-220,927	-64.2
Non-financial companies	5,111	3,978	-22.2	76,031	52.9
Outstanding balances[3, 4]	**1,649,811**	**1,646,269**	**-0.2**	**16,495,957**	**-0.2**
Public authorities	895,618	922,875	3.0	7,813,439	2.0
Financial institutions	727,158	692,356	-4.8	7,490,302	-3.3
Non-financial companies	27,034	31,038	14.8	1,192,216	6.8

Source: Bank of Spain, CNMV and ECB. The data for the debt of public authorities in this table are not directly comparable with the data drawn up according to the Excessive Deficit Protocol, mainly due to the fact that the latter methodology excludes securities held in the portfolios of public authorities and includes currency swaps. (1) Includes issues by Spanish companies in Spain and abroad. Does not include issues of subsidiaries of Spanish companies abroad. (2) For currency issues of public authorities, the exchange value in euros is used by applying the average exchange rate for the month published by the ECB. For currency issues of financial institutions and non-financial companies, the exchange value in euros is used by applying the exchange rate for the last day of the month published by the ECB. (3) For the outstanding balances of currency issues, the exchange value in euros is used by applying the exchange rate of the ECB at the end of the period. (4) Outstanding balances cannot be adjusted with net issues because of the use of different exchange rates for currency issues.

In the case of AIAF (Spanish market in fixed-income securities), where the bulk of private fixed-income securities are traded, the fall in trading recorded in 2016 extends the trend seen over recent years, which is largely explained by the fall in the activity of the primary market, particularly by the financial sector. For its part, the fixed-income trading volume in stock markets was very low and was mostly limited to the trading of debt guaranteed by regional governments.

Trading on official secondary markets

TABLE 3.2

Nominal amount in million euros

By market	2012	2013	2014	2015	2016	% change 16/15
Public debt book-entry	14,425,644	15,113,111	17,249,782	12,495,548	10,470,946	-16.2
AIAF	3,119,755	1,400,758	1,118,964	521,854	169,659	-67.5
Stock markets	60,149	46,159	49,072	24,238	6,279	-74.1
Total	**17,605,548**	**16,560,028**	**18,417,818**	**13,041,640**	**10,646,884**	**-18.4**

Source: CNMV and Bank of Spain.

3.2 Public debt

3.2.1 Primary market

Net issues by public authorities in 2016 amounted to 225.62 billion euros, 6.8% down on the previous year. The fall was concentrated in the central government, whose issues, which accounted for 97.8% of the total, fell by 7.2%. In contrast, issues by regional governments rose by 20.3% to 4.87 billion euros, while local authorities, as in 2015, did not make any issues (see Annex I.11).

As indicated, the improvement in the public deficit led to a new fall in net issues by public authorities, specifically by 40.1% (4.9% in 2015 and 38.8% in 2014), to 27.16 billion euros. The bulk of this reduction also came from the central government, which raised 29.71 billion euros net of redemptions, 43% less than in the previous year. Issues by regional governments were negative (-2.55 billion euros), with the absolute value falling by 62.5% on 2015.

Long-term issues accounted for 55% of the nominal amount of gross issues by public authorities, while short-term issues accounted for 45%. Long-term issues fell significantly, by 13.6%, while short-term issues rose slightly, by 3.2%. However, once redemptions are taken into account, the increase in financing by public authorities through fixed-income instruments came almost exclusively from long-term issues (for further details see Annex I.12).

3.2.2 Secondary market

Public debt book-entry market, AIAF and stock markets

The public debt issued by public authorities is admitted to trading on three official markets: the public debt book-entry market, AIAF and stock markets.

Trading in the first of these markets, which last year accounted for over 99% of total trading, fell significantly for the second consecutive year with the traded amount standing at 10.5 trillion euros, 16.2% down on 2015 and almost 40% down on 2014. As shown in Table 3.3, the fall mainly took place in trading of long-term public debt (State *bonos* and *obligaciones*), which fell by 20.7% to 8.4 trillion euros. As in 2015, there was a particularly noteworthy fall in the segment of sell-buybacks/buy-sellbacks (almost 1.3 trillion euros less than the previous year), although there were also falls in outright trading and repos (616 billion euros and 296 billion euros less, respectively). Trading in these segments was particularly affected by the fall in issue volumes over recent years, which has been sharper in long-term debt, as well as financial institutions' lower use of repos and sell-buybacks/buy-sellbacks to finance themselves and obtain collateral that can be used in Eurosystem refinancing operations. It may also have been affected by the ECB's assets purchase programme,[1] which has withdrawn a significant amount of public debt securities from the market.

1 Public Sector Purchase Programme. This programme, which the ECB began in March 2015, purchased Spanish public debt in 2016 in an amount of 93.51 billion euros with an average maturity slightly over nine years.

In contrast with long-term debt, trading in Treasury Bills rose by 8.2% to 2.0 trillion euros. Within these segments, outright trading and trading in sell-buybacks/buy-sellbacks grew significantly (with growth of 271 billion euros and 136 billion euros on 2015, respectively), while trading in repos suffered a considerable fall (241 billion euros less). The relative weighting of trading in Treasury Bills in the total amount traded in State debt rose from 15% in 2015 to 20% in 2016.

Trading on the public debt book-entry market

TABLE 3.3

Million euros

	2012	2013	2014	2015	2016	% change 16/15
Treasury bills	**2,954,645**	**2,781,259**	**2,065,348**	**1,906,129**	**2,062,857**	**8.2**
Outright	831,616	911,021	744,129	740,712	1,002,823	35.4
Spot	815,335	891,504	719,427	728,015	998,847	37.2
Futures	16,281	19,518	24,702	12,696	3,976	-68.7
Repos	682,733	553,084	553,603	573,665	332,693	-42.0
Sell-buybacks/Buy-sellbacks	1,440,296	1,317,155	767,616	591,752	727,342	22.9
Bonds and debentures	**11,418,697**	**12,283,376**	**15,148,649**	**10,565,189**	**8,377,876**	**-20.7**
Outright	4,064,927	4,414,951	5,947,404	5,649,145	5,032,854	-10.9
Spot	3,932,284	4,193,827	5,598,368	5,373,935	4,866,938	-9.4
Futures	132,643	221,124	349,035	275,209	165,916	-39.7
Repos	2,259,542	2,268,423	2,835,524	1,302,585	1,006,800	-22.7
Sell-buybacks/Buy-sellbacks	5,094,228	5,600,001	6,365,722	3,613,459	2,338,221	-35.3
Debt of regional governments and other public institutions	**52,303**	**48,476**	**35,785**	**24,230**	**30,213**	**24.7**
Outright	17,538	29,008	32,439	20,576	18,167	-11.7
Spot	15,223	25,906	24,906	15,965	15,001	-6.0
Futures	2,315	3,102	7,533	4,611	3,166	-31.3
Repos	32,602	13,449	2,570	624	10,167	1,529.3
Sell-buybacks/Buy-sellbacks	2,163	6,019	776	3,030	1,879	-38.0
Total	**14,425,644**	**15,113,111**	**17,249,782**	**12,495,548**	**10,470,946**	**-16.2**

Source: Bank of Spain.

By transaction type, outright trading remained the most important in terms of volume, followed by sell-buybacks/buy-sellbacks and repos. Despite recording a fall of 5.6%, the relative weighting of outright trading in total trading in the market rose from 51.3% in 2015 to 57.8% in 2016. The fall in trading was significantly higher in sell-buybacks/buy-sellbacks (27.1%) and their relative weighting fell from 33.7% to 29.3% of the total. Trading in repos fell by 28.1% and accounted for only 12.9% of total trading (15% in 2015).

Debt trading between account holders fell for the second consecutive year, specifically by 13.4% (46% compared with 2014) to 4.4 trillion euros. The rest of the trading, 6.0 trillion euros, corresponded to trading between account holders and third parties, whose trading fell by 18.1% and dropped to 57.9% of the market total (for further details see Annexes I.13 and I.14).

The trading of public debt on AIAF and the stock markets totalled 4.77 billion euros, less than one fifth of the total traded in 2015, following a fall of 82.7%. The bulk of the fall took place in the stock markets, mainly in the segment of regional government debt, which dropped by 85.7%. Trading on AIAF also fell significantly, specifically by 70.6%, to 1.5 billion euros as a result of the fall in trading of the debt issued by public companies.

Trading of public debt on AIAF and on stock markets TABLE 3.4

Million euros

By market	2012	2013	2014	2015	2016	% change 16/15
AIAF	**92**	**177**	**264**	**5,112**	**1,502**	**-70.6**
Treasury Bills	0	12	31	30	8	-72.1
State *bonos* and *obligaciones*	0	144	213	233	112	-52.1
Regional government *bonos* and *obligaciones*	0	0	0	0	0	–
Local authority *bonos* and *obligaciones*	1	4	0	0	0	–
State entity *bonos* and *obligaciones*	29	6	0	4,828	1,377	-71.5
Other public body *bonos* and *obligaciones*	62	11	20	21	6	-71.7
Stock markets	**55,223**	**41,363**	**42,848**	**22,498**	**3,262**	**-85.5**
Treasury Bills	18	12	0	0	0	–
State *bonos* and *obligaciones*	1,171	102	0	0	0	–
Regional government *bonos* and *obligaciones*	52,820	40,100	42,048	21,747	3,103	-85.7
Local authority *bonos* and *obligaciones*	136	51	0	5	0	-100.0
State entity *bonos* and *obligaciones*	0	0	0	0	0	–
Other public body *bonos* and *obligaciones*	1,079	1,099	800	746	159	-78.7
Total	**55,315**	**41,539**	**43,112**	**27,609**	**4,765**	**-82.7**

Source: CNMV.

SENAF

SENAF (Electronic System for Trading in Financial Assets) is a multilateral trading facility operated by BME and used for wholesale trading of State debt in the form of spot trading, repos and sell-buybacks/buy-sellbacks. Assets listed on AIAF with a State guarantee are also traded on this platform. Trading, which is limited to institutional members admitted to the multilateral trading facility (MTF), is blind in that the counterparty is not identified. The amount traded in 2016 rose by 61% to 174.82 billion euros. 15,808 trades were performed, 29% up on the previous year. Trading with Treasury Bills accounted for almost 60% of the total amount traded.

3.3 Private fixed income

3.3.1 Primary market

Gross private fixed-income issues registered with the CNMV in 2016 amounted to 139.03 billion euros in 2015, a rise of 1.8% on 2015, with three consecutive years of slight increases. The bulk of the issues (around 95%) came from financial institutions, whose activity in the primary market was set by the continuing de-leveraging process of the Spanish economy, which was in turn set by the demand for credit and the ease in obtaining funding from the ECB through TLTRO.[2]

Long-term securities accounted for 83.5% of the total registered with the CNMV (74.2% and 80% in 2014 and 2015, respectively), while commercial paper accounted for 16.5%. With regard to long-term securities, there was little change in the volumes issued in the different instruments, with the most noteworthy being a 25% increase in securitisation bonds. With regard to commercial paper, the amount of programmes registered in 2016 fell by 15.9%. As shown in Table 3.5, the instruments with the greatest relative weight in the total amount registered with the CNMV were once again non-convertible bonds and debentures (28.9%), followed by securitisation bonds (25.5%), mortgage covered bonds (22.8%) and commercial paper (16.5%).

Issues of non-convertible bonds and debentures rose by 2.7% to 40.17 billion euros. Issues performed by the SAREB, which amounted to 30.8 billion euros, accounted for 76.7% of the total (68.6% in 2015). If we exclude these issues, the amount of bonds and debentures registered by other issuers fell by 24.3% to 9.37 billion euros. Of this amount, 2.5 billion euros (26.7%) corresponded to structured bonds, the issue of which was once again encouraged by the persistence of very low interest rates and the desire of investors to obtain higher returns.

The issued amount of mortgage covered bonds was similar to 2015 (31.64 billion euros compared with 31.38 billion euros), while the issued amount of territorial bonds fell by 30.3% to 7.25 billion euros. The issuing activity of both types of instruments continues to benefit from the positive effect on issue costs of the third covered bonds purchase programme implemented by the ECB.[3] However, in the former case this was limited by the evolution of mortgage credit, given the deleveraging of households, and in the latter case by the borrowing restrictions placed on regional governments and local authorities.

Issues of securitisation bonds grew by 25.2% to 35.51 billion euros, the highest volume since 2011. There was a significant change in the issues in 2016 with regard to the assets used as collateral, with a fall in securitisations of corporate loans and growth in mortgage-backed assets. Accordingly, while the registered amount of the latter rose by 107.4% to 55.3% of the total (33.3% in 2015), those backed by corporate loans fell by almost one half (-46.9%), and accounted for only 21.1% of the total (49.8% in the previous year). Securitisation bonds backed by debt securities for financing the electricity deficit accounted for 6.5% of the total of issued securitisation bonds (6.4% in 2015). There is also a specific ECB programme for purchasing securitisation bonds,[4] but its impact on issued volumes and issue prices is more limited that in the case of covered bonds. Annexes I.19 y I.20 provide additional information on securitisation bond issues registered with the CNMV.

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2 Targeted Longer-Term Refinancing Operations.

3 This programme, which the ECB implemented in October 2014, accumulated purchases of covered bonds in an amount of 203.52 billion euros up to December 2016. Of this amount, 29.7% (60.48 billion euros) corresponded to purchases made in primary markets.

4 Asset-Backed Securities Purchase Programme. This ECB programme, which was activated in November 2014, accumulated purchases of asset-backed securities of 22.83 billion euros up to December 2016, of which 37% (8.35 billion euros) were made in primary markets.

Gross issues registered at the CNMV: breakdown by instrument

TABLE 3.5

Nominal amount in million euros

	2012	2013	2014	2015	2016
Long-term	**224,948**	**94,848**	**96,604**	**109,298**	**116,066**
Non-convertible bonds and debentures	86,442	32,537	41,155	39,100	40,168
Subordinated debt	0	0	1,000	500	512
Convertible bonds and debentures	3,563	803	750	53	0
Mortgage covered bonds	102,170	24,800	23,838	31,375	31,643
Territorial bonds	8,974	8,115	1,853	10,400	7,250
Securitisation bonds	23,800	28,593	29,008	28,370	35,505
asset-backed (ABS)	23,800	28,593	29,008	28,370	35,505
mortgage-backed (MBS)[1]	0	0	0	0	0
Preferred shares	0	0	0	0	0
Other issues	0	0	0	0	1,500
Short term [2]	**132,882**	**43,991**	**33,654**	**27,310**	**22,960**
Commercial paper	132,882	43,991	33,654	27,310	22,960
asset-backed	1,821	1,410	620	2,420	1,880
Total	**357,830**	**138,839**	**130,258**	**136,607**	**139,026**

Source: CNMV. (1) Issued by mortgage securitisation funds. (2) The figures for commercial paper issues correspond to the amounts placed.

As in previous years, entities continue to retain the bulk of the securitisation bonds issued (77.9% compared with 85.9% in 2015) largely due to the difficulty in placing them in the markets. This highlights the need to provide incentives to the securitisation market as a basic aspect for reactivating, in turn, the credit market, for which it is essential to recover investor confidence. This is the opinion of the European Commission on including in its Capital Markets Union project initiatives aimed at developing simpler, more transparent and standardised securitisations. The success of these initiatives is of the utmost interest so as to reactivate the securitisation market.

The downward trend in commercial paper of recent years continued both in the amount of the programmes and the issues registered. As indicated, the figure for 2016 (22.96 billion euros) was 15.9% down on the figure recorded in 2015. Within this segment, asset-backed commercial paper issues fell by 22.3% to 1.88 billion euros. Only one entity issued this type of commercial paper.

Annexes I.16, I.17 and I.18 provide further details about private fixed-income issues registered with the CNMV.

The amount of fixed-income issues performed by Spanish issuers abroad – and therefore not registered with the CNMV – fell by 11.7% to 58.59 billion euros. This fall, which took place following two years of consecutive growth, was mainly due to the 18.3% fall in issues of commercial paper, which accounted for 46% of total issues abroad. The most significant long-term issues were once again bonds and debentures (28.12 billion euros), which were almost unchanged on the figure for 2015. Companies, mainly non-financial companies, use these instruments to take advantage of the good financial conditions still prevailing in international markets for issuing long-term debt (see Table 3.6).

Gross private fixed income issued by Spanish issuers in foreign markets

TABLE 3.6

Nominal amount in million euros

	2012	2013	2014	2015	2016	% change 16/15
Long-term	**50,123**	**34,299**	**35,281**	**33,362**	**31,655**	**-5.1**
Preferred shares	0	1,588	5,602	2,250	1,200	-46.7
Subordinated debt	307	750	3,000	2,918	2,333	-20.0
Bonds and debentures	49,816	31,961	26,679	28,194	28,122	-0.3
Securitisation bonds	0	0	0	0	0	–
Short-term	**41,593**	**13,400**	**21,441**	**32,984**	**26,932**	**-18.3**
Commercial paper	41,593	13,400	21,441	32,984	26,932	-18.3
asset-backed	11,590	0	0	0	0	–
Total	**91,716**	**47,699**	**56,722**	**66,347**	**58,587**	**-11.7**

Source: Bank of Spain.

Development of debt issues abroad of several European countries

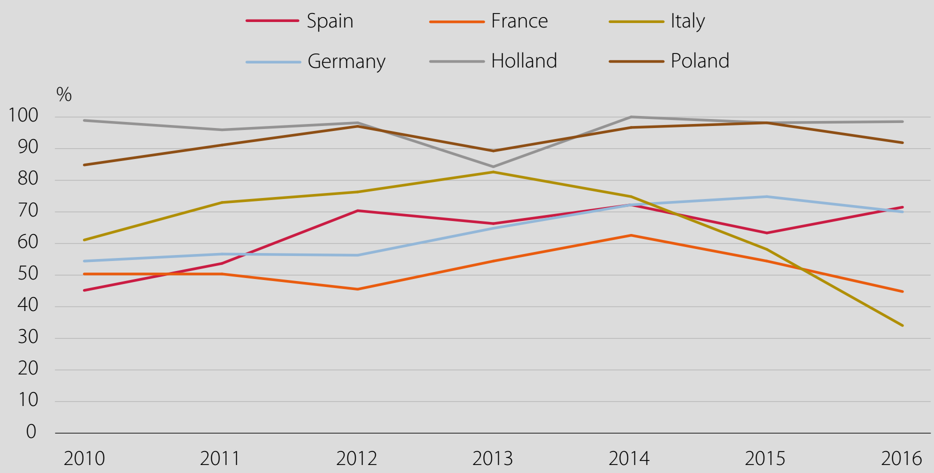
EXHIBIT 3.1

Over recent years, there has been a certain perception that Spanish issuers are gradually increasing their debt issues in foreign markets. Entities can make the decision to issue abroad for various reasons: some of these would be purely related to the lower costs (economic and procedural) associated with issue processes in other jurisdictions, others will be related to the existence of a set of investors that is more appropriate for the type of issue to be made, and there may also be more irrational reasons (for example, cluster phenomena). The CNMV has analysed the evolution over recent years of debt issues abroad for a sample of European countries, including the issues of subsidiaries abroad of national entities in said countries, in order to verify empirically the aforementioned perception and to check, as the case may be, whether it is a phenomenon limited to Spanish issuers or a trend that can be also be seen in other European jurisdictions. This exhibit presents the main conclusions.

For the analysis, a sample of six European countries has been taken (Spain, France, Germany, Italy, Holland and Poland) and information on long-term debt issues from the Dealogic database between 2010 and 2016 has been used. The debt types considered are: bonds, covered bonds, medium-term notes and asset-backed securities. The work undertaken has revealed the following trends:

– General increase in corporate debt issues abroad. Between 2010 and 2016, the proportion of these issues with regard to the total stood above 60% on average in Germany, Holland and Spain, and above 50% in Italy. In the case of Holland, in addition, almost all issues were made outside the domestic market in the period under consideration. The trend in the proportion of issues abroad is generally growing. Only in Italy and France can we see falls over the last two years, although this may perhaps simply be explained by the method used to classify issues.[1]

Percentage of long-term corporate debt issues abroad FIGURE E3.1.1



Source: Dealogic and CNMV.

– By asset type, bonds classified as investment grade (IG) are those which are most often issued abroad. On average between 2010 and 2016, the proportion of IG bonds issued abroad was higher than 90% in Italy, 80% in Spain, 70% in Germany and 60% in France. In Italy and, to a lesser extent, in France, the issue of high-yield bonds is also high. In contrast, covered bonds, which include Spanish mortgage covered bonds and territorial bonds, are instruments that are typically issued in domestic markets.

– By sector, we can see a major difference between the proportion of issues abroad made by financial institutions and by non-financial companies. The former issue, on average, almost half of their issues abroad, while the latter issue a much higher proportion abroad: in certain non-financial sectors, this proportion stands at between 90% and 100% (for example, communications, utilities and oil). This behaviour may be due to the fact that the domestic market is a natural market for some instruments traditionally issued by financial institutions, such as covered bonds. In addition, in the years subsequent to the onset of the financial crisis in 2008, a significant proportion of debt issues made by these entities were made to discount these instruments in the ECB and obtain funding and it therefore makes little sense to perform these issues abroad. Non-financial companies, which basically aim to raise funds in the wholesale market under the best conditions, are more prone to seek out the advantages that may be offered by issuing abroad.

– With regard to the importance of foreign markets, it should be pointed out that most of the issues made abroad are traded in Luxembourg (60% of the total) and, to a lesser extent, in Ireland (6%), which tends to be a market for shorter-term instruments. In the case of Spain, we can see that although the percentage of issues that are traded in Luxembourg is higher than the percentage traded in Ireland, the significance of the latter has increased significantly since 2014. Also noteworthy is the United Kingdom, which concentrates 20% of the volume of foreign issues.

In view of these results, we can conclude that the internationalisation of debt issues, basically by non-financial companies, is a trend that is taking place not only in Spain, but at a Europe-wide level. Although the development over time seems to indicate that this trend may be consolidated in the near future, we cannot rule out that some of the issuers who are currently issuing in the United Kingdom may return to their home markets in the coming years as a consequence of Brexit. There is no doubt that entities will continue making issues where they find an appropriate set of investors and where procedures are less costly. The CNMV will therefore continue striving to increase its efficiency in processing issues. It should be pointed out that one of the four strategic lines undertaken by the CNMV for the two-year period 2017-2018 is specifically to promote the appeal and competitiveness of Spanish securities markets (see Exhibit 15.1 for further details).

1 This study has considered as issues made abroad those performed by issuers of a certain nationality whose ISIN contains a country code that does not correspond with said nationality, i.e., where the instruments have been admitted to trading on a market of a country that does not correspond to that of the issuer. In the case of Italy and, to a lesser extent, France, we can see a significant number of cases in which there is no match between the country of issue of the asset and that of admission, i.e., issues with an ISIN that starts with IT or FR but which are listed outside their home markets.

3.3.2 Secondary market

AIAF and stock markets

Private fixed-income issues in Spain are traded on two official secondary markets: AIAF and the stock markets, although the bulk of trading and the outstanding balance (over 99%) is concentrated in the former. The outstanding balance of fixed-income securities admitted to trading on both markets totalled 510.87 billion euros, 4.2% down on 2015. This balance therefore continues falling, but at a slower rate than in previous years, as the consolidation and deleveraging processes in the financial sector, which is responsible for most of the issues, are now less intense. The outstanding balance of securities admitted to trading on AIAF amounted to 509.6 billion euros at the end of the year, 4.2% down on the balance recorded at year-end 2015. As shown in Table 3.7, this fall was mainly concentrated in securitisation bonds, mortgage covered bonds and, to a much lesser extent, territorial bonds. The outstanding balance of commercial paper rose by 6.4%. As in previous years, securitisation bonds continued to be the securities with the greatest relative weighting in the outstanding balance admitted to trading (43%), followed by mortgage covered bonds (36.6%).

Issuers, issues and outstanding balances of private fixed income on AIAF

TABLE 3.7

Nominal amount in million euros

	No. of issuers		No. of issues		Outstanding balance		
	2015	2016	2015	2016	2015	2016	% change 16/15
Commercial paper	16	14	392	333	15,173	16,149	6.4
Bonds and debentures	349	328	1,856	1,876	294,591	279,646	-5.1
Securitisation bonds	278	278	966	956	222,100	218,953	-1.4
Mortgage covered bonds	44	43	238	234	194,073	186,528	-3.9
Territorial bonds	9	9	32	28	27,586	26,887	-2.5
Matador bonds	7	6	7	6	447	387	-13.4
Total	**383**	**372**	**2,525**	**2,525**	**531,870**	**509,597**	**-4.2**

Source: AIAF and CNMV.

On the stock markets, the outstanding balance of private fixed income admitted to trading fell by 14.7% to 1.27 billion euros. All of this balance corresponded to issues by the financial sector (see Table 3.8).

Issuers, issues and outstanding balances of private fixed income on stock markets

TABLE 3.8

Nominal amount in million euros

	No. of issuers		No. of issues		Outstanding balance		
	2015	2016	2015	2016	2015	2016	% change 16/15
Financial institutions	11	8	43	27	1,490	1,270	-14.7
Credit institutions	0	0	0	0	0	0	–
Other financial institutions[1]	11	8	43	27	1,490	1,270	-14.7
Non-financial companies	0	0	0	0	0	0	–
Barcelona Stock Exchange	11	8	43	27	1,490	1,270	-14.7
Bilbao Stock Exchange	1	1	2	1	107	90	-15.7
Madrid Stock Exchange	1	1	2	1	107	90	-15.7
Valencia Stock Exchange	1	1	2	1	107	90	-15.7
Total	**11**	**8**	**43**	**27**	**1,490**	**1,270**	**-14.7**

Source: Stock markets and CNMV. (1) Includes the European Investment Bank and the securitisation bonds guaranteed by the Generalitat de Catalunya (Regional Government of Catalonia).

Total trading on AIAF and the stock markets amounted to 169.67 billion euros, 67.3% down on the previous year. 99.1% of total trading was conducted on AIAF, where trading fell by 67.5% on 2015 and reached its lowest level over recent years. This fall affected every segment, but was sharper for territorial bonds (88.6%) and securitisation bonds (79.4%). The fall in commercial paper was more moderate (34%). Trading of matador bonds remains very low.

With regard to transaction type, outright trading became the most common type, to the detriment of sell-buybacks/buy-sellbacks, which had been the most important in terms of volume over recent years. The former account for 75.3% of the total amount traded (45.3% in 2015), while the latter only accounted for 22.3% (51.8% in 2015). Sell-buybacks/buy-sellbacks had been closely linked in previous years to the financing of financial institutions with the Eurosystem, and particularly the cash operations conducted in the market by the General Secretariat of the Treasury and Financial Policy. The former has fallen as a result of the lower financing needs of financial institutions, while the Treasury has cut this type of activity to a minimum.

Own account trading accounted for 31.1% of trading on AIAF, while trading with third parties accounted for 68.9%. These percentages stood at 63.5% and 36.5%, respectively, in 2015. There was therefore a significant turnaround last year in the relative importance of both types of trading, with trading with third parties becoming the most important. Own account trading fell by 84% on the previous year to 52.27 billion euros (see Annex I.21). Despite recording a significant fall (83.4%), mortgage covered bonds became the most traded asset in this type of trading, overtaking securitisation funds, which suffered an even greater fall of 91.5%. The former accounted for 33% of the amount traded between account holders, while securitisation bonds accounted for 19.8%. Trading of commercial paper accounted for 19.1%.

Fixed-income trading on AIAF TABLE 3.9

Nominal amount in million euros

By type of asset	2012	2013	2014	2015	2016	% change 16/15
Commercial paper	199,795	112,560	48,817	31,346	20,684	-34.0
Bonds and debentures	1,329,754	859,492	611,566	251,412	63,011	-74.9
Securitisation bonds	1,136,966	538,065	341,828	177,844	36,555	-79.4
Mortgage covered bonds	994,071	341,674	376,273	187,202	79,116	-57.7
Territorial bonds	595,600	86,759	82,023	46,711	5,329	-88.6
Matador bonds	443	97	21	71	11	-84.3
By type of transaction						
Outright	428,746	290,457	396,077	234,085	126,590	-45.9
Repos	108,772	69,063	29,800	14,891	4,144	-72.2
Sell-buybacks/Buy-sellbacks	2,582,145	1,041,061	692,822	267,766	37,418	-86.0
Total	**3,119,663**	**1,400,581**	**1,118,700**	**516,742**	**168,152**	**-67.5**

Source: AIAF and CNMV.

Trading with third parties fell by 38.6% to 115.89 billion euros as a result of the fall in trading of securitisation bonds and mortgage covered bonds (52.9% and 25.7%, respectively, on 2015). Territorial bonds fell by 77.3%, although the fall was considerably lower in amount.

The *Sistema Electrónico de Negociación de Deuda* (electronic debt trading system, SEND) is an electronic platform for trading debt listed on AIAF aimed at retail investors, which subsequently incorporated trading of all assets issued by the Treasury. In 2016, trading in SEND fell for the third consecutive year to 759.9 million euros, compared with 898 million euros in 2015. Of this amount, 635.6 million euros corresponded to trading of corporate debt, a similar level to the previous year, while trading in public debt stood at 124.3 million euros, a fall of 52%.

Finally, fixed-income trading in stock markets decreased to 1.51 billion euros (a fall of 13%) and accounted for only 0.9% of total private fixed-income trading (AIAF plus stock markets). Only the Barcelona stock market recorded trading, mainly in securitisation bonds.

Private fixed-income trading on the stock markets TABLE 3.10

Nominal amount in million euros

	2012	2013	2014	2015	2016	% change 16/15
Financial institutions	4,896	4,792	6,580	1,741	1,514	-13.0
Credit institutions	712	1,743	849	19	0	-100.0
Other financial institutions[1]	4,183	3,049	5,731	1,722	1,514	-12.1
Non-financial companies	22	4	0	0	0	-
Barcelona Stock Exchange	3,477	4,057	5,793	1,723	1,514	-12.1
Bilbao Stock Exchange	3	4	1	0	0	-
Madrid Stock Exchange	1,079	401	142	7	0	-100.0
Valencia Stock Exchange	359	335	644	11	0	-100.0
Total	**4,918**	**4,796**	**6,580**	**1,741**	**1,514**	**-13.0**

Source: Stock markets and CNMV. (1) Includes the European Investment Bank and the securitisation bonds guaranteed by the Generalitat de Catalunya (Regional Government of Catalonia).

Alternative Fixed-Income Market (MARF)

The MARF is a market aimed at the financing of SMEs by issuing fixed-income securities. This market, which operates as a multilateral trading facility, is aimed at institutional investors.

The nominal amount placed through MARF in 2016 totalled 2.2 billion euros, almost three times more than in 2015. The bulk of this amount (1.78 billion euros, 80.8% of the total) corresponded to commercial paper issues made by 10 issuers in 215 placements. Bond issues amounted to 422.1 million euros, made by 10 issuers in 13 placements, a figure slightly above the 383 million of the previous year. The market therefore continued to attract, above all, issues of commercial paper due to the flexibility that they offer to issuers. The growth of the segment of medium and long-term bonds started to slow down as companies were able to access traditional bank financing with greater ease and in better conditions than in previous years.

Most of the trades with securities admitted to MARF are performed over-the-counter (OTC), with the secondary market activity performed in the MTF being very low. Accordingly, only 15 trades were recorded, for a nominal amount of 1.5 million euros (1.9 million euros in 2015), which corresponded to bonds and debentures. The outstanding balance admitted on this market totalled 1.34 billion euros, corresponding to 51 issues, at year-end 2016. Of this amount, 209 million euros corresponded to commercial paper, 1.06 billion euros to bonds and debentures (issued between 2013 and 2016), while the rest, 68 million euros, corresponded to securitisation bonds.

4 Derivatives markets

There were no major quantitative changes in Spanish organised derivatives markets in 2016 compared with the previous year. However, the two existing markets moved in opposite directions. While in MEFF Exchange (financial derivatives and electricity contracts), there was a slight rise in the number of traded contracts in financial derivatives – despite the virtual disappearance of future contracts on the 10-year Spanish sovereign bond – in the stock market for warrants and certificates, both trading activity and the volume issued in the primary market in 2016 fell with regard to the previous year.

4.1 MEFF Exchange

4.1.1 Financial derivatives

The trading volume of derivative products in international organised markets reached a record in 2016 with a total of 25.22 billion contracts traded (1.7% up on 2015). However, the two main segments in the market performed very differently: while the number of future contracts traded grew for the fifth consecutive year, the number of options fell considerably, in line with the trend seen since 2011.

By geographic area, trading volume rose in all regions except Asia Pacific, where the number of traded contracts stood at 9.18 billion (5.3% down on 2015) mainly as a result of the fall in options markets. Nevertheless, Asia Pacific remains the region that records the highest volumes, with a global share of 36%. Both in North America and in Europe, where trading grew by 4.8% and 8%, respectively, the number of contracts reached a record high of 8.59 billion in the former region, and 5.18 billion in the latter. Similarly, Latin America was the geographic area with the largest growth in trading (11.3%), although its share of the global market remains low (6.4%).

In Spain, the number of contracts traded on MEFF Exchange rose by 0.4% in 2016 compared with the previous year, mainly as at result of the increase in the activity of the share derivative segment (3.0%) and despite the fact that Ibex 35 contracts fell by 9.8% Similarly, the number of futures on the 10-year Spanish sovereign bond fell dramatically (95.5%), partly as a result of the launch of a similar contract in the German market Eurex at the end of 2015.[1]

1 Eurex launched the Euro-BONO Futures contract, a future whose underlying asset is the 10-year Spanish sovereign bond, on 26 October 2015.

Trading on European financial derivatives markets

TABLE 4.1

Thousands of contracts

	2014	2015	2016	% change 16/15
Eurex	2,097,974[1]	1,672,648	1,727,767	3.3
Intercontinental Exchange	2,215,559	1,998,810	2,037,933	1.9
Nasdaq OMX	1,147,450	1,648,958[1]	1,575,700[1]	-4.4
MEFF	46,601	40,056	40,205	0.4

Source: Eurex, Futures Industry Association, Intercontinental Exchange and CNMV. (1) Includes the volume traded on the International Securities Exchange and International Securities Exchange Gemini platforms, which were acquired by Nasdaq in 2016.

In the segment of Ibex 35 derivatives, the volume of options traded fell significantly on 2015. The total number of future contracts traded also fell, although to a lesser extent, while the trading of dividend futures rose significantly (78.6%) and a new type of product – sector futures – was introduced with the number of contracts standing at 1,619.

Trading on MEFF Exchange[1]

TABLE 4.2

Number of contracts

	2013	2014	2015	2016	% change 16/15
Debt contracts	**13,667**	**4,690**	**8,012**	**360**	**-95.5**
10-year bond future	13,667	4,690	8,012	360	-95.5
Ibex 35 contracts	**6,298,106**	**7,984,894**	**8,279,940**	**7,468,299**	**-9.8**
Ibex 35 futures[2]	5,780,863	7,252,898	7,735,524	7,146,060	-7.6
Plus	5,578,607	6,924,068	7,384,896	6,836,500	-7.4
Mini[2]	198,736	304,891	318,129	249,897	-21.4
Dividend impact	3,520	23,939	32,499	58,044	78.6
Sector				1,619	
Ibex 35 options[2]	517,243	731,996	544,416	322,239	-40.8
Contracts on shares	**41,938,920**	**38,611,291**	**31,768,355**	**32,736,458**	**3.0**
Stock futures	14,927,659	12,740,105	10,054,830	9,467,294	-5.8
Dividend futures	66,650	236,151	291,688	367,785	26.1
Dividend futures plus			1,152	760	-34.0
Stock options	26,944,611	25,635,035	21,420,685	22,900,619	6.9
Total	**48,250,693**	**46,600,875**	**40,056,307**	**40,205,117**	**0.4**

Source: CNMV. (1) The differences in the nominal value of the different products make it impossible to compare them based on the number of contracts traded. However, the evolution of trading over time in each type of product can be tracked. (2) In the case of the Mini futures and options, the number of contracts traded is calculated by dividing by ten so as to standardise the individual size of the contract with those of the Ibex 35 Plus future (it is taken into account that the multiplier of the index used to calculate the nominal value of the contract is one euro in the first two cases and ten euros in the latter case).

With regard to share derivatives, it should be pointed out that the concentration of trading in a small number of underlying assets – a trend that has been seen over recent years – intensified in 2016. The five contracts on shares with most activity (Banco Santander, Telefónica, BBVA, Iberdrola and Repsol) accounted for over 96% of total futures trading, slightly above the 91% recorded in the previous year.

They also accounted for around 90% of options contracts, a similar percentage to that recorded in 2015. Dividend futures, introduced in 2012, recorded a historic high in traded volume, which rose by 26.1% on the previous year.

New developments in the financial derivatives segment

The main new development in the segment of financial derivatives is the admission to trading of bank and energy sector future contracts (Ibex 35 Banks and Ibex 35 Energy). These underlying indices of the Ibex family were already being published by Sociedad de Bolsas.[2]

These contracts, which began to be traded on 20 September, have a multiplier of one euro and their settlement price at maturity is calculated in the same manner as for Ibex 35 contracts: by arithmetic mean of the index between 4:15 pm and 4:45 pm on the maturity date, taking one value per minute.

On 29 June, share option contracts and Ibex 35 option contracts with weekly maturity, approved in December 2015, started to be traded.

For all these contracts, BME Clearing provides the registry, counterparty, clearing and settlement services.

4.1.2 MEFF Power

The catalogue of products in this segment has been increased with the admission to trading of wind profile base swap contracts. These contracts, which started to be traded on 13 December 2016, are a variant of MEFF's daily, weekly and weekend contracts (the only delivery periods for which wind power contracts are admitted). The difference between the contracts that were in force and the wind power contracts lies in the method for calculating the settlement price on maturity. While electricity contracts have a flat profile,[3] wind power contracts have a variable profile. This means that the price at each hour has a different weighting based on the forecast of wind power production during that hour within the total production of the delivery period of the contract.

The forecast, which constitutes the wind power production profile of the contracts, is provided by an expert company in weather forecasting and is published before 8:50 am on the business day prior to the start of the delivery period. The contract may be traded as from the time MEFF publishers this forecast.

"Mini" electricity contracts were also admitted to trading in 2016. The only difference between these contracts and existing electricity contracts is the registration unit, which is of 0.1 MW (100 kW) instead of 1 MW.

2 The Ibex 35 Banks index comprises shares listed on the main trading market of the Spanish Stock Market Interconnection System (SIBE) which, being components of the Ibex 35 index, belong to the Banks subsector, in accordance with the stock market sector classification of the four Spanish stock markets. Similarly, the Ibex 35 Energy index comprises shares listed on the main trading market of the SIBE which, being components of the Ibex 35 index, belong to the Oil and Energy sector, in accordance with the stock market sector classification of the four Spanish stock markets.

3 Their settlement price maturity is calculated as the simple arithmetic mean of the prices which, for each relevant hour of the contract (according to the delivery period), are determined in the OMIE spot market.

4.1.3 Market members

At year-end 2016, MEFF Exchange had a total of 99 members, 11 fewer than in the previous year. Two new members joined over the year (one trading member and one proprietary trading member) and 13 members left (eight trading members and five proprietary trading members).

Number of members in MEFF Exchange TABLE 4.3

	31/12/2015	31/12/2016	Members joining in 2016	Members leaving in 2016
Trading members	68	60	1	8
Proprietary trading members	42	39	1	5
Total	**110**	**99**	**2**	**13**

Source: MEFF Exchange and CNMV.

4.2 Warrants and certificates

Both the number of warrant issues and the issued volume fell in 2016, while the primary certificates market once again recorded no activity (there have been no issues since 2010). Trading in secondary markets for warrants and certificates also fell, with the amount of premiums traded down by 34.7% and 64.7%, respectively.

Issues

The number of warrants issued in 2016 stood at 7,809, a fall of 13.8% on the figure recorded in 2015. Similarly, the number of issuing banks fell to five, one fewer than in 2015. Total premiums stood at 2.69 billion euros and were concentrated in contracts with shares and indices as underlying assets. The total amount of issues fell by 22.7% on 2015 and this trend was seen for all types of underlying assets, although the fall was greater in relative terms for issues on currencies and commodities.

As indicated above, no certificates were registered with the CNMV in 2016.

Warrant issues registered with the CNMV TABLE 4.4

Thousand euros

	Number		Amount of premium				
	Issuers	Issues	Total	Shares	Indices[1]	Currencies	Commodities
2012	7	7,073	3,834,332	2,231,665	1,273,550	76,584	252,533
2013	7	8,347	3,621,169	2,211,777	1,122,621	141,402	145,369
2014	6	8,574	3,644,239	1,770,915	1,697,295	99,964	76,065
2015	8	9,059	3,479,064	1,807,276	1,486,148	106,199	79,441
2016	5	7,809	2,688,574	1,438,206	1,153,143	57,305	39,920

Source: CNMV. (1) Includes baskets of securities and of indices.

Secondary market

The trading of warrants on the secondary market fell by 34.7% in 2016 and total traded premiums amounted to 715.5 million euros, compared with 1.1 billion euros in 2015. This reduction was mainly the result of the fall in traded premiums of index warrants and, to a lesser extent, stock warrants, which fell by 39.3% and 24.1%, respectively. Contracts with other underlying assets, which account for a small part of the market (less than 2% of total premiums), also recorded falls in traded amounts.

Trading in warrants on the electronic market TABLE 4.5

Premiums traded, in thousand euros

		Premiums traded, by type of underlying				
	No. of issues	Indices[1]	Shares	Currencies[2]	Commodities	Total
2012	7,419	268,621	436,586	16,395	41,303	762,905
2013	7,299	255,411	465,674	15,415	16,213	752,713
2014	7,612	364,302	430,984	14,209	8,202	817,698
2015	7,530	691,995	370,256	20,004	13,604	1,095,859
2016	6,296	420,353	280,953	5,025	9,209	715,541

Source: CNMV. (1) Includes baskets of securities and of indices. (2) Includes fixed-income warrants in the years in which these were traded.

Trading in certificates on the electronic market TABLE 4.6

Premiums traded, in thousand euros

		Premiums traded, by type of underlying				
	No. of issues[1]	Indices[2]	Shares	Currencies	Commodities	Total
2012	4	546.1	0.0	0.0	16,232.4	16,778.5
2013	2	0.0	0.0	0.0	996.3	996.3
2014	2	0.0	0.0	0.0	1,682.5	1,682.5
2015	2	0.0	0.0	0.0	1,135.1	1,135.1
2016	2	0.0	0.0	0.0	400.5	400.5

Source: CNMV. (1) The number of issues states the issues that recorded trading in each period. (2) Includes baskets of securities and of indices.

The amount of premiums traded in the certificate segment fell once again in 2016 as a result of the lack of new issues. As shown in Table 4.6, trading fell to 0.4 million euros and was concentrated in the two sole active issues on the market, which were issued by the same bank in 2007 and 2010, and whose underlying assets are, respectively, gold and oil.

4.3 Other financial contracts

Four issues of call and put options were registered with the CNMV in 2016, all of which were performed by one bank with shares underlying assets. The volume of premiums amounted to 650 million euros, a significant increase on the 5 million euros recorded in 2015.

Issues of call and put options registered with the CNMV

TABLE 4.7

Thousand euros

	Number		Amount of premium				
	Issuers	Issues	Total	Shares	Indices[1]	Commodities	Exchange rates
2012	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0
2015	1	1	5,000	5,000	0	0	0
2016	1	4	650,000	650,000	0	0	0

Source: CNMV. (1) Includes baskets of securities and of indices.

5 Clearing, settlement and registry

This chapter reports on the securities clearing, settlement and registry activities entrusted to the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal, which operates under the business name of Iberclear. The chapter also reports on the activities performed by BME Clearing, which acts as central counterparty (CCP) in various market segments.

The most significant new development in 2016 in this area is undoubtedly the implementation of the first stage of the reform of the Spanish clearing, settlement and registry system, the main implications of which are discussed in Exhibit 5.1. This is a reform of major importance which aims to adapt the provision of these post-trade services in Spain to an increasingly competitive and demanding environment, aligning the practices in Spain with international standards. The first stage affects equity, whose settlement has been migrated to a new Iberclear platform, with the name Iberclear-ARCO. In September 2017, fixed income will also migrate to this platform, coinciding with Iberclear's connection to the pan-European TARGET2-Securities (T2S) platform, promoted by the Eurosystem. As from that time, all transactions will be settled in T2S. As indicated in Chapter 10, the CNMV has paid preferential attention to promoting and supervising the first stage of the reform.

Implementation of the reform has led to an extension of BME Clearing's activities to a new segment, namely the equity segment. Trading in the OTC derivatives segment, formally in operation since 2015, also started to be recorded in 2016. Similarly, BME Clearing has extended its activity to new contracts in the financial derivatives and energy segments.

The growing centralisation in the settlement of financial instruments in central counterparties, particularly the settlement of standardised OTC derivatives, has increased the systemic potential of these institutions, and it has therefore been considered appropriate to establish recovery and resolution frameworks in this area. At the end of last year, the European Commission presented a legislative proposal in this regard, which is summarised in Exhibit 5.2.

5.1 Iberclear

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal, Iberclear, has been conducting its clearing, settlement and registry activities on two platforms: one for stock markets, including multilateral trading facilities, MAB and Latibex, and another for public debt and AIAF.

The first stage of the reform in Spain and consequent migration of transactions to ARCO, Iberclear's technical platform, began on 27 April 2016. This first stage is applied to equity trading, which from that moment has been settled on Iberclear-

ARCO. Implementation of the reform will conclude in a second stage, which will involve migration of all fixed-income trading to ARCO and, simultaneously, connection of Iberclear to T2S, as indicated above. As from that moment, both equity and fixed income will be settled through T2S. Exhibit 5.1 provides further details on the implementation of this reform.

The changes introduced by the reform in equity have affected the business model of the participating entities in settlement activities in this Iberclear segment, the number of which fell from 64 at year-end 2015 to 43 at year-end 2016. As shown in Table 5.1, the number of participating entities also fell by seven for the segment of issues listed on the public debt market and by three for the market corresponding to issues listed on AIAF. Iberclear had a total of 127 participating entities at year-end 2016, 20 fewer than in the previous year.

Iberclear members TABLE 5.1

Members	2015	2016
SCL/ARCO	64	43
AIAF	83	80
Public debt	122	115
Total Iberclear[1]	**147**	**127**

Source: Iberclear. (1) The total is lower than the sum of the number of clearing members in each segment as there are members that provide services in more than one segment.

Reform of the securities clearing and settlement system EXHIBIT 5.1

As indicated above, the first stage of the reform of the securities clearing, settlement and registry system in the Spanish market entered into force on 27 April 2016 with migration of equity to the new ARCO platform, which involved interrupting the activity on the Iberclear-SCL platform.

This first stage has involved significant changes in the clearing and settlement of all equity trading:

– It has established centralised clearing by a central counterparty (CCP) as mandatory in transactions with shares and subscription rights made in the multilateral trading segments of Spanish official secondary markets and multilateral trading facilities. As a consequence of this measure and the effect of netting (offsetting debit and credit balances), there has been a significant reduction in the number of transactions to be settled. At this time, the participating CCPs in Iberclear are BME Clearing, EuroCCP and LCH Clearnet Limited.

– The registry based on registry references has disappeared and a new registry based on balances has been created. Despite the disappearance of registry references, the structure and functioning of the Spanish securities registry system is still based on two levels (double-step system). In order to ensure smooth running of the two steps, a new tool has been created, specifically a PTI (post-trade interface), which registers the data relating to the trades, events and book entries that lead to changes in the securities balances of each holder.

– A new system has been developed allowing the transfer orders of securities and cash resulting from the transactions in which a central counterparty participates to be settled in the name of a financial intermediary, but on behalf of its clients, providing certain previously established requirements are met. This procedure involves various stages so that the securities subject to the orders are recorded in special accounts of the financial intermediaries (initial stage or transitory stages), and then the securities are subsequently recorded in the accounts of the clients of the financial intermediary (final stage).

– Iberclear has moved to managing the corporate events relating to the securities included in the new registry and settlement system in accordance with the international standards that were defined by the Corporate Actions Joint Working Group (CAJWG) and the Joint Working Group on General Meetings (JWGGM). This change harmonises, at a European level, the treatment of corporate events with regard to communication flows, minimum information required, significant dates and procedure. In other words, the dates that determine who has the right to participate in a corporate event are established on a harmonised basis with other European countries.

The running of the first stage of the reform will be reviewed in order to identify possible improvements, in accordance with the third additional provision of Royal Decree 878/2015, of 2 October, on clearing, settlement and registry of negotiable securities represented in book-entry form, on the legal regime of central securities depositories and central counterparties and on transparency requirements of issuers of securities admitted to trading on an official secondary market. This Royal Decree indicated that, prior to the completion of one year following its entry into force (3 February 2017), central counterparties performing the functions set out in the Royal Decree and central securities depositories that provide services in Spain were required to draw up and submit to the CNMV a report identifying any problems that may have been caused by application of the reform and any changes that should be made. Such reports have been submitted on time and are being reviewed by the CNMV.

Shortening of the settlement cycle

Once settlement had stabilised following entry into force of the first stage of the reform, on 29 September, the settlement period was reduced from three days to the two days established by Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving security settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSDR). This change took place without any incidents and no increase in the rate of failed trades was recorded.

Second stage of the reform

The second stage of the reform will coincide with Iberclear connecting with the European TARGET2-Securities[1] platform, planned for September 2017. As from that time, settlement of fixed income and equity securities will be conducted in TARGET2-Securities. Iberclear members are currently working on the adaptations necessary to update the settlement of fixed income to the new environment, as well as the modifications necessary in equity procedures.

1 T2S is a pan-European platform owned by the Eurosystem that facilitates centralised settlement in central bank money of securities transactions in euros or in other currencies, integrating the securities and cash accounts into one single platform.

5.1.1 Iberclear-CADE

A total of 2,964 issues were registered on this platform at the end of the year, with a total nominal amount of close to 1.5 trillion euros. 87% of these issues were admitted to trading on the AIAF market and the rest on the public debt market. In contrast, in terms of the nominal amount, only 37% of the total corresponded to the former, and 63% to the latter.

Considering both markets, the number of issues fell by 2% on the previous year, although the nominal amount issued rose by 1.75%. In AIAF, the number of issues fell by 2%, while the nominal amount fell by 1%. In the public debt market, the number of issues fell by 1%, while the nominal amount grew by 4%.

Iberclear-CADE. Registry TABLE 5.2

Million euros

	Sovereign debt		Corporate debt		Total		% change
	2015	2016	2015	2016	2015	2016	16/15
Number of issues	402	397	2,628	2,567	3,030	2,964	-2.18
Nominal amount	900,650	933,007	554,764	547,945	1,455,414	1,480,952	1.75

Source: Iberclear.

Tables 5.3 and 5.4 show the development in the number and nominal amount of settled trades. The number of trades of issues registered in AIAF fell by 25% on 2015, which contrasts with a sharp increase in the nominal amount, which was three times higher than in the previous year, although this was due to a one-off transfer as a result of the change of depository of an important insurance company. In the most important segment, that of outright trades, the number of trades fell by 18% and the nominal amount by 44%, mainly as a result of the fall in trades performed with issues of securitisation funds.

Trading in the public debt market once again fell significantly (see Chapter 3), which was passed on to the settlement activity. The overall number of trades fell by 19% and the settled amount by 18%. The fall was particularly sharp in the segment of repos and sell-buybacks/buy-sellbacks (see Section 2.2 of Chapter 3 for further details).

Considering the two markets together, the total number of trades settled fell by 19%, while the settled amount fell by 8%.

Iberclear-CADE. Number of trades settled

TABLE 5.3

	Sovereign debt		Corporate debt		Total		
Type of transaction	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**% change**
Outright trades	694,831	624,186	177,299	145,464	872,130	769,650	-11.75
Repos and sell-buybacks and buy-sellbacks	1,245,192	881,697	10,598	6,624	1,255,790	888,321	-29.26
Outright transfers (between accounts of the same owner)	585,120	545,604	121,534	85,368	706,654	630,972	-10.71
Temporary transfers (between accounts of the same owner)	35,485	17,292	97	38	35,582	17,330	-51.30
Transfers of held-to-maturity securities	800,709	668,636	56,246	37,570	856,955	706,206	-17.59
Transfers for collateral (to a different owner)	2,670	1,943	1,663	924	4,333	2,867	-33.83
Total	**3,364,007**	**2,739,358**	**367,437**	**275,988**	**3,731,444**	**3,015,346**	**-19.19**

Source: Iberclear.

Iberclear-CADE. Amount of settled trades[1]

TABLE 5.4

Million euros

	Sovereign debt		Corporate debt		Total		
Type of transaction	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**% change**
Outright trades	7,885,921	7,156,562	287,423	159,944	8,173,344	7,316,506	-10.48
Repos and sell-buybacks and buy-sellbacks	14,597,143	10,053,098	539,691	112,443	15,136,834	10,165,541	-32.84
Outright transfers (between accounts of the same owner)	9,288,354	8,229,079	641,071	5,477,314	9,929,425	13,706,393	38.04
Temporary transfers (between accounts of the same owner)	1,243,668	870,485	835	3,502	1,244,503	873,987	-29.77
Transfers of held-to-maturity securities	12,386,868	11,086,129	311,535	231,743	12,698,403	11,317,872	-10.87
Transfers for collateral (to a different owner)	149,253	77,782	57,824	88,913	207,077	166,695	-19.50
Total	**45,551,207**	**37,473,135**	**1,838,379**	**6,073,859**	**47,389,586**	**43,546,994**	**-8.11**

Source: Iberclear. (1) Effective amount, in the case of outright trades, repos and sell-buybacks/buy-sellbacks; nominal amount for transfers to different accounts of the same owner and to different owners.

5.1.2 Iberclear-SCL/ARCO

At year-end, a total of 7,887 issues, with a nominal value 158.83 billion euros, were registered on the Iberclear-ARCO platform (Iberclear-SCL up to 27 April). As shown in Table 5.5, the number of issues registered rose slightly on the previous year. The nominal amount also rose moderately.

Iberclear SCL/ARCO. Registry

TABLE 5.5

Million euros

	Stock market		
Registered securities	**2015**	**2016**	**% change**
Number of issues	7,844	7,887	0.5
Nominal amount	150,011	158,831	5.9

Source: CNMV.

Table 5.6 shows the number of trades and settled amount in equity, distinguishing between trades performed on Iberclear-SCL and Iberclear-ARCO in 2016. Except for the first four months of the year, it is impossible to compare the settlement data with the data of the previous year relating to purchases and sales due to the net calculations performed as a result of the mandatory use of CCPs in transactions performed in multilateral trading segments of official markets and MTFs, which has led to a dramatic reduction in the number of settlement instructions. For the period January to April, both the number of settled trades and the effective amount fell, thus continuing the trend which had begun in the second half of the previous year. Similarly, levels of efficiency during this period remained very high.

IBERCLEAR SCL/ARCO. Trades settled TABLE 5.6

Million euros

	2015 (SCL)		2016 (SCL)[1]		2016 (ARCO)[1]	
	Trades	Amount	Trades	Amount	Trades	Amount
Purchases and sales	44,276,531	2,236,315	13,745,459	637,826	1,611,505	407,149
Buy-ins + settlement in cash	209	19	85	5	531	6
ST OTC	1,729,907	1,729,907	544,628	213,736	1,886,484	619,282
LT OTC	338,378	0	78,740	0	1,397,625	0
Failed trades	41,326	6,535	13,083	1,110	438,523	139,319

Source: CNMV. LT OTC: OTC trades free of payment. ST OTC: OTC trades against payment (1) Trades settled on the Iberclear-SCL platform until April and subsequently on Iberclear-ARCO.

As shown in Table 5.6, the number of OTC trades against payment and free of payment rose substantially. Part of this increase was due to the new type of transaction referred to as “ancillary”, which is related to the use of the special and optional model of financial intermediary account, in which the trades are initially settled in the name of the financial intermediary conducting the trade and are subsequently assigned to the owner in the registry.

Failed trades in 2016 are also not comparable with those of 2015 as the statistics of the SCL platform were not previously included within the section of failed OTC trades, although they are now included together with the failed trades of CCPs. Exclusively taking into account these latter figures, it can be seen that since entry into force of the reform until the end of the year, their relative weight in the total number of settled transactions rose, standing at levels of 3% (less than 1% with the previous system during the period January-April), while the ratio corresponding to the effective amount remained virtually unchanged (see Section 10.1.6 for further details on changes in efficiency levels).

In 2016, since the new system entered into force, there were 15 buy-ins for a cash amount of 169,603 euros. Trades settled through payment in cash totalled 516, for an amount of 5.8 million euros. Although there was a sharp rise in the number of trades, the cash amount fell significantly. Nevertheless, the effect of netting also means that these figures are not directly comparable with those of the previous system.

5.2 BME Clearing

In 2016, BME Clearing began operating in a new segment, the equity segment, as it implements the first stage of the reform of the clearing and settlement system in Spain. It also started to register trading in the OTC interest rate derivatives segment (BME Clearing Swaps), formally in operation since November 2015, but without any trading until last year. It is also important to point out a new extension of the clearing activities in the scope of MEFF Exchange (BME Clearing Derivatives and BME Clearing Energy) in order to incorporate the new contracts traded in said market, as well as the application for authorisation to clear new contracts on natural gas and liquefied natural gas.

5.2.1 BME Clearing Derivatives and BME Clearing Energy

The following new contracts admitted to trading on MEFF Exchange were added to the catalogue of products cleared in BME Clearing: in the financial derivatives segment, bank and energy sector index futures and weekly stock and Ibex 35 options; and in the energy segment, wind power profile swaps and mini swaps.

In addition, in August, BME Clearing applied for authorisation to extend its clearing activities to certain contracts on natural gas and liquefied natural gas. The CNMV declared the application complete on 8 November, initiating a period ending in May 2017 for obtaining authorisation by the college of supervisors of BME Clearing.

BME Clearing intends to admit the following gas contracts to the registry:

– Futures with weekly, monthly, quarterly, seasonal (summer, from April to September and winter, from October to March) and annual delivery.

– Spot contracts in which the settlement date is no more than two calendar days following trading, therefore with delivery periods that may only be intra-daily, daily and weekend.

– Loan and deposit, made up of two simultaneous trades in the opposite direction on different delivery dates. Both of these contracts are similar, with the sole difference of who takes the initiative to deliver the underlying and once again receive it on the maturity date. The delivery period for these contracts may be intra-daily, daily and weekly.

A new aspect of these gas contracts compared with other energy derivatives admitted on BME Clearing is that the settlement is carried out by physical delivery of the underlying asset. This occurs, in accordance with gas legislation, by means of a valid transfer of ownership of the gas, for each day of delivery, in the Spanish Virtual Balancing Point (Spanish acronym: PVB-ES) for natural gas contracts, or in the regassification plants of Barcelona or Huelva for liquefied natural gas contracts.

There have also been significant new developments in the legislation of BME Clearing relating to the instruments accepted as collateral. On the one hand, Italian sovereign debt was added and, on the other hand, bank guarantees were eliminated. These guarantees, which were accepted in the energy segment, were no longer allowed as from 15 March, in application of Commission Delegated Regulation (EU) No. 153/2013, of 19 December 2012, supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council, with regard to regulatory technical standards on requirements for central counterparties.

5.2.2 BME Clearing Repo

BME Clearing offers central counterparty services for public debt repos through BME Clearing Repo.

The registered nominal amount in this segment, which fully corresponded to bilateral trades, totalled 360 billion euros, a fall of 43.2% on 2015. A total of 5,325 trades were registered, a fall of 33.2% on the previous year. Consequently, 2016 continued with the fall in activity in this segment, which began following the highs reached in 2012, associated with an intense demand for collateral by banks in order to obtain financing through the Eurosystem.

The average nominal amount per trade stood at around 70 million euros, a fall on the 80 million euros recorded in 2015. The average period of repos stood at around 14 days, very similar to the previous year, while the average risk registered stood at 16.4 billion euros, 28.6% down on 2015.

Activity in BME Clearing Repo TABLE 5.7

Nominal volume in million euros

	2015	2016
Nominal volume	645,805	366,837
Number of transactions	7,967	5,325

Source: CNMV and BME Clearing.

5.2.3 BME Clearing Swap

BME Clearing began clearing interest-rate OTC derivative contracts on 30 November 2015 ahead of the obligations for centralised clearing of interest rate derivatives that meet certain characteristics set out in Commission Delegated Regulation (EU) 2015/2205, of 6 August 2015, supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council, with regard to regulatory technical standards on the clearing obligation.

The contracts admitted to the registry must meet the following requirements:

– The contracts of the original trades to be registered must be in line with the International Swap and Derivatives Association Master Agreement of 1992 or 2002 or the *Contrato Marco de Operaciones Financieras* (CMOF) [Framework Contract for Financial Transactions] of 1997, 2009 or 2013.

– The trade types included are:

i) Interest rate swaps (IRS), which include:

a) Fixed/floating interest rate swap (plain vanilla),

b) Basis swap, and

c) Zero coupon swap.

ii) Overnight Indexed Swap (OIS).

iii) Forward Rate Agreement (FRA).

- The currency of the trades must always be the euro.

- The maximum term of the trades is 50 years for IRS, 30 years for OIS and 3 years for FRA, and the minimum term is 28 calendar days for IRS, 7 for OIS and 3 for FRA.

- The references for the floating indices are EUR-Euribor-Reuters at 1 month, 3 months, 6 months and 12 months in the case of IRS and FRA, and EUR-Eonia-OIS-Compound at 1 day for OIS.

- The fixed rate may have any value and may be less than zero, zero or greater than zero.

In 2016, BME Clearing introduced some minor changes with regard to terms and eligibility criteria for the contracts admitted to the registry and settlement.

Although the registry was started in November 2015, no trades were recorded until the middle of January 2016. An average of eight contracts per month were recorded in 2016, up to a total of 106 contracts for a nominal value of over 4.7 billion euros.

BME Clearing Swap currently has nine clearing members, all of which are individual clearing members (see Table 5.7).

5.2.4 BME Clearing Equity

This segment began operating on 27 April 2016, the starting date of the new clearing, settlement and registry system established by Royal Decree 878/2015, of 2 October, on clearing, settlement and registry of negotiable securities represented in book-entry form, on the legal regime of central securities depositories and central counterparties and on transparency requirements of issuers of securities admitted to trading on an official secondary market.

As indicated in Exhibit 5.1, one of the new aspects of the reform was precisely the mandatory clearing, by means of a CCP, of transactions with shares and subscription rights performed through multilateral segments.

This BME Clearing segment performs registry, counterparty and clearing functions with regard to purchase, sale or last resort loan transactions on equity financial instruments (shares, pre-emptive rights on shares, warrants, certificates and investments in exchange-traded funds) admitted to trading on the trading platforms with which BME Clearing has entered into agreements (stock markets, MAB and Latibex).

Most of the trading on BME's equity platforms is cleared through BME Clearing.

The segment, which has 56 clearing members (see Table 5.7), admits two types of members in addition to those of the other BME Clearing segments:

– Special individual clearing members. These entities may act in the CCP on their own account, on behalf of clients or on behalf of non-clearing members which belong to their group of companies. At year-end 2016, there were a total of seven entities in this category.

– Ordinary non-clearing members. The main difference with the other non-clearing members is that they may not manage an account structure in the Registry of BME Clearing, but rather a general clearing member opens the accounts and registers therein the transactions performed by the ordinary non-clearing member on its own account or on behalf of clients. At year-end 2016, there were 18 entities in this category.

5.2.5 Members of BME Clearing

Table 5.7 shows the distribution of active members of BME Clearing at year-end 2016, differentiated by segment and by type of member. The table also details the change in the number of members compared with 2015.

Number of members in BME Clearing at year-end 2016 and change from 2015 TABLE 5.8

	Clearing			Non-clearing				
	General	Individual	Special indiv.	Non-clearing	Ordinary	Proprietary	Total entities	Change 16/15
BME Clearing Financial Derivatives	8	27	–	16	–	11	62	-6
BME Clearing Energy	5	1	–	–	–	27	33	-3
BME Clearing Repo	–	29	–	–	–	–	29	-2
BME Clearing Swap	–	9	–	–	–	–	9	2
BME Clearing Equity	10	21	7	1	17	–	56	56
Company total[1]	**18**	**53**	**7**	**17**	**17**	**38**	**134**	**19**
Change 2015	6	7	7	-4	19	-2	19	

Source: BME Clearing and CNMV. (1) The "total entities" row does not correspond to the sum by segments as one entity may participate in several segments.

A total of 28 new members joined BME Clearing and nine withdrew. At year-end, BME Clearing had 134 members, 19 up on the previous year. This increase is essentially due to the start of the activity in the equity and OTC derivative segments.

As indicated, extending the activities to the equity segment has led to the introduction of two types of members in addition to those that already existed: special individual clearing members and ordinary non-clearing members.

European Commission legislative proposal on CCP recovery and resolution

EXHIBIT 5.2

CCPs are regulated in the European Union by means of Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (EMIR).

The European Regulation sets out, *inter alia*, the procedures for authorisation and supervision of CCPs. It also establishes the initial capital and requires that the CCPs' own resources should at all times be sufficient to ensure an orderly winding down or restructuring of their activities over an appropriate time span and that CCPs should be adequately protected against credit, counterparty, market, operational, legal and business risks.

EMIR also details the requirements the must be met by the collateral required in transactions cleared in the CCPs, the creation of a fund to cover any possible defaults, the management of liquidity risk and the policy that must be followed by the investments carried out by these entities. However, it does not establish a regime for CCP recovery and resolution.

The procedures set out in EMIR are designed to manage the default of a market infrastructure, particularly those of a larger size. When the default occurs and the critical functions of the infrastructure are not maintained, there is a risk that this situation may extend to other areas of the financial sector and the economy in general, which, among other aspects, might force governments to use public funds in order to guarantee financial stability. There is therefore the need to define a framework for the recovery and resolution of these infrastructures that makes it possible to address their possible future resolution and avoid bail-outs by taxpayers or the customers of the CCPs being affected on a large scale.

At the end of 2016, the European Commission presented a legislative proposal in this regard, consistent with the guidelines and recommendations of the Financial Stability Board (FSB), whose main characteristics and lines of action are as follows:

– The Member States shall designate an authority that is responsible for any resolution of a CCP.

– The provisions of the proposed legislation follow, in general, the provisions of Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012 of the European Parliament and of the Council (Bank Recovery and Resolution Directive), but they also take into account the specific features of the CCP business model.

- CCPs must draw up recovery plans that include scenarios of a default by clearing members, as well as the materialisation of other risks and losses to which the CCP is exposed, such as fraud or cyber-attacks. The recovery plans must be reviewed by the CCP's supervisory body.

- The CCP resolution authorities must draw up resolution plans which established the manner in which the CCPs would be restructured and how their essential functions would be maintained.

- CCP supervisory authorities shall have early intervention powers and may intervene when the CCP's viability may be in jeopardy, but before they reach the point of failure. The supervisors may also require that the CCP undertakes specific actions in the framework of its restructuring plan or that it amends its business strategy or legal or operational structure.

- In line with the guidelines of the FSB, the resolution process of a CCP shall begin when it fails or is likely to fail, when there are no private-sector alternatives to avoid failure, and when the failure jeopardises the public interest and financial stability.

- The main resolution tools provided include the following:

  i) Sale of business, in whole or in part, to another entity.

  ii) Creation of a bridge CCP to which the essential functions would be transferred, once identified and separated from the original CCP. The CCP may ultimately be sold to another entity. The original CCP with non-essential functions would be wound down within the framework of an ordinary insolvency procedure.

  iii) Position allocation, i.e., a partial or full termination of the open contracts.

  iv) Allocation of losses and cash calls to cover the losses of the CCP, re-establish its capacity to meet its payment obligations, re-capitalise the CCP and replenish its financial resources.

  v) Write-down and conversion of capital and debt instruments or other unsecured liabilities in order to absorb losses and recapitalise the CCP.

- An enhanced cooperation regime is established between the resolution authorities of the Member States given the cross-border nature of the business of numerous CCPs. In line with the above, resolution colleges must be established for each CCP, which will be made up of the pertinent authorities of the EU territory.

- Furthermore, ESMA shall establish a resolution committee comprising the resolution authorities of the Member States and in which the supervisory and resolution authorities of credit institutions that are clearing members of the CCPs will be invited to participate.

5.3 European initiatives in registry, counterparty, clearing and settlement services

Progress continued to be made in 2016 in the different initiatives relating to post-trading in Europe implemented over recent years in order to strengthen the basic market infrastructures, such as central securities depositories and central counterparties, and to promote greater integration of the services they provide at a European level.

Particularly noteworthy among these initiatives is the development of a single pan-European platform that will facilitate security settlement in central bank money, promoted by the Eurosystem, and the review of the regulatory framework applicable to post-trading activities. The most important progress in these projects is described below.

TARGET2-Securities

On 29 March 2016, the Portuguese and Belgium central securities depositories – Interbolsa and the Securities Settlement System of the National Bank of Belgium (NBB-SSS) – successfully completed their migration to T2S. Similarly, since Monday, 12 September 2016, Euroclear Belgium, Euroclear France, Euroclear Nederland, VP Lux (Luxembourg) and VP Securities (Denmark) have settled their transactions on this platform.

The central securities depositories of Austria (OeKB CSD), Germany (Clearstream), Hungary (KELER), Luxembourg (LuxCSD), Slovakia (CDCP) and Slovenia (KDD) joined in February 2017. Euroclear Finland and Iberclear will join in September.

Progress in implementation of European legislation on central securities depositories

Over the course of 2016, the European Commission approved the implementing measures laid down in Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSRD).

Specifically, the standards approved by the European Commission on 11 November 2016 are as follows:[1]

– Regulatory technical standards (RTS) and their implementing technical standards (ITS) relating to the authorisation, supervision and requirements applicable to central securities depositories.

1 The standards on authorisation, supervision and requirements applicable to central securities depositories and settlement internalisers, as well as the delegated acts, have been developed by a working group coordinated by ESMA, with the participation of securities regulators and central banks. The Commission Delegated Regulation on prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services has been developed by a working group coordinated by the EBA.

- RTS and their corresponding ITS applicable to internalised settlement.
- RTS on prudential requirements of central securities depositories and designated credit institutions offering backing-type ancillary services.
- Delegated acts on penalties and parameters for determining whether the operations of a central securities depository (CSD) in a host Member State should be deemed of substantial importance for that Member State.

The main issues addressed in these standards are as follows:

- The information that the CSD shall provide to the competent authority in its application for authorisation.
- The information that the CSD shall provide to the competent authority in order for the latter to carry out its annual evaluation.
- The information that a CSD from a third country shall submit to ESMA in its application for recognition to provide services in the European Union.
- The information that the CSD shall submit to the competent authority in order to obtain the appropriate authorisations to provide banking-type ancillary settlement services.
- The reconciliation measures that ensure integrity of the issue, i.e., that the number of securities of an issue or which form part of an issue registered in the CSD matches the sum of the registered securities of said issue in the securities accounts of the participants in the settlement system managed by the CSD.
- The information which settlement internalisers shall report on a quarterly basis to the competent authorities about the volume and aggregate values of all the transactions which they settle outside securities settlement systems.
- The parameters that will set the level of penalties applicable to participants that cause settlement fails.
- The criteria for determining whether the operations of a central securities depositary in a host Member State should be deemed of substantial importance for that Member State.

The RTS establishing the measures that the CSD must implement in order to prevent, control and sanction settlement fails, including the subsequent buy-in processes, is pending approval. This technical standard not only imposes requirements on the CSDs, but also on all the participants in the chain of transactions, such as the trading platforms, trading members, CCPs and clearing members. Among other measures, this RTS will set: i) the procedures for collection and redistribution of penalties and ii) the details of the operation of the buy-in process including timeframes to deliver the financial instruments following the buy-in process, which will be calculated depending on the type of asset and the liquidity of the financial instruments.

Once the European Commission publishes the implementing technical standards in the *Official Journal of the European Union*, the obligations established for CSDs shall enter into force immediately, and therefore the infrastructures must start to submit the applications for re-authorisation to their competent authorities by the deadlines established in the CSDR.

With regard to the obligations relating to settlement discipline, a transitory period of two years has been established, within which those subject to the rules are expected to undertake the necessary preparations in order to comply with these requirements.

Progress in implementation of Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (EMIR)

The ongoing implementation of the different EMIR obligations continued in 2016, with progress made in all aspects. Some of the most significant progress is as follows:

– Centralised clearing: On 1 December 2015, the technical standards establishing, for the first time in Europe, centralised clearing obligations in different types of OTC interest-rate derivatives contracts that are denominated in the main world currencies were published in the *Official Journal of the European Union*. These standards provide for gradual application of the requirements to the different participants in financial markets. For this purpose, four categories of entities are established depending on their activity in OTC derivatives and their level of preparation to comply with the centralised clearing requirements. In 2016, the obligations started to be applied to two categories: firstly, as from 21 June, to the entities that were members of a CCP that acted as counterparties in contracts subject to the clearing obligation and, six months later, to financial institutions whose activity in derivatives exceeded the thresholds set by the technical standard.

  Similarly, ESMA and the European Commission have continued their work identifying the classes of derivatives for which centralised clearing should be established as mandatory. As a result of this work, two technical standards whereby interest-rate contracts denominated in various currencies (Norwegian kroner, Polish zloty and Swedish krona) and certain index CDS were published in the *Official Journal of the European Union* in 2016. These obligations will gradually enter into force in 2017.

– Exchange of collateral: On 15 December 2016, the technical standard regulating the mandatory exchange of collateral in bilateral derivatives contracts provided for in EMIR was published in the *Official Journal of the European Union*. Among other aspects, this standard establishes the types and amounts of the collateral that must be exchanged when formalising OTC derivative contracts. It also determines the assets that may be used as collateral and the timeframe for providing the collateral. The obligation to exchange collateral will be applied progressively to the different types of entities. In particular, in 2017 all entities must start to exchange variation margins while, with regard to initial margins that cover possible future price variations, application will be carried out over a longer timescale ending in 2020.

– CNMV communication on the obligation to exchange collateral for OTC derivatives as from 1 March 2017: The CNMV issued a communication in February

2017 which recognises the difficulties that compliance with these obligations was causing for some entities, in particular as a result of the need to adjust contractual agreements with their counterparties. The CNMV informed that in addition to supervising said obligations, it will apply a risk-based approach that will take into account the specific capacity and circumstances of the affected entities on assessing the level of compliance with the requirements during the initial stage of their application. The CNMV communication echoes those published by ESMA and IOSCO on those same dates on the application of collateral exchange obligations.

III Financial institutions and investment services

6 Collective investment

Financial investment funds recorded growth in assets under management for the fourth consecutive year in 2016 as a result of the new funds from subscriptions and, to a lesser extent, as a result of the positive yields of portfolios. However, unlike in previous years, the growth in assets managed was not led by mixed funds (mixed fixed income and mixed equity), which suffered a significant fall due to the transformations into funds with different investment profiles and net redemptions by investors. In their place, the funds that grew the most were fixed-income funds, global funds, passively-managed funds and guaranteed equity funds. As a whole, there was a slight increase in more conservative profiles, whose relative weighting in total assets managed had been falling since 2013.

In contrast, 2016 was not such a positive year in the case of SICAVs (investment companies). The political debate regarding the tax treatment of these types of vehicles, which was once again intense last year, led to many de-registrations, in many cases in order to transform into other collective investment vehicles, and led to a fall in assets under management despite the more favourable market conditions.

Foreign collective investment schemes marketed in Spain retained their market share in this sector after recording significant increases over recent years.

6.1 Mutual funds

The adverse performance of markets during the first quarter of 2016 had a negative impact on the assets managed by mutual funds, which suffered a small fall over the quarter. However, in the three following quarters, assets under management had risen to 237.86 billion euros by the end of the year, 7.1% up on 2015. The assets managed by mutual funds therefore continue along the expansive trend of recent years, although the rate of growth was clearly lower. The increase is essentially supported by the subscription of units, even though their amount, net of redemptions, fell by 39.3% on the previous year to 13.84 billion euros. To a lesser extent, the net yield of the portfolio (1.91 billion euros), almost three times higher than in 2015, also contributed towards the growth in assets under management. The impact on the change in assets of the distribution of gross profits remained marginal.

As shown in Statistical Annex II.1, the categories that recorded the largest increase in assets were, in order, fixed-income funds (8.64 billion euros up on 2015, a rise of 13.2%), global funds (8.23 billion euros, up 64.9%), passively managed funds (5.87 billion euros, up 33.1%) and guaranteed equity funds (5.51 billion euros, up 55.3%). Almost all of the increase came from net subscriptions, although in the case of global funds, it should be pointed out that over half of the amount

(4 billion euros out of a total of 7.59 billion euros) reflects the net impact in this category of the reclassification of funds as a result of the modification of the investment profile,[1] which in this case particularly affected funds which came from the mixed fixed-income and mixed equity categories. Fixed-income funds once again attracted resources in net terms after falling in 2015, a year in which significant redemptions were recorded. The same happened with passively managed funds, which between 2013 and 2014 had grown sharply, mainly as a result of transformation into funds of this category – particularly funds with a specific target return – of what were previously guaranteed funds following expiry of the guarantee. The growth in guaranteed equity funds broke the downward trend suffered by both this fund category and guaranteed fixed-income funds over recent years. Their reactivation suggests that these funds once again played a significant role in the marketing strategies of investment products aimed at retail customers of financial institutions, encouraged by the upward trend in stock market prices, particularly in the second half of the year.

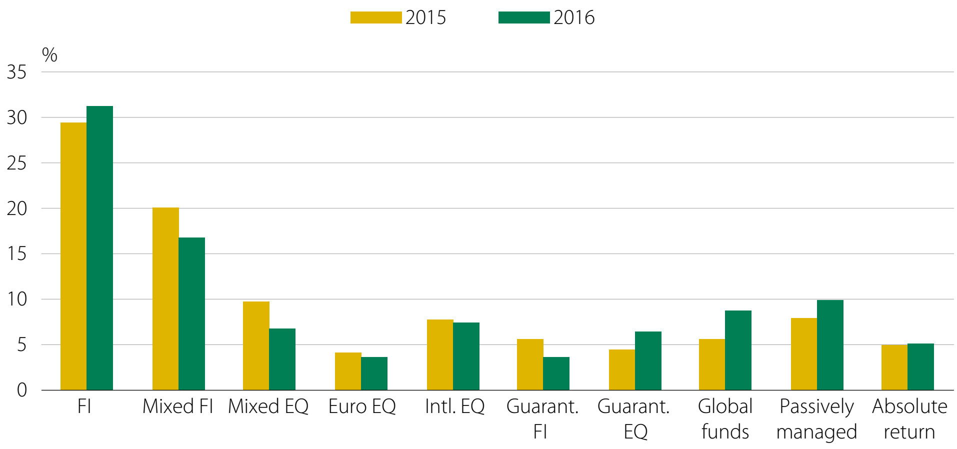
The two largest falls in assets under management were recorded in mixed funds, with a drop of 5.19 billion euros (down 24.1% on the previous year); mixed fixed-income funds, with 4.73 million euros (down 10.6%); and mixed equity funds. The changes in investment profile, particularly the transformation into global funds, as indicated above, accounted for over 30% of the fall in the former case and 40% of the fall in the latter case, with the rest mainly corresponding to divestments by the unit-holders. There was also a significant fall in the assets managed by guaranteed fixed-income funds (3.7 billion euros, down 29.9%), which maintain, unlike guaranteed equity funds, the downward trend of this category over recent years. Assets under management also fell in the categories of euro equity funds and international equity funds.

The changes in assets under management recorded over the year in the different fund categories led to a small increase in the joint relative weighting of more conservative formulas (fixed-income funds and guaranteed fixed-income and equity funds) in the total assets managed by mutual funds, which rose from 39.6% in 2015 to 41.4% in 2016. This slight increase broke the trend of the increase in the joint share of the other categories that had been recorded since 2013, which essentially reflected the fact that investors were more likely to take positions in funds with a higher risk level in order to obtain higher returns. The funds that most benefited from this trend included mixed fixed-income funds, equity funds and passively-managed funds; in addition, to a lesser extent, euro and international equity funds, global funds and absolute return funds. Of these funds, only global funds and passively managed funds significantly increased their share in the total assets managed by mutual funds in 2016, which partially offset the significant fall suffered by mixed formulas.

1 When a mutual fund is reclassified as a result of the transformation of its investment profile, the amount of its assets managed is recorded as a redemption in the former category and a subscription in the new category.

Mutual fund asset breakdown

FIGURE 6.1



Source: CNMV.

The aggregate yield of mutual funds at year-end 2016 stood at 0.98%, a similar percentage to the previous year. In most categories, the yield of the first half of the year was negative, but was positive in the second half, partly as a result of the improved performance of both national and international equity markets. The funds with the highest yields in 2016 were international equity funds, with a yield of 4.15% and euro equity funds, with 2.61%, percentages which were both below those recorded in 2015 (3.4% and 7.8%). Only guaranteed fixed-income funds ended the year with a negative yield, in this case of -0.03% (see Annex II.4 for further details).

Mutual fund asset breakdown[1]

TABLE 6.1

Million euros

	2015	%	2016	%	% change 16/15
Assets	**222,145**	**100.0**	**237,862**	**100.0**	**7.1**
Financial investment portfolio	**204,797**	**92.2**	**219,141**	**92.1**	**7**
Spanish securities	93,834	42.2	95,799	40.3	2.1
Debt securities	58,451	26.3	63,471	26.7	8.6
Equity instruments	8,758	3.9	8,530	3.6	-2.6
Collective investment schemes	5,699	2.6	6,250	2.6	9.7
Deposits in credit institutions	20,483	9.2	17,134	7.2	-16.3
Derivatives	433.7	0.2	405.7	0.2	-6.5
Other	9.7	0.0	8.5	0.0	–
Foreign securities	110,957	49.9	123,336	51.9	11.2
Debt securities	48,543	21.9	56,308	23.7	16.0
Equity instruments	18,654	8.4	20,035	8.4	7.4
Collective investment schemes	43,366	19.5	46,435	19.5	7.1
Deposits in credit institutions	104.1	0.0	81.2	0.0	-22.0
Derivatives	285.6	0.1	474.3	0.2	66.1
Other	4.8	0.0	2.3	0.0	–
Doubtful, delinquent or in litigation investments	6.8	0.0	6.1	0.0	-10.3
Cash	**16,595**	**7.5**	**18,393**	**7.7**	**10.8**
Net balance (debtors/creditors)	**752.7**	**0.3**	**328.5**	**0.1**	**-56.4**

Source: CNMV. (1) Excluding hedge funds and funds of hedge funds.

Since 2013, the breakdown of the aggregate assets of mutual funds has been changing in favour of foreign securities, whose proportion of total assets stood at 51.9% at year-end 2016, compared with 49.9% in 2015 and less than 30% in previous years. Despite having risen slightly in absolute terms, the share of the domestic portfolio fell to 40.3%. Within the foreign portfolio, the most significant increase took place in debt securities, which rose from around 48.5 billion euros to over 56 billion euros, and in the investment in other CIS, which rose by a little over 3 billion euros to over 46 billion euros. The largest fall within the domestic portfolio was recorded in deposits in credit institutions, which fell from over 20 billion euros to a little over 17 billion euros, while the investment in national debt securities, which had fallen sharply in 2015, grew by 5 billion euros, although in relative terms the figure was similar to that recorded in 2015.

Everything seems to indicate that the consolidation process in the supply of funds undertaken by management companies, which has led to a reduction of 381 funds in three years, has come to an end. In December 2016, the number of mutual funds stood at 1,748, 12 fewer than at the close of the previous year, after the addition of 167 new funds and the withdrawal of 179 funds (see Table 6.2). Of the latter, 175 funds were de-registered after being taken over by other mutual funds. This slight reduction in the number of vehicles, together with the increase in assets managed by the funds, led to an increase in the average assets per fund in the year, which rose from 126.2 million euros in 2015 to 136.1 million euros in 2016.

Registrations and de-registrations in 2016 TABLE 6.2

Type of firm	Firms registered at 31/12/2015	New registrations	De-registrations	Firms registered at 31/12/2016
Total financial CIS	**5,180**	**190**	**335**	**5,035**
Mutual funds	1,760	167	179	1,748
Investment companies	3,372	17	150	3,239
Funds of hedge funds	11	0	4	7
Hedge funds	37	6	2	41
Total real estate CIS	**9**	**0**	**0**	**9**
Real estate mutual funds	3	0	0	3
Real estate investment companies	6	0	0	6
Total foreign UCITS marketed in Spain	**880**	**109**	**48**	**941**
Foreign funds	425	44	28	441
Foreign companies	455	65	20	500
CIS management companies	**96**	**6**	**1**	**101**
Depositories	**65**	**1**	**10**	**56**

Source: CNMV.

In line with the growth in assets under management, the number of unit-holders rose by 7.4% to over 8.2 million (see Annex II.1). Global funds recorded the highest growth (277,000 more unit-holders), which is partly a result, as mentioned above, of some funds belonging to other categories changing to this category. Passively managed funds and fixed-income funds also recorded significant increases, specifically of 191,535 and 144,137 more unit-holders, respectively. The percentage of unit-holders in mutual funds who were natural persons stood at 97.7% and they accounted for 82.2% of total assets. Both percentages were very similar to those recorded in the previous year.

As shown in Table 6.3, 83% of the assets of mutual funds were managed at the end of the year by entities forming part of bank groups, including those incorporated around credit cooperatives. Managers forming part of insurance companies and investment firms (broker-dealers and brokers) managed 8.5% and 4.5% of the total, respectively. The rest of the assets (4%) were managed by other entities. These percentages have remained virtually unchanged over recent years.

Breakdown of assets of mutual funds by nature of the parent of the group to which the management company belongs (%) TABLE 6.3

	2013	2014	2015	2016
Banks	81.0	82.8	81.1	80.3
Credit cooperatives	2.7	2.7	2.8	2.7
Insurance companies	9.5	8.8	9.1	8.5
Broker-dealers and brokers	4.6	3.8	4.7	4.5
Other	2.1	2.0	2.4	4.0
Total	**100.0**	**100.0**	**100.0**	**100.0**
***Pro memoria*:**				
Mutual fund assets (million euros)	156,680	198,719	222,145	237,862

Source: CNMV.

Banks also continued to play a key role in the commercial distribution of mutual funds and, in general, of CIS. This can be particularly seen in the data relating to the provision to retail customers of order receipt, processing and execution services for this type of instrument that the CNMV receives from banks and from broker-dealers and brokers. Last year, credit institutions accounted for 95% of the total amount of orders relating to national CIS, and broker-dealers and brokers accounted for 5%, which were very similar to the figures recorded in 2015.[2]

6.2 Investment companies (SICAVs)

Following three consecutive years of growth, the number of financial investment companies (SICAVs) registered with the CNMV fell by 3.9% in 2016 to 3,239. There were 17 new registrations and 150 de-registrations. The decrease was reflected in the number of shareholders, which fell by 5.8% to 456,080. Almost all SICAVs (almost 98%) were listed on the Alternative Stock Market.

Mainly as a result of the high number of de-registrations referred to above, the assets managed by SICAVs fell by 4.3% to 32.09 billion euros. Average assets per SICAV remained at similar levels to 2015 and stood at 9.9 million euros, while average assets per shareholder rose slightly to 70,364 euros (69,292 euros in 2015).

2 If orders relating to foreign CIS are included, the percentage for banks falls to 94% in 2016 and the percentage for broker-dealers and brokers rises to 6% (93% and 7%, respectively, in 2015).

As with mutual funds, there was a displacement of SICAV investments in favour of the foreign portfolio, whose relative weighting in total assets stood at 63.6% at the end of the year, i.e., 2.1 percentage points up on the previous year and 6.4 percentage points up on 2014. This displacement came exclusively from the investment in other CIS, which recorded an increase of around 600 million euros, placing their relative weighting in the total assets of SICAVs at 30.1% (27.1% in 2015). The domestic portfolio, in contrast, shrank by 18.2%, and its relative importance in total assets fell by 4.1% on dropping from 28.1% to 24.0% (in 2015 it fell by 15 percentage points). The reduction was mainly the result of divestments in national debt instruments, as was the case in the previous year. The value of these assets in the portfolio at year-end stood at 2.4 billion euros, 34.6% down on 2015. The cash balance, as in the case of mutual funds, rose significantly on the previous year and accounted for 11.8% of total assets.

Breakdown of investment company assets TABLE 6.4

Million euros

	2015	%	2016	%	% change 16/15
Assets	**33,532**	**100.0**	**32,092**	**100.0**	**-4.3**
Financial investment portfolio	**30,035**	**89.6**	**28,128**	**87.6**	**-6.4**
Spanish securities	9,424	28.1	7,707	24.0	-18.2
Debt securities	3,663	10.9	2,395	7.5	-34.6
Equity instruments	3,090	9.2	2,872	8.9	-7.1
Collective investment schemes	1,418	4.2	1,485	4.6	4.7
Deposits in credit institutions	1,226	3.7	925	2.9	-24.5
Derivatives	-7.4	0.0	-5.2	0.0	-29.7
Other	33.7	0.1	34.4	0.1	2.1
Foreign securities	20,608	61.5	20,413	63.6	-0.9
Debt securities	4,472	13.3	4,263	13.3	-4.7
Equity instruments	7,026	21.0	6,466	20.1	-8.0
Collective investment schemes	9,090	27.1	9,653	30.1	6.2
Deposits in credit institutions	6.2	0.0	6.7	0.0	8.1
Derivatives	8.3	0.0	15.7	0.0	89.2
Other	5.5	0.0	8.4	0.0	52.7
Doubtful, delinquent or in litigation investments	2.7	0.0	7.9	0.0	192.6
Intangible assets	**0.0**	**0.0**	**0.0**	**0.0**	**-**
Property, plant and equipment	**0.1**	**0.0**	**0.1**	**0.0**	**-**
Cash	**3,211.3**	**9.6**	**3,791.7**	**11.8**	**18.1**
Net balance (debtors/creditors)	**285.8**	**0.9**	**172.2**	**0.5**	**-39.7**
***Pro memoria*: no. of shareholders**	**483,930**		**456,080**		**-5.8**

Source: CNMV.

6.3 Hedge funds

Hedge funds continue to have a very low share of collective investment in Spain as they account for less than 1% of total assets. This collective investment segment is made up of two types of vehicle: those that invest directly in assets (hedge funds) and those that invest through other hedge funds (funds of hedge funds). In both cases, the vehicle may be set up as a fund or a company.

The aggregate assets of this segment shrank slightly in 2016, specifically by 0.7%, and closed the year at 2.07 billion euros. The fall was concentrated in funds of hedge funds, whose assets dropped by 8.2% to 293.7 million euros. The assets of hedge funds, in contrast, remained virtually unchanged and stood at 1.78 billion euros at the end of the year, only 12 million euros above the figure for year-end 2015.

At the end of the year, most of the assets in this segment were held by vehicles set up as funds, with hedge funds accounting for 75.4% of the total (77.1% in 2015) and funds of hedge funds accounting for a lower percentage, 1% of the total (2.3% in the previous year). Companies operating in both sectors accounted for the remaining 23.6%.

The performance of the portfolio was positive for both hedge funds and funds of hedge funds. The former obtained a return of 4.6%, similar to the previous year, while the latter obtained a return of 0.9%, well below the figure recorded in the previous two years (8.5% in 2014 and 6.2% in 2015). As with mutual funds, returns were much better in the second half of the year than in the first half.

The total number of unit-holders and shareholders fell by 5.3% to stand at 4,040. Vehicles set up as funds accounted for 86% of the total.

The total number of these vehicles registered with the CNMV at year-end was the same as the previous year (48), although as shown in Table 6.2 there was a rearrangement between the different types of vehicles, with the number of hedge funds rising from 37 to 41 (six registrations and two de-registrations), while the number of funds of hedge funds fell from 11 to 7. It should be pointed out that the number of funds of hedge funds has been falling since the start of the financial crisis, when they totalled 41.

6.4 Real estate CIS

There were no changes in registered real estate CIS in 2016 and hence these totalled nine entities at year-end: three real estate funds and six real estate companies.

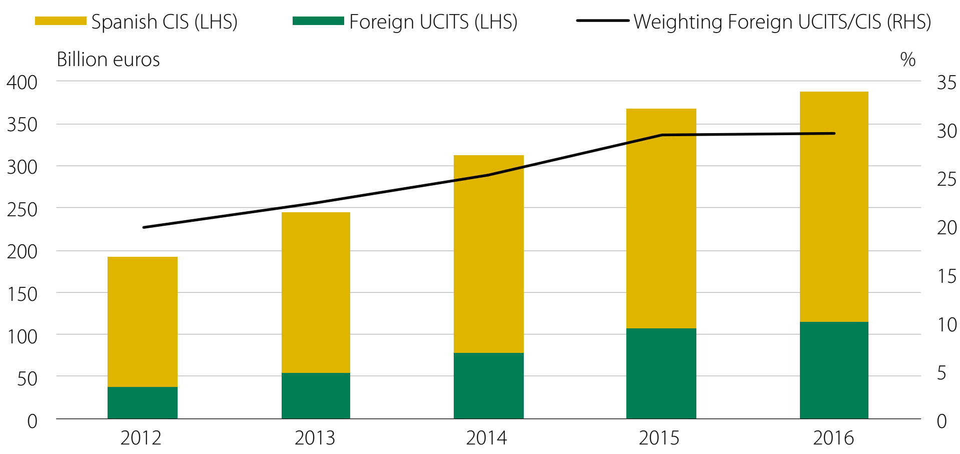
The assets managed by real estate CIS fell by 5.3% in 2016 to 370.1 million euros. The cause of this fall was the negative return on the asset portfolio, as has been the case, although now at a lower rate, since the middle years of the crisis. In 2016, the return stood at -5.4%. The number of unit-holders remained practically unchanged on 2015, standing at 3,927. The assets managed by real estate companies rose slightly by 0.7% to 707.3 million euros at the end of the year, while the number of shareholders rose significantly from 583 to 674. This was due to the fact that the last company registered in 2015 increased the number of shareholders significantly between April and September of this year.

6.5 Foreign UCITS marketed in Spain

The volume of foreign UCITS marketed in Spain has continued to grow over recent years, as shown in Figure 6.2. Indeed, between the middle of 2012 and the end of 2015 this figure tripled. Although these entities continued to grow in 2016, their rate of growth was much slower, with an increase of 6.4% to 114.99 billion euros. This figure was equivalent to 29.6% of the total assets of CIS marketed in Spain, a very similar percentage to the previous year.

In line with the trend of recent years, the number of foreign UCITS registered with the CNMV grew by 16 funds and 45 companies, and hence at year-end there were a total of 941 undertakings of this type (441 funds and 500 companies). As in previous years, most of the new registrations corresponded to undertakings from Luxembourg and Ireland (see Annex II.5).

Assets of foreign UCITS marketed in Spain FIGURE 6.2



Source: CNMV.

6.6 Collective investment scheme management companies

A total of 101 CIS management companies were registered with the CNMV at year-end 2016, five more than at the end of the previous year. There were six new registrations and one de-registration (see Annex II.6). Assets managed by CIS management companies grew by 4.8% to over 272 billion euros, despite the slowdown suffered in the first half of the year (-1.3%). Over 90% of this increase was due to the positive performance of subscriptions in real estate funds. The sector continued to be extremely concentrated: the three largest management companies held a combined share of 43% of total assets managed at year-end 2016, a very similar percentage to that recorded at the end of 2015.

Despite the positive performance of collective investment over the year, aggregate profits before tax of CIS management companies fell by 4.1% on the previous year to 600.8 million euros. This fall was mainly the result of the fall in commission revenue (-2.3%) combined with an increase in operating expenses (10.8%). CIS management commissions, which account for over 90% of the total commissions received by management companies, shrank by 3.9% after recording cumulative growth of over 70% in the previous three years (see Table 6.5). These commissions accounted for 0.87% of assets under management, below the figure of 0.95% recorded at year-end 2015. Commissions paid to other entities fell by 5.1%, which led to a slight increase in the gross margin, specifically to 1.02 billion euros. However, the increase in operating expenses, together with higher redemptions than in 2015, led to net operating profit falling by 4.8% to 596.3 million euros.

Income statement of CIS management companies

TABLE 6.5

Thousand euros

	2015	2016	Change (%)
Interest margin	**8,154**	**5,208**	**-36.13**
Net commissions	981,975	1,004,839	2.33
Commission revenue	2,650,275	2,588,841	-2.32
CIS management	2,442,456	2,347,199	-3.90
Front-end and back-end fees	25,605	13,964	-45.46
Other	182,214	227,678	24.95
Commission expenses	1,668,300	1,584,002	-5.05
Profit from net financial investments	2,715	5,456	100.96
Earnings on capital instruments	6,682	771	-88.46
Net exchange differences	471	189	-59.87
Other products and net operating charges	-4,633	-1,692	63.48
Gross profit	**995,364**	**1,014,771**	**1.95**
Operating expenses	351,912	389,989	10.82
Personnel	214,693	239,325	11.47
General expenses	137,219	150,664	9.80
Depreciation, amortisation and other provisions	16,811	28,905	71.94
Impairment losses on financial assets	437	-453	–
Net operating profit	**626,204**	**596,330**	**-4.77**
Other gains/losses	242	4,489	1,754.96
Profit (loss) before tax	**626,446**	**600,819**	**-4.09**
Income tax expense	-179,867	-163,628	9.03
Profit from continuing operations	**446,579**	**437,191**	**-2.10**
Profit from discontinued operations	0	0	–
Net profit (loss) for the year	**446,579**	**437,191**	**-2.10**

Source: CNMV.

The year ended with 13 loss-making entities, two more than in 2015, while aggregate losses rose from 3.5 million euros to 7.4 million euros (see Table 6.6).

Profit before tax, number of loss-making firms and amount of loss

TABLE 6.6

Thousand euros

	Profit before tax	No. of loss-making firms	Amount of loss
2012	286,014	28	10,164
2013	453,001	11	2,102
2014	545,484	14	2,828
2015	626,446	11	3,526
2016	600,818	13	7,369

Source: CNMV.

6.7 CIS depositories

The number of CIS depositories registered with the CNMV at the end of the year stood at 56, following ten de-registrations and one new registration, although only 25 were truly operative within the activity. Most of the de-registrations corresponded to entities that were no longer operative at the end of the previous year. Banking groups clearly predominated among the operative depositories as they accounted for 95.2% of total assets deposited by CIS (94.9% in 2015). Of this amount, 13% corresponded to branches of foreign financial institutions, mostly from Member States of the European Union. The remaining 4.8% was divided among credit cooperatives, broker-dealers and insurance companies.

7 Provision of investment services

Different types of entities may provide investment services in Spain including, firstly, credit institutions and, secondly, broker-dealers and brokers. The former are by far the main providers of these services in Spain and account for the bulk of commission revenue in the different types of services. The latter continue to have a significant relative importance, particularly in order transmission and execution, although they also offer a wide range of services. In addition to these entities, specific investment services are also provided by portfolio management companies and by financial advisory firms. Chapter 11 reports on the CNMV's supervisory activity with regard to all these entities, while this chapter focuses above all on the economic and financial position of entities subject to prudential supervision by the CNMV.[1]

In 2016, broker-dealers and dealers faced the same unfavourable market conditions as those seen in 2015, which had a particularly negative effect for brokers. A significant part of the results of both types of firm was determined by situational factors, particularly the fall in trading volumes in stock markets (see Chapter 1), which negatively affected their main source of income: commissions for order processing and execution. However, the sector was also affected by more structural factors, such as growing competition from credit institutions and the displacement of a significant amount of the trading of securities admitted to trading on Spanish stock markets towards trading platforms located in other European countries (see Chapter 2).

The fall in commissions for order processing and execution was not sufficiently offset by the increase in other commission revenue or by a sufficient reduction in commissions paid to other entities (in fact, these commissions rose slightly in the case of brokers). Firms in the sector therefore suffered a fall in their net income from providing services to third parties. Broker-dealers also suffered a significant fall in the results of their proprietary activities, particularly in financial investments. All of the above is reflected in a reduction in the aggregate gross margin of the sector, whose impact on the net profit before tax was mitigated as a result of a reduction in operating expenses in the case of broker-securities and amplified by an increase in these expenses in the case of brokers. As a whole, net profit fell by 10.9% on 2015 (-6% for broker-dealers and -54.2% for brokers).

A relatively high number of firms closed the year with losses (seven broker-dealers and eleven brokers). In line with the changes in profits for both types of firms, the

1 The CNMV oversees broker-dealers and brokers, portfolio management companies and financial advisory firms both with regard to prudential supervision and in order to ensure compliance with conduct of business rules. In the case of credit institutions, the CNMV only supervises this second aspect with regard to the provision of investment services.

aggregate amount of losses was lower than in the previous year for broker-dealers and higher for brokers. At any event, the sector continued to enjoy a large surplus equity over minimum requirements required by law.

The two portfolio management companies that remain active obtained a significant increase in their profits in 2016. The assets under advice of financial advisory firms rose slightly, although their profits fell as a consequence of the reduction in commissions applied.

7.1 Credit institutions[2]

At the end of 2016, a total of 125 Spanish credit institutions (banks, savings banks and credit cooperatives) were registered with the CNMV to provide investment services, eight fewer than in 2015. This fall is still linked to the conversion and concentration process undertaken in the banking sector. A total of 465 foreign credit institutions were authorised to provide investment services in Spain, one fewer than in the previous year. 406 of the registered foreign credit institutions operated under the free provision of services regime and 59 through branches. Almost all of these institutions were from other Member States of the European Union (459 institutions).

Credit institution revenue from the provision of securities services and marketing of non-bank financial products TABLE 7.1

Million euros

	2013	2014	2015	2016	% of total commissions
For security services	**1,195**	**1,479**	**1,476**	**1,334**	**9.9**
Placement and underwriting	188	301	218	190	1.4
Securities trading	391	477	488	410	3.0
Administration and custody	531	583	632	596	4.4
Asset management	84	119	138	138	1.0
Marketing of non-bank financial products	**3,263**	**3,689**	**4,213**	**4,389**	**32.5**
Mutual funds	1,353	1,762	2,295	2,187	16.2
Pension funds	468	482	458	520	3.9
Insurance	1,187	1,235	1,224	1,446	10.7
Other	255	209	236	236	1.7
***Pro memoria*:**					
For securities services and marketing of mutual funds	2,548	3,241	3,771	3,521	26.1
Total revenue from commissions	**13,524**	**13,735**	**13,615**	**13,486**	**100**

Source: Bank of Spain.

Table 7.1 shows the revenue of credit institutions from the provision of securities services and marketing of mutual funds and non-bank financial products. As shown,

2 Credit institutions are allowed to provide investment services provided that the legal regime under which they operate, their articles of association and a specific authorisation allow them to do so. The CNMV supervises their activities in this area.

the revenue from securities services in 2016 fell by 9.6% on the previous year, and the revenue from marketing mutual funds fell by 4.7%, in line with the lower growth in collective investment (see Chapter 6). These two types of revenue together as a proportion of total commission revenue stood at 26.1%. This percentage and that of the previous year stand at the levels recorded prior to the financial crisis (26.4% in 2007). In both cases, this is mainly due to the weight of revenue from marketing mutual funds.

The comparison of the commissions received by credit institutions and investment firms shows the great importance of the former in providing investment services. As shown in Table 7.2, the former clearly exceeded the latter even in services for processing or executing securities trading, a segment that was traditionally dominated by investment firms. This trend changed in 2013 and over recent years credit institutions have increasingly gained more market share in this segment.

Commissions received for investment services. 2016 TABLE 7.2

Million euros

	Broker-dealers and brokers	Portfolio management companies	Credit institutions (CI)	Total	% CI/total
Total investment services	**488**	**4**	**3,521**	**4,031**	**87.7**
Placement and underwriting	9	–	190	199	95.5
Securities trading	270	–	410	680	60.3
Asset management	35	4	138	177	78.0
Administration and custody	48	–	596	644	92.5
Mutual fund marketing	126	–	2,187	2,313	94.6

Source: CNMV and Bank of Spain.

7.2 Investment firms[3]

7.2.1 Broker-dealers and brokers

Authorisation and registration

At the end of 2016, a total of 81 broker-dealers and brokers were registered with the CNMV, three more than at the end of 2015. This slight increase in the number of firms might suggest that the sector is stabilising following the significant adjustment process of recent years (in 2008 there was a total of 101 broker-dealers and brokers). However, it is important to point out that there was a significant number of de-registrations (specifically, eight) in a year which, as indicated below, once again ended with a high number of loss-making firms.

A total of 18 firms ended the year with losses, two fewer than in 2015. The aggregate volume of the losses was slightly lower than in the previous year in the case of

3 In accordance with Article 143 of the recast text of the Securities Market Act, investment firms cover broker-dealers, brokers, portfolio management companies and financial advisory firms.

broker-dealers and much higher in the case of brokers (see Tables 7.5 and 7.7). These figures suggest that additional adjustments in the sector in the coming years cannot be ruled out, particularly relating to brokers.

As shown in Table 7.3, eleven new firms registered and eight firms de-registered over the year. Ten of the new registrations corresponded to independent firms and the other to a financial institution. Seven of the de-registrations corresponded to independent firms and the eighth to a Spanish credit institution (see Statistical Annex II.8).

There were also two significant changes in the controlling interests of broker-dealers and brokers. One affected a broker-dealer and the other affected a broker. The former was acquired by a financial institution, while ownership of the broker was transferred to an independent company (see Statistical Annex II.9).

Registrations and de-registrations of firms TABLE 7.3

Type of firm	Firms at 31/12/2015	New registrations	De-registrations	Firms at 31/12/2016
Spanish firms	**78**	**11**	**8**	**81**
Broker-dealers	39	5	4	40
Brokers	39	6	4	41
Foreign firms	**2,713**	**216**	**87**	**2,842**
With a branch	42	7	3	46
Free provision of services	2,671	209	84	2,796
***Pro memoria*:**				
Representatives	6,287	573	607	6,253

Source: CNMV.

As usual, most of the broker-dealers and brokers that use an EU passport to operate in other countries of the European Union do so under the free provision of services system. Accordingly, at year-end 2016, only six firms maintained branches in other countries (United Kingdom, Italy and Portugal), the same number as at year-end 2015, while 39 – one fewer than in the previous year – operated under the free provision of services. There were no changes in the list of countries in which the firms provide services although the number of firms operating in several countries increased (see Statistical Annex II.10).

As shown in Table 7.3, 216 firms authorised in other Member States informed the CNMV in 2016 of their intention to begin providing investment services in Spain. A significant number of entities also notified that they were ceasing to operate, with a total of 87 de-registrations. Most of these notifications, both for registrations and de-registrations, corresponded to entities under the free provision of services regime, which increased in number from 2,671 in 2015 to 2,796 in 2014. The number of foreign institutions with a branch rose from 42 to 46. Most of the new entities registered were authorised in the United Kingdom (see Statistical Annex II.7).

Results

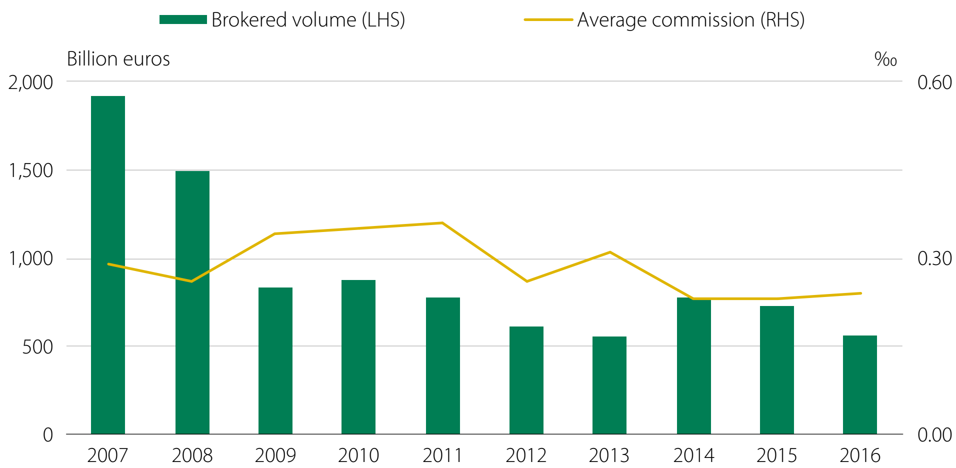
Broker-dealers and brokers obtained profit before tax of 192.0 million euros in 2016, 10.9% down on the previous year. The fall was smaller in broker-dealers (6.0%), but very significant in brokers (52.5%). Broker-dealers usually generate most of the profit before tax for the sector. The percentage this year (94.3%) is even higher due to the considerable fall in the profits posted by brokers.

As shown in Table 7.4, broker-dealers suffered a reduction in their revenue on the previous year both in proprietary trading and in providing investment services to third parties. Particularly noteworthy was the fall in net profit from financial investments, which fell by more than half on the figure for 2015. The other component of revenue associated with proprietary trading – the interest margin – fell by 3%.

Commissions from providing services to third parties, the main source of income for broker-dealers, fell by 12.4%, mainly as a result of the fall in commissions from order processing and execution, issue placement and underwriting, investment advisory services and other items. There were rises in other commissions, particularly for deposit and entry of securities and for marketing CIS, although these were insufficient to offset the fall in the above-mentioned commissions.

Commissions from order processing and execution remained the most important of the sources of revenue from the provision of services to third parties. These commissions mainly come from brokering in Spanish equity markets. It should be noted that the revenue for this item shrank by 23.9% on the previous year. Brokered volumes in these markets fell significantly in 2016, in line with the fall in stock market trading (see Chapter 2) and the greater activity of credit institutions in executing orders, while average brokerage fees rose slightly. The combination of both factors led to the aforementioned 23.9% fall in revenue for this item (see, for example, the development of brokered volume in stock markets and average brokerage commission for broker-dealers that are stock-market members in Figure 7.1).

Broker-dealers that are stock market members: brokered volume and average effective commission in Spanish equity FIGURE 7.1



Source: CNMV.

With regard to other commissions, there was a noteworthy fall in commissions for placement and underwriting of securities and for investment advice. Commissions paid to other entities fell by 14.1% on the previous year and were the equivalent of 30.6% of the commissions received.

The operating expenses of broker-dealers once again fell (by 5.0%), which suggests that the sector may be continuing with the adjustments in these expenses, which began as a result of the financial crisis, in order to adapt to the changes in financial markets. Depreciation, amortisation and other provisions also fell. Net impairment losses of financial assets were once again recorded, although the amount of such losses was lower than in the previous year. The fall in gross margin, which broker-dealers partially offset with lower expenses, led to a 9.3% fall in the operating profit, which decreased from 186.7 million euros in 2015 to 169.5 million euros in 2016. Profit before tax fell by 6.0% to 181.2 million euros.

Income statement for broker-dealers[1] TABLE 7.4

Thousand euros

	2015	2016	% change 16/15
Interest margin	**55,570**	**53,930**	**-3.0**
Net commissions	**422,542**	**373,552**	**-11.6**
Commission revenue	614,705	538,586	-12.4
Order processing and execution	322,857	245,700	-23.9
Placement and underwriting	11,556	5,955	-48.5
Deposit and entry of securities	24,358	47,843	96.4
Marketing CIS	73,889	75,505	2.2
Portfolio management	22,541	23,738	5.3
Investment advisory services	2,930	2,547	-13.1
Other	156,574	137,298	-12.3
Commission expenses	192,163	165,034	-14.1
Profit from financial investments	**215,861**	**104,292**	**-51.7**
Net exchange differences	-142,545	-29,731	79.1
Other products and operating charges	14,345	28,554	99.1
Gross profit	**565,773**	**530,597**	**-6.2**
Operating expenses	370,419	351,951	-5.0
Personnel	240,650	228,518	-5.0
General expenses	129,769	123,433	-4.9
Depreciation, amortisation and other provisions	12,222	10,451	-14.5
Impairment losses on financial assets	-3,643	-1,304	64.2
Net operating profit	**186,771**	**169,499**	**-9.3**
Other gains/losses	6,005	11,695	94.8
Profit (loss) before tax	**192,776**	**181,194**	**-6.0**
Income tax expense	51,485	40,673	-21.0
Profit from continuing operations	**141,291**	**140,521**	**-0.5**
Profit from discontinued operations	**0**	**0**	**–**
Net profit (loss) for the year	**141,291**	**140,521**	**-0.5**

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

As has increasingly been the case in recent years, a small number of firms generated most of the profits in this sub-sector. Specifically, four broker-dealers generated 72.0% of the aggregate profits of all the profit-making broker-dealers, which indicates greater concentration than in previous years. Another noteworthy fact is that half of the companies suffered a fall in profits in the year. In general, the firms with the largest size in the sector tend to be increasingly profitable, while the viability of the smaller companies is more complicated.

Profit before tax, no. of loss-making broker-dealers and amount of the losses before tax TABLE 7.5

Thousand euros

	Profit before tax (total)[1]	No. of loss-making firms	Amount of the losses before tax
Broker-dealers			
2013	194,566	5	-6,502
2014	275,629	3	-4,623
2015	192,776	8	-14,829
2016	181,194	7	-8,957

Source: CNMV. (1) Includes results from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

The fall in the sector's profits was accompanied by a significant number of broker-dealers that posted losses before tax (see Table 7.5). Seven companies ended the year with losses (one fewer than in the previous year). Four of these had already suffered losses in 2015. Six of the seven companies are independent firms while the seventh belongs to several Spanish credit institutions. A positive aspect is that the accumulated losses fell significantly from 14.8 million euros in 2015 to 9.0 million euros in 2016.

Unlike broker-dealers, brokers may not invest on their own account. Therefore, their revenue almost exclusively comes from providing services to third parties. While some of the brokers obtain the bulk of their revenue from processing and executing orders, most of them tend to specialise in certain services, such as marketing CIS or portfolio management. Most of the firms in the sub-sector were independent (21 out of a total of 40 brokers), unlike broker-dealers, which are mostly controlled by a financial group (only seven firms out of a total of 41 are independent).

Aggregate profits before tax of brokers fell by 52.5% to 10.8 million euros. The worsening results were due to the reduction in the ordinary revenue of brokers, mainly commissions, which make up the bulk of their revenue, and an increase in their expenses.

Net commissions fell by 5.1% on the previous year. Within gross commissions (commissions received), there were noteworthy falls in the items of "order processing and execution" (24.1%), "marketing CIS" (5.0%) and "issue placement and underwriting" (16.6%). These items accounted for over 72% of the commissions received. On the positive side, it should be pointed out that commissions for "investment advisory services" rose by 12.8% and "other" commissions rose by 14.2%.

The reduced activity of brokers in 2016 in several of their business lines did not lead to a fall in commissions paid to third parties, which in fact rose slightly by 0.7%.

The aggregate gross margin largely reflected the poorer performance of net revenue from services and fell by 7.2%.

Income statement for brokers[1]

TABLE 7.6

Thousand euros

	2015	2016	% change 16/15
Interest margin	**884**	**903**	**2.2**
Net commissions	**113,904**	**108,111**	**-5.1**
Commission revenue	135,320	129,682	-4.2
Order processing and execution	31,845	24,181	-24.1
Placement and underwriting	3,829	3,193	-16.6
Deposit and entry of securities	521	603	15.7
Marketing CIS	53,169	50,504	-5.0
Portfolio management	10,711	11,054	3.2
Investment advisory services	7,636	8,614	12.8
Other	27,609	31,533	14.2
Commission expenses	21,416	21,571	0.7
Profit from financial investments	**592**	**245**	**-58.6**
Net exchange differences	730	154	-78.9
Other products and operating charges	467	-1,184	–
Gross profit	**116,577**	**108,229**	**-7.2**
Operating expenses	93,222	95,142	2.1
Personnel	61,086	63,167	3.4
General expenses	32,136	31,975	-0.5
Depreciation, amortisation and other provisions	1,180	2,891	145.0
Impairment losses on financial assets	27	56	107.4
Net operating profit	**22,148**	**10,140**	**-54.2**
Other gains/losses	633	682	7.7
Profit (loss) before tax	**22,781**	**10,822**	**-52.5**
Income tax expense	5,515	3,840	-30.4
Profit from continuing operations	**17,266**	**6,982**	**-59.6**
Profit from discontinued operations	**0**	**0**	**–**
Net profit (loss) for the year	**17,266**	**6,982**	**-59.6**

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

Operating expenses rose by 2.1% on the previous year, which contributed towards increasing the impact of the fall in revenue on the profit for the year by making this sub-sector less efficient. Within operating expenses, personnel expenses rose by 3.4%, while general expenses fell slightly by 0.5%. Consequently, net operating profit stood at 10.1 million euros, 54.2% down on 2015. The heading “other gains/losses” contributed with a positive and slightly higher balance than in the previous year towards the aggregate profit before tax.

The decline in profit before tax affected a large number of brokers. Specifically, 28.6% of brokers registered both at year-end 2015 and year-end 2016 suffered falls in profit before tax.

The number of loss-making firms fell by one, from twelve to eleven. However, there was an increase in accumulated losses, which rose from 3.7 million euros in 2015 to 7.4 million euros in 2016 (see Table 7.7). Five of the eleven loss-making brokers at the end of the year had already suffered losses in the previous year.

Profit before tax, no. of loss-making brokers and amount of the losses before tax TABLE 7.7

Thousand euros

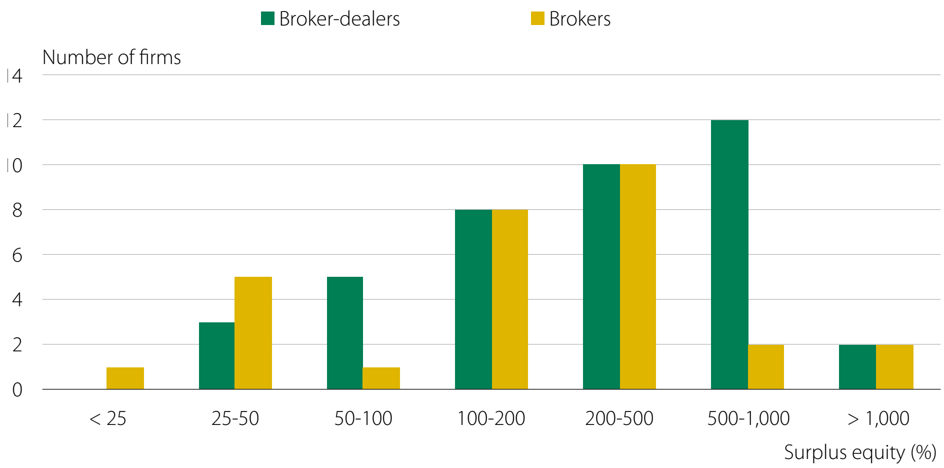
	Profit before tax[1]	No. of loss-making firms	Amount of the losses before tax
Brokers			
2013	19,276	8	-1,588
2014	24,832	5	-2,111
2015	22,781	12	-3,689
2016	10,822	11	-7,402

Source: CNMV. (1) Includes results from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

Solvency

The solvency of the sector as a whole remained high in 2016. Specifically, at the end of the year, the equity surplus was 4.5 times the capital requirements (the same as at year-end 2015). This margin was generally greater in broker-dealers than in brokers. While the equity surplus for broker-dealers was around 4.7, it remained at 2.3 for brokers. With regard to the distribution of this ratio, Figure 7.2 shows that most broker-dealers at the end of 2016 continue to have surplus equity greater than 200%, while brokers showed a greater spread. No broker-dealer or broker closed the year with an equity deficit, although, in the case of these entities, the gap provided by the equity surplus was low as the amounts involved were not significant.

Surplus equity over minimum requirements for broker-dealers and brokers FIGURE 7.2



Source: CNMV.

7.2.2 Portfolio management companies

At year-end 2016, two portfolio management companies were registered with the CNMV, the same number as at year-end 2015. The commissions received by these two companies performed positively, rising by 27.9%, leading to the gross margin growing by 27.8%. The operating expenses of these two companies fell by 2.9%, which led to an increase in aggregate profit before tax of 92.4%.

During part of 2015, the sector also included a company of considerable size that was de-registered before the end of said year. If this company is taken into account in the comparison between 2016 and 2015 (see Table 7.8), net commissions for services fell by 49.3%, operating expenses fell by 36.4% and net profit before tax fell by 4.8%. The impact of this de-registration on assets managed and on commissions received is clearly shown in Figure 7.3.

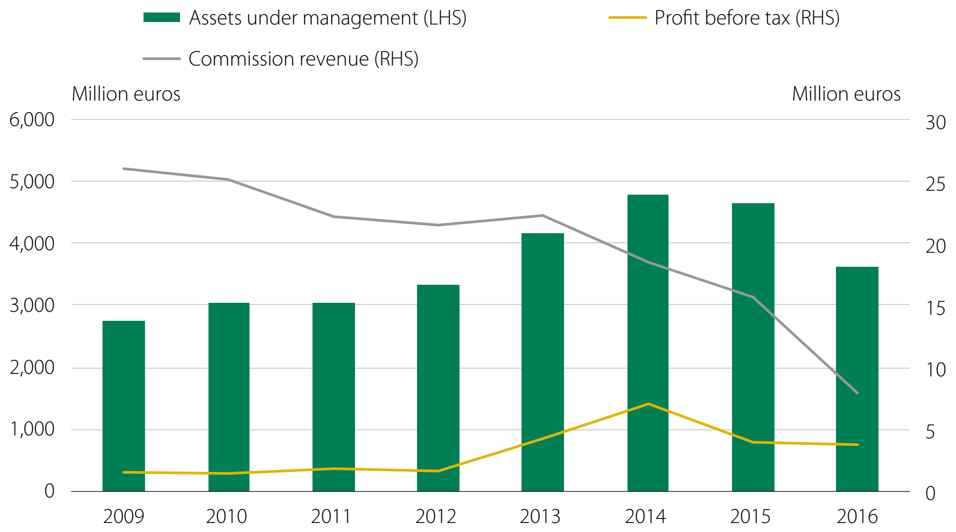
Income statement of portfolio management companies[1] TABLE 7.8

Thousand euros

	2015	2015[2]	2016	% change 16/15[3]
Interest margin	**399**	**117**	**83**	**-29.1**
Net commissions	**8,526**	**5,175**	**6,617**	**27.9**
Commission revenue	13,064	5,175	6,617	27.9
Commission expenses	4,538	0	0	–
Profit from financial investments	**-28**	**-26**	**-1**	**96.2**
Net exchange differences	165	0	0	–
Other products and operating charges	-399	-121	-126	-4.1
Gross profit	**8,663**	**5,145**	**6,573**	**27.8**
Operating expenses	5,303	3,473	3,374	-2.9
Personnel	3,055	2,665	2,708	1.6
General expenses	2,248	808	666	-17.6
Depreciation, amortisation and other provisions	29	23	27	17.4
Impairment losses on financial assets	0	0	0	–
Net operating profit	**3,331**	**1,649**	**3,172**	**92.4**
Other gains/losses	0	0	0	–
Profit (loss) before tax	**3,331**	**1,649**	**3,172**	**92.4**
Income tax expense	996	493	950	92.7
Profit from continuing operations	**2,335**	**1,156**	**2,222**	**92.2**
Profit from discontinued operations	**0**	**0**	**0**	**–**
Net profit (loss) for the year	**2,335**	**1,156**	**2,222**	**92.2**

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, and not only at year-end. (2) Only includes the entities that were active in 2016. (3) Percentage change taking into account the data of 2015 which only include the entities active in 2016. NB: the aggregate data for 2015 include Santander Carteras SGC.

Assets under management, commission revenue and profit before tax of portfolio management companies FIGURE 7.3



Source: CNMV.

7.3 Financial advisory firms

Financial advisory firms are a type of investment firm which began operating in 2009 under Spanish legislation which transposed the Directive on Markets in Financial Instruments (MiFID). These firms, which offer their clients the reserved activity of advisory services in financial investments, have an extensive portfolio of retail clients, although their revenue mainly comes from advising large investors, including CIS and other institutional investors. The presence of new financial technologies (FinTech) in this sector is still at the initial stage: only one firm offers advisory services with a significant automated component (robo-advising).

At year-end 2016, 160 financial advisory firms were registered with the CNMV, six more than in 2015. There were 17 new registrations and 11 de-registrations, all of which were independent firms. Total assets under advisory services amounted to 28.16 billion euros, a rise of 11.0% on the previous year. The bulk of the advisory service contracts signed corresponded to retail clients (92.9% of a total of 5,895), although these contracts only accounted for 26.4% of assets under advisory services. At any event, it should be pointed out that the assets under advisory services for retail clients once again rose in 2016 (see Table 7.9). Finally, the overall profit of these firms fell significantly from 11.5 million euros in 2015 to 8.0 million euros in 2016, which reflects a clear reduction in the commissions that they charge to their clients.

Financial advisory firms: number of contracts and volume of assets under advisory services

TABLE 7.9

Thousand euros

	2015	2016	% change 16/15
Number of contracts			
Retail clients	5,156	5,476	6.2
Non-retail clients	388	419	8.0
Total			
Assets under advisory services (thousand euros)			
Retail clients	6,777,181	7,435,241 (P)	9.7
Non-retail clients	18,589,016	20,719,588 (P)	11.5
Total			

Source: CNMV. (P) Provisional.

8 Venture capital firms and crowdfunding platforms

The data available on the venture capital sector in 2016 indicate a significant increase in activity in the second half of the year, particularly as a result of the growth in large-scale deals, all of which were carried out by international operators. These investments had fallen significantly in 2015 and in the first half of 2016, coinciding with a stage of serious political uncertainty in Spain. One clearly positive piece of data to be highlighted is the sharp increase in new funds raised by private Spanish entities for investing, which was 51% up on the previous year.

Public initiative, although providing only a minority of the direct provision of funds, continued to play an important role in this activity, particularly through the conversion formulas of the FOND-ICO Global venture capital fund. To date and in its seven calls – the last two performed in 2016 – this fund has committed an overall investment of close to 1.1 billion euros through 48 newly-created funds. Most of these have been registered, or are in the process of being registered, with the CNMV. In addition, it is important to highlight the funds provided by the European Investment Fund (EIF) and the Centre for Industrial Technological Development (CDTI) (through its venture capital fund company), which have promoted new venture capital investment vehicles in early-stage investments mainly linked to the new technologies and communications sectors.

Crowdfunding is regulated by Law 5/2015, of 27 April, on promoting business financing, and since its entry into force, the CNMV has dealt with numerous requests for authorisation and registration, which demonstrates the interest that this regulatory initiative has generated. At year-end 2016, a total of 17 entities were already authorised and registered with the CNMV, with another four authorised entities whose registration is expected to be completed in 2017.

8.1 Venture capital firms and other closed-end collective investment undertakings

Firms registered with the CNMV

At year-end 2016, 292 venture capital vehicles were registered with the CNMV, 27 more than in the previous year. In addition, there were seven closed-end collective investment undertakings (six more than in the previous year) and 81 management companies of closed-end investment undertakings (four more than in 2015) registered with the CNMV. Both of these categories were introduced by Law 22/2014, of 12 November, regulating venture capital firms, other closed-end collective investment undertakings and management companies of closed-end collective investment undertakings. The category of management companies of closed-end collective investment undertakings includes the former venture capital management companies.

There were 46 new registrations of venture capital vehicles. There was a significant rise in SME venture capital vehicles, which rose from 14 to 25. This vehicle category was introduced by Law 22/2014 in order to promote venture capital as an alternative formula for financing SMEs, which have traditionally been very dependent on bank lending. The first two European venture capital funds were also registered in 2016. This fund category was created by Regulation (EU) No. 345/2013 of the European Parliament and of the Council, of 17 April 2013, on European venture capital funds. These funds may be marketed in Spain and in various countries of the European Union to investors that invest over 100,000 euros. There was also a significant number of de-registrations (19), although this number fell on previous years.

There were six new registrations of closed-end collective investment undertakings (five companies and one fund), a category that was introduced by Law 22/2014 and which enjoys a great deal of flexibility with regard to the rules on investors.

A total of ten new management companies of collective investment undertakings were registered and six were de-registered. Two of the new management companies were established with the status of management companies of collective investment undertakings subject to the requirements of Chapter II of Title II of the aforementioned Law 22/2014, and another two that were already registered adapted to this regulatory framework. Therefore, at year-end 2016, the number of management companies of collective investment undertakings that comply with European legislation amounted to eight, with the possibility of requesting a European passport for the vehicles that they manage. Two of the de-registrations did not affect the continuity of the managed vehicles as the de-registration took place in one case as a consequence of a merger and, in the other, as a result of a transformation into a CIS management company.

Registrations and de-registrations

TABLE 8.1

Type of firm	Firms at 31/12/2015	New registrations	De-registrations	Firms at 31/12/2016
Venture capital companies	103	10	14	99
Venture capital funds	148	23	5	166
SME venture capital companies	6	8	0	14
SME venture capital funds	8	3	0	11
European venture capital funds	0	2	0	2
Total venture capital undertakings	**265**	**46**	**19**	**292**
Closed-end collective investment companies	1	5	0	6
Closed-end collective investment funds	0	1	0	1
Total closed-end collective investment undertakings	**1**	**6**	**0**	**7**
Total venture capital undertakings + closed-end collective investment undertakings	**266**	**52**	**19**	**299**
Management companies of closed-end collective investment undertakings	**77**	**10**	**6**	**81**

Source: CNMV.

Sector data

According to ASCRI (Association of Spanish venture capital firms), investment in this sector at year-end 2016 totalled almost 3 billion euros, slightly higher than the figure recorded in 2015 (2.79 billion euros). This sum was spread among 584 investments. The sector benefited from an increase in the number of large-scale deals (over 100 million euros), which stood at seven investments compared with four in the previous year, all of which were conducted by international operators. The segment of medium-scale deals (between 10 and 100 million euros) remained extremely active and closed the year with significant figures (1.13 billion euros in 43 deals), although slightly below 2015 (1.64 billion euros in 57 deals). Nevertheless, the most frequent deals were once again investments of less than 5 million euros, which accounted for 88.4% of the total number of investments (86% in 2015), highlighting for another year the importance of the financing aimed at SMEs in venture capital and private equity activities in Spain.

International investors once again led these activities in terms of the amount invested, with 1.99 billion euros (66% of the total), spread among 62 deals. This investment volume was 17% up on the previous year. Private Spanish operators invested 931 million euros (31% of the total invested volume) in a total of 420 investments. The remaining investment volume was provided by the public sector.

With regard to the type of deals, there was intense investment activity in the early stages of business projects (seed and start-up stages). A total of 436 deals of this type were registered, with investments amounting to 385 million euros. The participation of private Spanish operators continued to increase in this type of investment, practically doubling their share of the total invested amount (42% in 2016 compared with 22% in 2015).

The new funds raised by private Spanish operators amounted to 2.24 billion euros, 51% up on the previous year. Divestments, which had reached historic highs in 2014 and 2015, slowed down in 2016 with a total of 352 divestments for a total amount of 1.88 billion euros.

The IT and consumer products sectors received the highest volume of investment with 12% and 11% of the total, respectively. The IT sector also registered the highest number of deals, specifically 263, followed by the industrial products and services sector, with 49 deals, and health and medicine with 43.

8.2 Crowdfunding platforms

The Law on promoting business financing, published on 28 April 2015, establishes a set of measures that aim, firstly, to make bank financing more accessible and flexible for SMEs and, secondly, to move forward in the access of SMEs to other sources of financing. Among the measures included to promote the development of alternative sources of financing other than banks, Title V of the Law establishes, for the first time in Spain, a legal regime for crowdfunding platforms.

Crowdfunding is defined in the Law as a mechanism of financial disintermediation whose activity consists of placing in contact, in a professional manner and using websites or other electronic means, a plurality of natural or legal persons (investors) that offer financing in exchange for a monetary return from natural or legal persons requesting said financing. The CNMV is responsible for the authorisation and registration of these platforms in any of their categories, which is discussed later. A little after the Law entered into force, the CNMV published the Guide for the Authorisation of Crowdfunding Platforms[1] in order to facilitate the authorisation process. The guide includes an application form.

The specific activity of crowdfunding platforms has now become a reserved activity as the 11th transitory provision of the Law on promoting business financing established the requirement to request the corresponding authorisation from the CNMV prior to 29 October 2015 for persons or entities that were practising the activity of these platforms at the time of entry into force of the Law.

The Law provides that crowdfunding projects may be implemented through securities or loans. Specifically, it provides for the following three categories:

i) Initial subscription of bonds, ordinary and privileged shares or other equity securities.

ii) Issuance or subscription of the shares of limited liability companies.

iii) Request for loans, including equity loans.

The requirements for obtaining and maintaining authorisation as a crowdfunding platform include the following:

– Financial requirements. The platforms, which must be set up in the form of capital companies, must have a minimum share capital of 60,000 euros, fully paid-up in cash, or take out a professional civil liability insurance policy with the minimum coverage of 300,000 euros for damages and 400,000 euros for all claims, or combine the above two options so as to give an equivalent level of coverage. It should be noted that, in most cases, entities have chosen the first option. In addition, own funds must be increased depending on the financing obtained by the published projects.

– Designation of a payment service provider. All crowdfunding platforms must designate an entity to act as intermediary in payments between investors and promoters, except those which have a hybrid nature, i.e., those which have obtained the corresponding authorisation from the Bank of Spain to act simultaneously as payment institutions. In most cases, a payment service provider registered with the Bank of Spain separate from the crowdfunding platform has been designated.

– Mandatory binding report from the Bank of Spain in the case of lending platforms.

Registry

Since the publication of Law 5/2015 and up to end-2016, the CNMV received a total of 45 authorisation applications from crowdfunding platforms, specifically 24 in

1 Guía para la autorización de plataformas de financiación participativa. Available in Spanish at http://www.cnmv.es/Portal/Legislacion/ModelosN/ModelosN.aspx.

2015 and 21 in 2016. Most of the applications submitted in 2015 corresponded to projects from entities that were already acting as crowdfunding platforms and which needed to regularise their situation in accordance with the 11th transitory provision. However, newly-developed projects were submitted in both 2015 and 2016, demonstrating the interest in the business opportunities available under the regulation of crowdfunding platforms.

During the same period, the CNMV authorised a total of 17 crowdfunding platforms, of which eight were for securities, eight for loans and one for loans and securities. All of them, except four, were registered with the CNMV at year-end 2016, with their noteworthy features being as follows:

– Five were securities crowdfunding platforms and eight were lending platforms.

– One was a hybrid payment institution.

– Eight were registered in Madrid, three in Barcelona, one in Soria and another in Valencia.

The other authorised crowdfunding platforms are expected to be registered in 2017.

IV The regulation and supervision of securities markets

9 Issuers' financial and corporate governance disclosures

This chapter describes the work of the CNMV aimed at verifying compliance with the requirements for disclosure to the market by issuers of securities, which include annual financial and corporate reporting, as well as the requirements to report significant holdings of significant shareholders and directors.

Financial information must comply with the European legislative framework, in particular the Transparency Directive.[1] In October 2014, ESMA published its Guidelines on Enforcement of Financial Information, which aim to ensure consistent and harmonised supervision of the requirements established in the aforementioned Directive[2] throughout the European Union.

Supervision must also be carried out in line with the recommendations on Alternative Performance Measures (ESMA/2015/1415), published by ESMA in October 2015, which entered into force on 3 July 2016.[3] These guidelines replace the Recommendation on Alternative Performance Measures of Issuers (CESR/05-178b) issued by the Committee of European Securities Regulators (predecessor of ESMA) in October 2005. The CNMV has included a review of compliance with the guidelines among its priorities for enforcement of financial information for 2016.

The chapter includes an exhibit describing the content of the "Technical guide on good practices for the application of the 'comply or explain' principle" published by the CNMV in July 2016, which aims to contribute towards improving the quality of the explanations provided by listed companies in the annual corporate governance reports when they do not follow a recommendation of the Good Governance Code of Listed Companies.

9.1 Financial disclosures

9.1.1 Annual financial reporting[4]

Issuers of securities listed on an official secondary market or any other regulated market in the European Union which have Spain as their home Member State are

1 Directive 2004/109/EC of the European Parliament and of the Council, of 15 December 2004, on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (amended by Directive 2013/50/EU of the European Parliament and of the Council, of 22 October 2013).

2 Available at: http://www.cnmv.es/portal/Gpage.aspx?id=LegESMA.

3 Available at: http://www.cnmv.es/portal/Gpage.aspx?id=LegESMA.

4 Annual financial reporting is available at www.cnmv.es, in the section of regulated information on issuers under the heading of "Annual financial reports", where the official registries of the annual accounts audited by companies that issue securities may be consulted.

obliged to file an annual financial report with the CNMV, comprising their audited annual financial statements, management report and statements of responsibility for their content, with the exceptions provided for in current legislation.[5]

Main characteristics of the information presented

The CNMV received 317 annual financial reports from 170 securities issuers, excluding securitisation funds and bank asset funds, corresponding to the 2015 separate and consolidated annual financial statements. The number of reports submitted was 6.8% down on the previous year, mainly as a result of the delisting of several companies in the process of liquidation and other entities no longer required to submit a report following the cancellation of preferred shares and other debt securities. The fall was partially offset by new listings of non-financial companies.

The percentage of auditor's reports with an unqualified opinion corresponding to the 2015 annual accounts remains in line with the percentage for the 2014 accounts (see Table 9.1). It was noteworthy that for the eighth consecutive year, all Ibex 35 companies submitted an auditor's report with an unqualified opinion.

Only one company,[6] whose shares have been suspended from trading since 2013, has submitted a report with a disclaimer of opinion, which was a result of the importance of the scope limitation of the report. Said company restated its 2015 annual accounts in July 2016 and then obtained an unqualified opinion. No company submitted a report with a disclaimer of opinion for the 2014 annual accounts.

With regard to the reasons for the qualifications, nine auditor's reports were initially registered with a scope limitation, corresponding to five companies. Scope limitations are an important objection as they reflect that the auditor has not been able to apply the procedures required by the Technical Auditing Standards as insufficient information was available to arrive at an opinion.

The CNMV sends deficiency letters to issuers ordering them to immediately rectify the limitations attributable to the issuer. In response to the deficiency letter sent by the CNMV, and once the procedures set out in the Technical Auditing Standards were applied, express statements were received from the auditors removing the scope limitation included in two audit reports related to one company.[7]

5 See Article 121 of the recast text of the Securities Market Act, approved by Royal Decree 4/2015, of 23 October. Entities exempt from this obligation are: "[...] Member States of the European Union, regional governments, local authorities and other similar entities […], international public organisations of which at least one Member State of the European Union is a member, the European Central Bank, and the national central banks of Member States […]; issuers which only have outstanding issues of debt securities listed on an official secondary market […] whose denomination unit is at least 100,000 euros [...] and those which only have outstanding issues of debt securities listed on an official secondary market […] before 31 December 2010, whose denomination unit is at least 50,000 euros [...]".

6 Pescanova, S.A.

7 Mobiliaria Monesa, S.A. (separate and consolidated).

Summary of issuer audits received by the CNMV TABLE 9.1

(excluding asset securitisation funds and bank asset funds)

	2013		2014		2015	
	Number	%	Number	%	Number	%
Audits received by the CNMV	**353**	**100.0**	**340**	**100.0**	**317**	**100.0**
Separate accounts	201	56.9	189	55.6	170	53.6
Consolidated accounts	152	43.1	151	44.4	147	46.4
Special reports under Ministerial Order 30/9/92	10		11		9	
Audit opinion						
Unqualified opinion	341	96.6	333	97.9	309	97.5
Qualified opinion	9	2.5	7	2.1	8	2.5
Denial of opinion or adverse opinion	3	0.8	0	0	0	0
Type of qualification						
Audits with exceptions	7	2.0	1	0.3	1	0.3
Audits with scope limitations	11	3.1	6	1.8	7	2.2
Effects of exceptions						
Effects on profit						
Audits with positive effects	0	0	0	0	0	0
Audits with negative effects	2	0.6	0	0	1	0.3
Effects on equity						
Audits with positive effects	0	0	0	0	0	0
Audits with negative effects	2	0.6	0	0	1	0.3
Nature of emphasis of matter paragraphs						
Going concern related	60	17.0	46	13.5	36	11.4
Asset recovery related	29	8.2	16	4.7	15	4.7
Other circumstances	24	6.8	27	7.9	14	4.4

Source: CNMV.

With regard to the seven other auditor's reports with a scope limitation, we can indicate that: i) in four reports, corresponding to three issuers,[8] the auditor declared that the limitations arose as a result of circumstances beyond the companies' control; ii) in one report corresponding to one company,[9] which contained two scope limitations, the auditor stated that one of the two limitations was outside the company's control, while the other was pending resolution; and iii) in the other two reports with limitations, corresponding to one single issuer,[10] the auditor stated in the special audit reports that the limitations had not been fully corrected or removed, although they had been subsequently resolved. As a consequence, this last issuer has restated the information corresponding to 2015 in the 2016 consolidated annual accounts.

8 Compañía Levantina de Edificación y Obras Públicas, S.A. (separate and consolidated), Dogi International Fabrics, S.A. (separate) and Service Point Solution, S.A. (consolidated).

9 Dogi International Fabrics, S.A. (consolidated).

10 Funespaña, S.A. (separate and consolidated).

As in 2014, in 2015 only one auditor's report was recorded with qualifications for errors or non-compliance with generally accepted accounting principles and standards (opinion with exceptions).[11]

The emphasis of matter paragraphs included in the auditor's reports arise as a consequence of the existence of significant uncertainties resulting from different causes, which include ongoing concern doubts. A total of 76 reports included this type of paragraph in 2015 (112 in 2014). As in the previous year, the number of auditor's reports with emphasis of matter paragraphs expressing doubts about the ongoing concern fell, dropping from 46 to 36.

The number of auditor's reports for asset securitisation funds stood at 400, 4.1% down on the previous year, all with an unqualified opinion. A total of 211 reports included some type of emphasis of matter paragraph, mainly relating to the use of credit enhancements (reserve fund, line of credit, etc.), the repercussion of losses in liabilities, early liquidation of the fund or the measurement of assets held for sale.

Finally, in 2016 the CNMV also received the audited 2015 annual accounts of five bank asset funds (the same number as in the previous year). Four of the five reports had an emphasis of matter paragraph.

Actions of the CNMV

The recast text of the Securities Market Act entrusts the CNMV with the task of verifying that the periodic public information included in annual financial statements has been prepared in accordance with applicable standards. In order to perform this duty, which is considered to be extremely important and to contribute year after year to improving the quality of the financial information of Spanish issuers, the CNMV is empowered to require listed companies to publish additional information, reconciliations, corrections and, if necessary, reformulations of their published financial information.

What this means in practice is that, where necessary, the CNMV approaches issuers requesting written clarifications or data on specific issues. The additional information companies provide in response to such letters is published in the official registers and can be consulted on the CNMV website.

Firstly, all reports received by the CNMV are submitted to review, focusing on their formal correctness and compliance with the applicable rules and standards, as well as other questions relating to specific regulatory changes. In the review of 2015 financial statements and management reports, this involved checking, *inter alia*, the following points: i) that the statement of responsibility for the content of the annual financial statements is signed by the directors (Article 8 of Royal Decree 1362/2007, of 19 October, implementing the Securities Market Act 24/1988, of 28 July, with regard to transparency requirements relating to information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market in the European Union; Royal Decree on Transparency); ii) that the Annual Corporate Governance Report is included as an integral part of the management report; iii) that there are no material differences between the annual financial statements and the financial

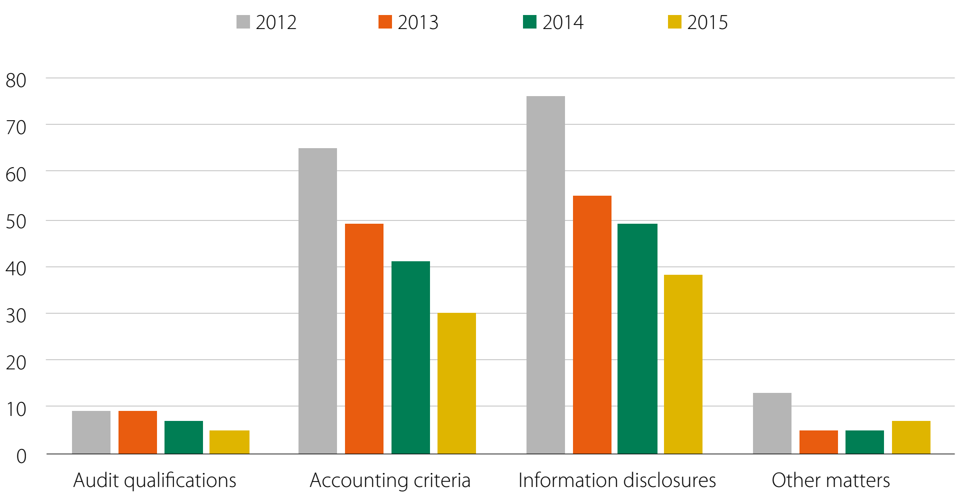
11 Mobiliaria Monesa, S.A. (consolidated).

reporting of the second half-year submitted previously; and, in the event that such differences do exist, that they have been reported within the period of ten business days following preparation of the accounts, in accordance with Article 16.3 of the aforementioned Royal Decree 1362/2007; and iv) that, where called for, the auditor has been duly rotated (Article 19 of the recast text of the Account Auditing Act, approved by means of Royal Legislative Decree 1/2011, of 1 July).

Secondly, the CNMV performs a substantive review of a certain number of audited annual accounts. Entities are chosen to be the subject of this review on the basis of a mixed selection technique based on risk and random rotation, in accordance with the ESMA Guidelines on Enforcement. In this regard, it should be pointed out that in 2012 European supervisors agreed to establish annually, in coordination with ESMA, common enforcement priorities for financial statements so as to promote the consistent application of international financial reporting standards (IFRS) throughout the European Union. In addition, the CNMV incorporates other critical review areas into its work plan which supplement the priorities established by ESMA.

This formal and substantive review led to 43 companies, excluding asset securitisation funds and bank asset funds, being sent deficiency letters in 2016 in respect of qualifications or requesting supplementary information on the 2015 annual financial reports. Figure 9.1 shows the main reasons deficiency letters were sent to listed companies over the last three years.

Reason for deficiency letters sent to issuers (excluding securitisation funds and bank asset funds)[1] FIGURE 9.1



Source: CNMV. (1) Deficiency letters sent to issuers subject to formal and substantive review.

For the purpose of facilitating the dissemination of financial information, the CNMV publishes on its website (www.cnmv.es), the full text of audited annual financial statements and the management reports of issuing companies, both separate and consolidated, accompanied by a summary of audit qualifications, supplementary information that issuers supply in response to deficiency letters and other supplementary information linked to the accounts, and special audit reports.

In accordance with ESMA recommendations, it also publishes an annual report on the supervision of the financial statements received each year, which sets out the main incidents detected in the review of annual and interim financial statements. A key section of this report identifies the priority areas which will be subject to closer scrutiny in the following year's review process, including both the common review priorities established by ESMA and the specific areas selected by the CNMV following analysis of the economic climate, changes in accounting regulations and the experience acquired in prior-year reviews.[12] Table 9.2 breaks down the main areas giving rise to the largest number of deficiency letters sent to listed companies, itemising separately the deficiency letters relating to priority review areas for 2015 from the rest.

Information required on accounting policies and disclosures TABLE 9.2

		No. of companies sent deficiency letters	
Nature of deficiency letter	**Standard**	**Accounting principles**	**Disclosures**
1. Priority areas for review			
Impact of current economic environment on estimates made by directors	IAS 1, IAS 36, IAS 19, IFRS 7		
I. Going concern emphasis of matter paragraphs		2	10
II. Impairment of non-financial assets		9	18
III. Impact of exchange rates		2	1
Statement of cash flows	IAS 1, IAS 7	1	11
Measurement of fair value of non-financial assets	IFRS 13, IFRS 3, IFRS 5, IAS 40	2	10
Fair value measurement of financial assets and liabilities	IFRS 13, IFRS 7	3	7
Application guidelines on APMs	–	–	12
Provisions and contingencies	IAS 37	5	17
Review of consolidation package	IFRS 10, IFRS 11, IFRS 12	6	11
2. Other deficiency items			
Other emphasis of matter paragraphs		–	3
Financial Instruments	IAS 32, IAS 39, IFRS 7, IFRIC19, IFRS 9		
Impairment of financial assets		3	7
Risk disclosures		1	11
Debt renegotiations		5	9
Other matters		5	8
Business combinations	IFRS 3	3	5
Property, plant and equipment and intangible assets	IAS 16, IAS 17, IAS 38	3	5
Inventories and investment property	IAS 2, IAS 40	3	8
Recognition of deferred tax assets	IAS 12	2	8
Taxes. Other matters	IAS 12	3	6
Revenue	IAS 18, IAS 11, IFRIC 12	5	7
Segment information	IFRS 8	3	6
Non-current assets held for sale and discontinued operations	IFRS 5	3	3
Correction of errors and events after the reporting period	IAS 8, IAS 10	1	1

Source: CNMV.

12 The 2015 *Report on the CNMV's review of the annual financial reports and main enforcement priorities for the following financial year* sets out the priority areas for review in the 2016 annual accounts. This document is available at: https://www.cnmv.es/DocPortal/Publicaciones/Informes/Informe_Auditoria_2017_en.pdf.

As a result of the supervisory actions performed on the auditor's opinions on the 2015 accounts, one issuer[13] reformulated its annual accounts in order to record the effects of a scope limitation qualification revealed initially by the auditor relating to the measurement of an investee, which had led to the auditor issuing a disclaimer of opinion with regard to the annual accounts.

The supervisory actions also led to the requirement to restate certain aspects of the 2015 financial information in the 2016 annual report. In addition to the obligations of this type undertaken as a result of the supervisory actions on audit qualifications indicated in the reports of two issuers,[14] the CNMV detected aspects which also required the restatement of the annual accounts of another two issuers.[15] In their response to the CNMV's deficiency letter, which is published on the website, all the affected entities have disclosed the impact of the correction on the 2015 financial statements and have undertaken to amend the accounting classification or treatment in the 2016 annual financial report, in accordance with the provisions of IAS 8: Accounting policies, changes in accounting estimates and errors.

As of 2010, the financial disclosures of securitisation funds have also been subject to two levels of review: formal and substantive. As a result of the substantive review, conducted on a sample of funds, three deficiency letters were sent to the operators of securitisation funds for them to enlarge the itemised information published in the notes to the annual accounts and to correct future accounting errors of registration and presentation which, as a result of their immateriality, did not require the restating of the annual accounts or correction of the half-yearly financial reports.

9.1.2 Half-yearly and quarterly reporting

Issuers of securities listed on an official secondary market or on any other regulated market domiciled in the European Union, where Spain is the home Member State, are obliged to send financial information to the CNMV on a quarterly and half-yearly basis.[16] The review of this information has a narrower scope than that of the annual accounts, since interim financial statement forms contain summarised information. As a result of this review, 13 companies were sent letters requiring them to supplement or amend their periodic disclosures.

55.6% of issuers (47.5% in the same period of the previous year) submitted their financial information for the first half of 2016 to some type of review by auditors. This percentage climbs to 91.4% if we only consider Ibex 35 companies[17] (93.9% in the same period of the previous year).

When full audits are performed (nine companies), the auditor provides reasonable assurance regarding the interim financial statements, while in limited reviews (81 companies), the assurance offered by the auditor is only moderate. No qualified opinions were issued by the auditors.

13 Pescanova, S.A.

14 Funespaña, S.A. and Mobiliaria Monesa, S.A.

15 Emisora Santander España, S.A.U. and Natra, S.A.

16 Articles 119 and 120 of the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015.

17 Arcelor Mittal has not been included in the Ibex 35 as it is not subject to the requirement to submit an annual financial report as Spain is not its home Member State.

9.1.3 Other key issues related to financial reporting

Implementation of the new standards for financial statements prepared under IFRS

It is likely that entry into force of IFRS 9: Financial instruments, IFRS 15: Revenue from contracts with customers and IFRS 16: Leases will have a significant impact on the financial statements of issuers given that the standards bring about a substantial change with regard to the current standards on the criteria for recognition, measurement and presentation. Therefore, in addition to including it as an enforcement priority, ESMA has published two separate documents on implementation of IFRS 15 (July 2016) and of IFRS 9 (November 2016),[18] and expects these to be taken into account when preparing the 2016 annual accounts and the interim reporting of 2017.

Entities should make an additional effort to provide qualitative and quantitative disclosures on the expected impact of the new standards as soon as possible and to offer, providing they are known or reasonable estimates can be made, disclosures of the assessment of the impact on the 2016 annual accounts and, to a greater extent, on the interim financial information for 2017.

Feedback statement on the ESEF

Directive 2013/50/EU of the European Parliament and of the Council,[19] was published on 6 November 2013. This Directive amends, *inter alia*, Article 4 of the Transparency Directive, which establishes that as from 2020 annual financial reports must be submitted in an electronic format (European Single Electronic Format, ESEF).

On 21 December, following the corresponding public consultation, ESMA published the Feedback Statement on the Consultation Paper on the Regulatory Technical Standard on the European Single Electronic Format (ESEF), which summarises the contributions received in the consultation and how they will be taken into account when drafting the technical standards. This statement also indicates the following:

– All issuers in the European Union shall prepare the annual financial reports in XHTML (Extensible HyperText Markup Language) format, which can be used by standard web browsers.

– Entities that prepare consolidated financial statements under IFRS shall tag the information so that it may be processed by software for analysis. The information should be tagged using XBRL and based on the taxonomy issued by the IFRS Foundation. With regard to implementation of this new format, it is

18 Available at https://www.esma.europa.eu/sites/default/files/library/2016-1148_public_statement_ifrs_15.pdf and https://www.esma.europa.eu/press-news/esma-news/esma-prepares-new-international-financial-reporting-standard-9.

19 Directive 2013/50/ of the European Parliament and of the Council, of 22 October 2013, amending Directive 2004/109/EC of the European Parliament and of the Council, on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market; Directive 2003/71/EC of the European Parliament and of the Council, on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC.

expected that over the first two years, marking-up will only be required for the primary financial statements, with voluntary marking-up of the notes of the financial statements.

– The iXBRL (Inline XBRL) format makes it possible to directly incorporate the marked-up information into the XHTML file.

ESMA will continue working in 2017 on developing the technical standards and conducting the field tests necessary on the proposed option with the aim of submitting them to the European Commission at the end of 2017.

Changes in the amortisation of intangible assets

Directive 2013/34/EU introduced a new accounting treatment for intangible assets, particularly for goodwill. The Directive was transposed to Spanish law by means of an amendment to Article 39(4) of the Code of Commerce, which has been implemented through Royal Decree 602/2016,[20] amending the Spanish General Chart of Accounts by establishing, among other provisions, that intangible assets, including goodwill, have a finite useful life. Specifically, this legislation provides for the following:

– Intangible assets whose useful life cannot be reliably determined are generally to be amortised over a ten-year period.

– Following initial recognition, goodwill will be measured at acquisition price less accumulated amortisation, assuming, in the absence of evidence to the contrary, that the useful life is ten years and its recovery is linear.

In the case of entities with securities admitted to trading, this amendment only affects the separate annual accounts. Nevertheless, given that this involves a different treatment than that provided for in IFRS, which establish that goodwill is not amortised and that intangible assets may have an indefinite useful life, the CNMV understands that those entities that determine that the useful life of their intangible assets may be defined and reliably estimated may not consider, when preparing consolidated financial statements under IFRS, that the useful life of said assets is indefinite and, therefore, they should consider the same useful life in order to amortise such assets in the consolidated financial statements.

Reporting by auditors to the CNMV on certain aspects of the audited entity

Article 7 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council,[21] establishes that, when the auditor of an entity of public interest suspects

20 Royal Decree 602/2016, of 2 December, amending the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, of 16 November; the Spanish General Chart of Accounts for Small and Medium-Sized Enterprises approved by Royal Decree 1515/2007, of 16 November; the Standards for the Preparation of Consolidated Annual Accounts approved by Royal Decree 1159/2010, of 17 September; and the standards for adaptation of the Spanish General Chart of Accounts to non-profit entities approved by Royal Decree 1491/2011, of 24 October.

21 Regulation (EU) No. 537/2014 of the European Parliament and of the Council, of 16 April 2014, on specific requirements regarding the statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. Text with EEA relevance.

or has well-founded indications that irregularities may have been committed or may be committed, including fraud with regard to the financial statements, it must report this to the audited entity so that it may conduct an investigation and take the appropriate measures. In the event that the issuer does not investigate, the auditor must inform the authority entrusted with investigating said irregularity. In particular, those irregularities that affect the financial statements of issuers of securities traded on regulated markets in which Spain is the home Member State must be reported, at least, to the CNMV.

For its part, Article 38 of Law 22/2015, of 20 July, on Account Auditing, establishes that the auditors of entities of public interest whose financial statements are subject to supervision by the CNMV (which includes, in general, those of companies listed on Spanish stock markets) are required to inform the CNMV promptly in writing of any information related to the audited entity of which they have become aware in exercising their functions in the circumstances provided for in Article 12(1) of Regulation 537/2014: i) material breach of the laws, regulations or administrative provisions which provide, where appropriate, the conditions governing authorisation or which specifically govern the pursuit of the activities of such public-interest entity; ii) a material threat or doubt concerning the continuous functioning of the public-interest entity; or iii) a refusal to issue an audit opinion on the financial statements or the issuing of an adverse or qualified opinion. An enquiry was made to the Institute of Accounting and Account Auditing (Spanish acronym: ICAC) with regard to these notifications, which has been published on its website.

No notifications in application of these provisions were made in 2016, although notifications have started to arise in 2017 in the context of the audit work relating to the 2016 accounts.

Report on payments made to governments

The amendment to the Transparency Directive provided for in Directive 2013/50/EU of the European Parliament and of the Council, of 22 October, requires companies with securities admitted to trading on a regulated market that have activities in the extractive industries (oil, gas and minerals) and primary forest industries to disclose the payments made to governments in the countries in which they operate in a specific annual report.

The CNMV will publish said report as a significant event on its website as it is regulated information in accordance with Royal Decree 1362/2007, of 19 October, implementing the Securities Market Act 24/1988, of 28 July, on transparency requirements relating to issuers of securities admitted to trading on an official secondary market or on another regulated market in the European Union.

Retroactive application of floor clauses

On 21 December 2016, the European Court of Justice issued a judgement relating to so-called “floor clauses”, eliminating the limitation on the retroactive application that the Spanish Supreme Court had set in May 2013.

Credit institutions should recognise the impact of said judgement in their 2016 financial statements to the extent that they are not yet recorded and they should provide the necessary disclosures to aid understanding. When the credit institutions determine that some of the loans are affected by the aforementioned invalidity, they should record a provision against profit or loss, without prejudice to the fact that in order to compensate the customer, the loan for the remaining term may be renegotiated. The CNMV sent various deficiency letters in this regard.

Accounting impact of amendments to the Corporate Income Tax Act

Royal Decree-Law 3/2016, of 2 December, adopting tax measures aimed at consolidating public finances and other urgent social measures, introduced, among other aspects, the following amendments to the tax treatment of impairment losses of securities representing holdings in the share capital or equity of entities:

– Article 3(1)(2) amends the 16th transitory provision of the Corporate Income Tax Act 27/2014, of 27 November, and revises the transitory regime applicable to impairment losses generated in tax periods beginning prior to 1 January 2013 with effect for tax periods beginning on or after 1 January 2016. In particular, Paragraph 3 of Article 3(1)(2) provides the following:

> "At any event, the reversal of impairment losses on securities representing holdings in the share capital or equity of entities that have been deductible from the taxable income for corporate income tax in tax periods beginning prior to 1 January 2013 shall be integrated, as a minimum, in equal parts in the taxable income corresponding to each one of the first five tax periods beginning on or after 1 January 2016.
>
> In the event of a reversal of a greater amount as a result of the application of Subsection 1 or 2 of this provision, the remaining balance will be integrated in equal parts between the remaining tax periods.
>
> Nevertheless, in the event of the transfer of securities representing a holding in the share capital or equity of entities during the aforementioned tax periods, the amounts pending reversal, with the limit of the gain obtained on said transfer, will be integrated into the taxable income for the tax period in which the transfer takes place."

– Article 3(2)(3) adds a letter k) to Article 15 of the Corporate Income Tax Act with effect for tax periods beginning on or after 1 January 2017 pursuant to which the following are classified as non-deductible expenses:

> "k) Impairment losses on securities representing a holding in the share capital or equity of entities subject to any of the following circumstances:
>
> 1º that in the tax period in which the impairment is recorded, the requirements established in Article 21 of this Act are met, or
>
> 2º that, in the event of holdings in the share capital or equity of entities not resident in Spanish territory, the requirements established in Article 21(1)(b) of this Act are not met."

In the course of its supervision duties, the CNMV maintained contacts with issuers and auditors in order to debate whether it is correct to recognise a liability for the full or partial amount of the impairment on securities representing a holding in share capital or equity (securities) recorded prior to 1 January 2013 to be integrated into the taxable income of the coming years in five equal parts.

In this regard, and in the CNMV's opinion, to the extent that the minimum amount for which the annual reversal must be made will no longer be recoverable, not even at the time of transfer of the holding, it must be considered as a permanent difference. Therefore, on a general basis, the appropriate accounting treatment is linear recognition at a ratio of one fifth per year of the tax expense, with a credit to a liability against tax payables.

However, in those situations in which the holding entities have no practical possibility of transferring the shares prior to the end of the five-year period as a result of very severe restrictions on their transferability, whether legal, contractual or of any other type, issuers should apply their expert judgement to conclude whether, in such circumstances and depending on the strength of such restrictions, a liability should be recorded for the full amount and charged to profit or loss.

At any event, in order to carry out the accounting recognition, said liability must comply with the definition of provision established in IAS 37: Provisions, liabilities and contingent assets, i.e., a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic resources. This obligation would arise from approval of Royal Decree-Law 3/2016 and would imply, in this scenario, that the issuer has no realistic alternative for avoiding payment.

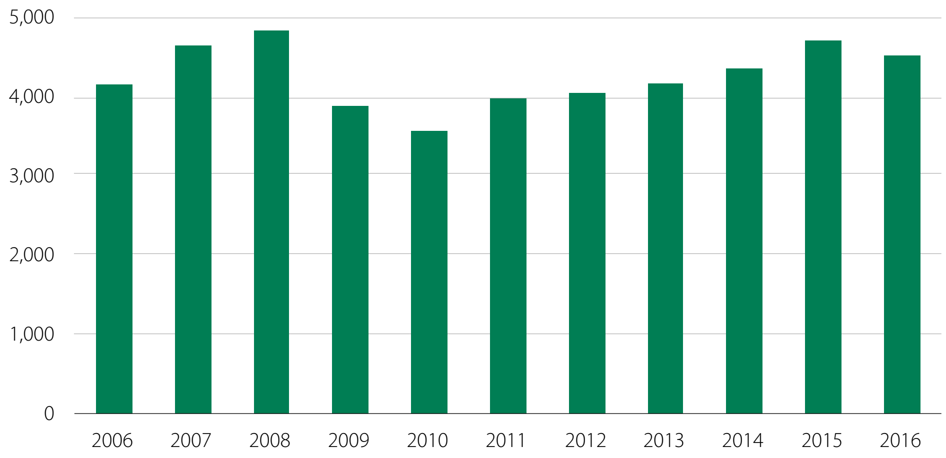
9.2 Information relating to significant shareholders, directors, managers and treasury shares

At the start of 2016, the reporting of significant shareholdings, director and manager transactions and the disclosure of listed company own share transactions (hereinafter, notifications) are governed by the Royal Decree on Transparency and by Royal Decree 1333/2005, of 11 November, implementing the Securities Market Act 24/1988, of 28 July, with regard to matters of market abuse (Royal Decree on Market Abuse). An amendment to the Royal Decree on Transparency entered into force on 27 November 2015. This amendment incorporated, *inter alia*, the requirement to aggregate all positions, both in voting rights and in financial instruments, when calculating the threshold for reporting significant shareholdings. The Royal Decree defines financial instruments subject to the obligation as those which have an economic effect similar to those which give the right to acquire shares, whether or not they are settled through physical delivery. Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April, on market abuse (Market Abuse Regulation) entered into force on 3 July 2016. Article 19 of the Regulation now regulates the notification obligation of persons with management responsibility and persons closely associated with them (previously provided for in Royal Decree 1333/2005).

A total of 4,526 notifications were validated in 2016, a fall of 4.0% on 2015. By subject, 40% corresponded to directors (50% in 2015), 37% to non-director significant shareholders (32% in 2015), 19% to managers (14% in 2015) and the remaining 4% to treasury share transactions (same percentage as in 2015).

No. of notifications registered

FIGURE 9.2



Source: CNMV.

Notifications cancelled and rectified

Validated notifications accounted for 90% of all those received (5,018), with the remainder either cancelled or replaced, where appropriate, by new notifications.

The number of notifications cancelled due to error was 26.8% higher than in 2015. Most were cancelled at the request of the CNMV when it detected errors, omissions or inconsistencies in the course of its supervisory work.

As in previous years, the most common reasons for rectification were: i) errors in the date, price or volume of reported transactions; ii) incomplete information regarding the indirect ownership of voting rights, caused, for example, by a failure to identify the chain of control of the companies through which the obligated party exercises control of the declared voting rights; and iii) inconsistency between the initial position declared by the obligated party in its new notification with the final position declared in the last notification registered. Another frequent error is that, after increases or reductions in the listed company's capital, obligated parties make erroneous disclosures of the total number of the issuer's voting rights and/or their own percentage holding.

55% of cancelled notifications were filed by directors, 25% by significant shareholders, 13% by members of the listed company's senior management and by entities or persons closely associated with the directors or managers of the listed company, and the remaining 7% corresponded to company declarations of treasury share transactions.

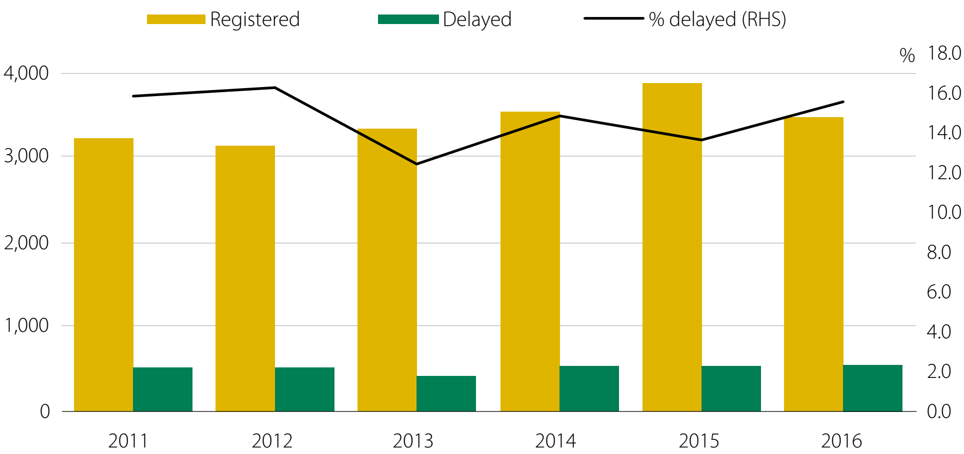
Notifications submitted late

A total of 700 notifications (642 in 2015) were received outside the maximum time frame established by the regulations, equating to 15% of the total (13% in 2015). 78% of late notifications were filed by directors and significant shareholders (83% in 2015).

The proportion of notifications filed in 2016 with a delay of fewer than seven days was 55.5% (44.7% in 2015). Delays exceeding 90 days fell to 11.7% (16.4% in 2015).

In 2016, the CNMV sent 30 deficiency letters (19 in 2015) to a total of 29 obligated parties (19 in 2015) as a result of a failure to notify or for filing notifications late. Due to the significance of the delays, the CNMV also sent two warning letters and submitted a reasoned report proposing the initiation of disciplinary proceedings to the CNMV's Executive Committee.

Director and significant shareholder notifications submitted late FIGURE 9.3



Source: CNMV.

According to legislation, the CNMV may make *ex officio* entries in the register of regulated information relating to the reportable events that it has become aware of as a result of its investigatory supervisory powers. Last year, the CNMV made one *ex officio* entry relating to one significant shareholder of a listed company.

Finally, following entry into force of the Market Abuse Regulation in July, it is now a requirement to send notifications to the CNMV relating to persons with managerial responsibilities and persons closely associated with them in companies with securities admitted to trading on the Alternative Stock Market (MAB). The CNMV verifies that the notifications received are published on the website of the MAB.

Notifications relating to non-director significant shareholders

Under the Royal Decree on Transparency, the first notification threshold for significant shareholder voting rights is set at 3% of share capital. If the shareholder is resident in a tax haven, this threshold drops to 1% and its respective multiples. The average annual number of notifications per significant shareholder stood at 5 (4.5 in 2015). The 1,681 notifications received in 2016 (1,392 in 2015) concerned significant shareholdings in 116 listed companies (the same number as in 2015) and were submitted by 335 separate shareholders (308 in 2015). Table 9.3 gives a breakdown of notifications received, grouped by intervals of voting rights and the market capitalisation of the companies involved.

Shareholders must also notify the CNMV of the purchase or transfer of financial instruments which entitle the holder to acquire a significant shareholding in terms of voting rights or which have a similar economic effect to those which give the right to acquire shares, whether or not these are settled by physical delivery, as established in the amendment to the Royal Decree on Transparency.

No. of notifications regarding significant shareholder voting rights TABLE 9.3

	Total notifications	Under 5%	5% to 30%	30% to 50%	over 50%
Ibex 35	502	417	69	4	12
Over 500 million euros[1]	559	326	205	7	21
Under 500 million euros[1]	618	237	364	5	12
Other notifications[2]	2	–	2	–	–
Total	**1,681**	**980**	**640**	**16**	**45**
% of total	**100**	**58**	**38**	**1**	**3**

Source: CNMV. (1) Excluding the companies that form part of the Ibex 35. (2) Saint Croix.

Notifications relating to directors

The Market Abuse Regulation (up to July 2016, the Royal Decree on Market Abuse) obliges directors of listed companies to disclose all transactions involving shares or financial instruments whose underlying instrument is shares of the listed company on whose board they sit. Such transactions are notifiable whether the director makes them directly or indirectly through third parties or persons with whom they are closely associated, as long as the director is able to exercise the voting rights at his/her own discretion. In addition, the Royal Decree on Transparency obliges directors to disclose their final position in voting rights or financial instruments. As shown in Table 9.4, in 2016 a total of 678 different people submitted 1,797 notifications as directors on 121 companies, a fall of 18.5% on the number of notifications received in 2015.

No. of notifications regarding director voting rights TABLE 9.4

	Issuers			Notifications			Directors[3]		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Ibex 35	34	35	33	1,203	1,069	1,786	322	331	279
Over 500 million euros[1]	26	30	35	331	330	431	161	154	187
Under 500 million euros[1]	60	68	52	555	800	578	250	308	237
Other notifications[2]	2	1	1	6	7	2	6	7	2
Total	**122**	**134**	**121**	**2,095**	**2,206**	**1,797**	**739**	**800**	**705**

Source: CNMV. (1) Excluding the companies that form part of the Ibex 35. (2) Saint Croix. (3) The number of directors does not correspond to the number of different people (one single person may act as director in different companies, with such companies belonging to different capitalisation categories).

Notifications relating to managers and persons closely associated with directors and managers

Not only did the Market Abuse Regulation, whose Article 19 regulates managers' notification obligations, enter into force on 3 July 2016, but also Commission Implementing Regulation (EU) 2016/523, of 10 March, providing implementing technical standards with regard to the format and template for notification and public disclosure of managers' transactions in accordance with the Market Abuse Regulation.

One of the most important modifications is that natural or legal persons closely associated with directors and managers must submit their notifications directly. This led to a significant increase in the notifications of this type received by the CNMV, which rose from 643 in 2015 to 858 in 2016. The notifications submitted affected financial instruments of 62 companies (49 in 2015).

Disclosure of treasury share transactions

According to the Royal Decree on Transparency, listed companies are obliged to notify the CNMV of the share of voting rights in their possession when they make acquisitions amounting to or exceeding 1% of the company's total voting rights, without discounting sales or disposals. In addition, they must identify each and every one of the transactions performed since the last notification, both purchases and sales, indicating their price. In April 2009, the ceiling for treasury share holdings under the Capital Companies Act[22] rose from 5% to 10%. In 2016, the CNMV validated a total of 190 notifications of treasury share transactions (186 in 2015) which affected 60 issuers (54 in 2015). Table 9.5 shows the breakdown of notifications received last year, grouped by market capitalisation and percentage of final holdings of treasury shares.

No. of treasury share notifications according to final position TABLE 9.5

	Total notifications	Under 1 %	1% to 2%	2% to 3%	3% to 4%	4% to 5%	Over 5%
Ibex 35	103	62	31	7	2	–	1
Over 500 million euros[1]	53	23	19	5	3	–	3
Under 500 million euros[1]	34	21	7	2	2	1	1
Total	**190**	**106**	**57**	**14**	**7**	**1**	**5**

Source: CNMV. (1) Excluding the companies that form part of the Ibex 35.

Shareholder agreements and actions in concert

The Capital Companies Act requires disclosure of any shareholder agreements affecting listed companies or their controlling shareholders. Such notifications are registered as significant events. An agreement may regulate the exercise of voting rights or restrict the free transferability of shares. In the first case, the CNMV analyses its effect on significant shareholding notifications. The CNMV received a total

22 Royal Legislative Decree 1/2010, of 2 July, approving the recast text of the Capital Companies Act.

of 14 notifications of significant events relating to shareholder agreements in 2016 (30 in 2015), affecting 12 listed companies (20 in 2015).

The Royal Decree on Transparency provides that any agreement entered into with a third party whereby the parties use their voting rights to impose a lasting common policy in relation to the company's management or to significantly influence the course of the same must be notified as a concerted action. A total of four concerted action notifications were registered in 2016 (15 in 2015), involving shareholders at four listed companies (10 in 2015).

9.3 Corporate governance

In 2016, 137 public listed companies and 25 fixed-income issuers filed their 2015 annual corporate governance reports (ACGRs), as provided in Article 540 of the Capital Companies Act; Article 31 of Law 26/2013, of 27 December, on savings banks and bank foundations, and the seventh additional provision of the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October.

In general, there were no incidents with the electronic receipt of the reports, though notices were sent to 11 companies (10 in 2015) for filing after the deadline.

On the basis of companies' ACGRs, the CNMV prepares and publishes an annual report in which it analyses, in aggregate terms, issuers' main corporate governance practices and disseminates a wide range of statistical data for each individual entity.[23]

9.3.1 Most significant aspects of listed companies' governance practices

In accordance with the 2015 corporate governance reports of the issuers of securities admitted to trading on official secondary markets, the most important aspects and trends in the corporate governance practices of listed companies are as follows:

Application of the "comply or explain" principle

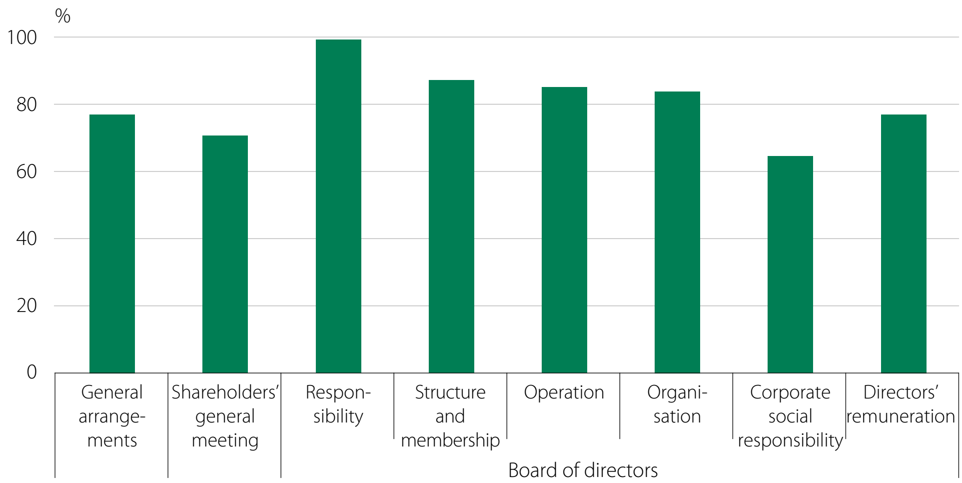
The level of compliance with the new Good Governance Code of Listed Companies in its first year of application (it was approved in February 2015) is high. Listed companies complied on average with 81.8% of the new Code's recommendations (in 2014 the level of compliance with the recommendations of the Unified Code stood at 85.4%) and partially with a further 8.8% (6.3% in 2014). Therefore, on an aggregate level, listed companies do not follow, even partially, 9.4% of the total recommendations.

As in previous years, Ibex 35 companies present an average percentage of compliance (88.4%) higher than the average recorded by listed companies as a whole.

23 The CNMV corporate governance reports are available at: http://www.cnmv.es/Portal/Publicaciones/PublicacionesGN.aspx?id=21

Figure 9.4 tracks average compliance with the Good Governance Code recommendations, with a breakdown by category.

Degree of compliance with the Good Governance Code recommendations FIGURE 9.4

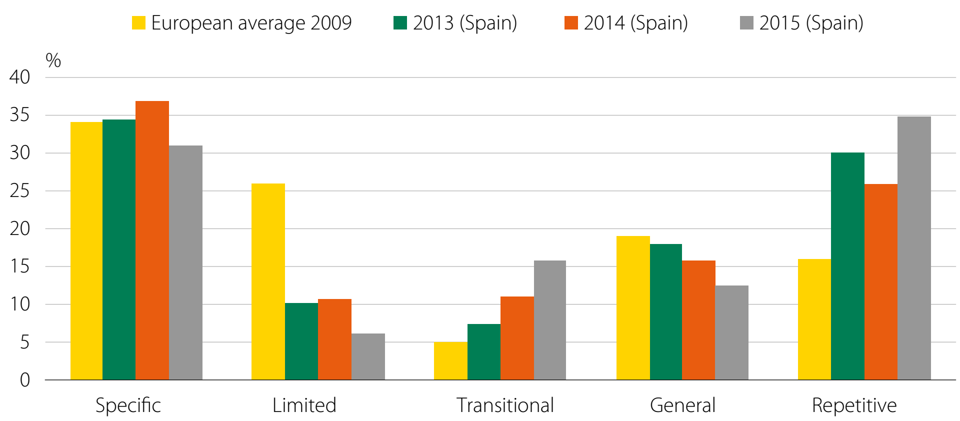


Source: Companies' ACGRs and CNMV.

The CNMV analysed a sample of 461 explanations for not following the recommendations included in the 2015 ACGRs (33.9% of the total), all of which related to the ten least followed recommendations of the Good Governance Code. Compared with the previous year, the explanations classified as general fell, while those classified as repetitive rose. As a whole, the number of explanations rose by five percentage points on the 2014 ACGRs, returning to levels similar to those recorded for 2013.

Using the aforementioned analysis data, Figure 9.5 shows the distribution by type of explanation provided in the governance reports over the last three years set alongside the European average for 2009. As can be seen, the general explanations, which are below said average, have been falling over recent years, but repetitive explanations remain at a high level.

Breakdown by type of explanation for not following the recommendations FIGURE 9.5



Source: Companies' ACGRs and CNMV.

As a result of the review of the criteria used by listed companies in their ACGRs to inform on the level of compliance with the Good Governance Code recommendations or to explain the reasons for non-compliance, the CNMV sent notices to 25 companies (18 in 2015), requesting additional information, more detailed explanations or corrective action with regard to the Code's recommendations. Most of the letters sent included guidelines on how to improve the quality of the explanations given when not following the recommendations and suggested that the company should follow the "Technical guide on good practices for the application of the 'comply or explain' principle", published on the CNMV's website in July 2016 (see Exhibit 9.1).

In other cases, the notices requested clarifications on discrepancies or inconsistencies between the information disclosed in the ACGRs and other publicly available information on the company, its shareholders or directors.

Technical guide on good practices for the application of the "comply or explain" principle EXHIBIT 9.1

Since 2008, the CNMV has published its *Corporate Governance Report of Entities with Securities Admitted to Trading on Regulated Markets,* which includes an analysis of the explanations corresponding to the ten Good Governance Code of Listed Companies recommendations with the lowest compliance scores. By publishing this analysis, the CNMV aims to encourage higher quality in explanations that issuers include in their ACGRs. However, there has been no significant improvement in these explanations since then.

Consequently, in July 2016, the CNMV published the *Technical guide on good practices for the application of the "comply or explain" principle.*[1] The aim is to provide guidance to listed companies on how to provide proper explanations in the event that they do not comply with the Code's recommendations, with the hope that this will help issuers to improve the quality of their explanations.

The guide draws on the Commission Recommendation of 9 April 2014 on the quality of corporate governance reporting ("comply or explain"),[2] which recommends that listed companies should clearly state which specific recommendations they have departed from and for each departure from an individual recommendation they should: i) explain in what manner the company has departed from that recommendation; ii) describe the reasons for the departure; iii) describe how the decision to depart from the recommendation was taken; iv) where the departure is limited in time, explain when the company envisages complying with a particular recommendation; and v) where applicable, describe the measure taken instead of compliance and explain how that measure achieves the underlying objective of the specific recommendation or of the code as a whole, or clarify how it contributes to good corporate governance of the company.

The European Commission Recommendation requests that Member States should draw it to the attention of the bodies responsible for national corporate governance codes, listed companies and other parties concerned in order to ensure efficient follow-up to the recommendation. The guide published by the CNMV therefore includes recommendations relating to the quality of the explanations, the strengthening of the corresponding knowledge of the boards of directors and also, given their practical importance, the knowledge of the shareholders and other parties concerned.

In addition, the guide aims to promote a change in how listed companies and their boards of directors undertake their actions in the area of corporate governance. The aim is to prevent the analysis or justification of the reasons why the company does not follow a particular Code recommendation being carried out in a mechanical *ex post* manner, i.e., when completing section G of the ACGR. On the contrary, the aim is to encourage the company to perform a prior evaluation about whether or not the practice that it follows, or which it intends to follow at a particular time, or the decision that it intends to adopt follows the Code recommendations and, if it does not follow them, to be able to explain not only why it does not follow a particular recommendation, but also how the company, through the practices or decisions eventually adopted, follows the principles of the Code, is consistent with corporate interests and, at the same time, adequately mitigates its exposure to risk.

An annex to the guide includes some examples of explanations that do not fully follow the criteria contained in the guide. These examples, which have been drawn from the ACGRs that companies have submitted to the CNMV, only aim to act as a reference so as not to make the same mistakes.

In conclusion, the guide aims to highlight one of the general fundamental principles behind the philosophy of good governance codes, and that of the current Code in particular, i.e., the legitimate aim and expectation that the company and its directors bear in mind the recommendations when adopting significant decisions relating to the company's corporate governance.

1 Available at https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/GuiaCumplirExplicar_en.pdf.
2 Available at http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014H0208.

Compliance with definitions of directors

Article 529 *duodecies* of the Capital Companies Act establishes the definitions of each category of director which public listed companies should take into account when preparing the annual corporate governance reports.

The annual review of compliance with these definitions might reveal some residual situations that could question the accuracy of the classifications of some members of the board. In these cases, the CNMV sends letters to the companies requiring additional information, clarification or, where appropriate, publication of a supplementary note with the new classification of the affected directors.

General Shareholders' Meeting

The average percentage of capital taking part in general meetings held in 2015 was 69.6% (69% in 2014). This participation rate was again inversely proportional to the companies' free float, such that attendance tends to be higher when the free float of companies is lower.

Shareholders may participate at general meetings by attending personally or by delegating their voting rights to a proxy. Issuers may also provide shareholders with a remote voting system.

Although physical attendance remains the most popular system for shareholders to participate in general meetings, the proportion of companies whose shareholders use remote voting systems continues to rise and stood at 32% in 2015 (29.1% in 2014). This proportion stood at 12.3% in 2008.

Board of directors and director categories

The total number of board members of listed companies fell to 1,325 (1,344 in 2014). The percentage corresponding to Ibex 35 companies remains at 34.7%.

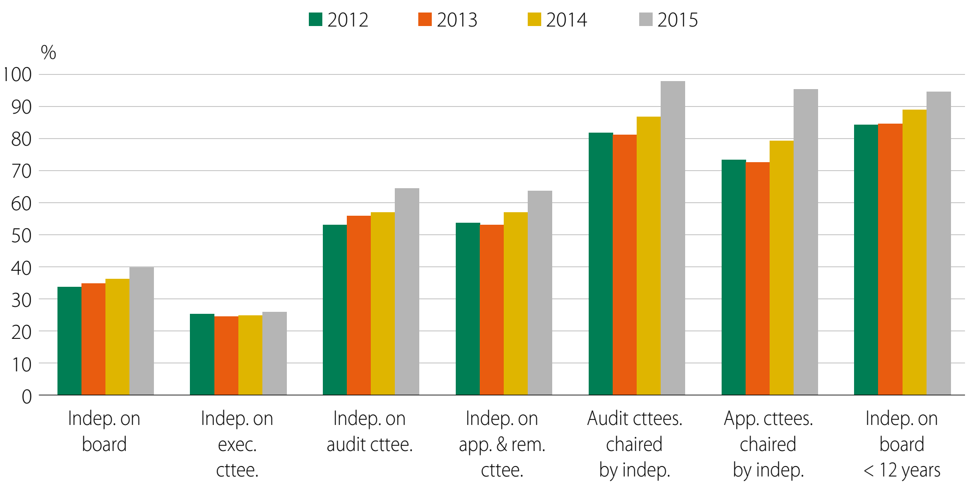
The average board size stands at 9.7 members (13.1% in Ibex 35 companies) and ranges between the minimum of 5 and the maximum of 15 members recommended in the Good Governance Code in 91.3% of companies (84.4% in 2014). Boards with over 15 members (5.1% of the total) were once again mainly within Ibex 35 companies.

The chairs of the boards of listed companies continue to mainly be executive directors (53.7% of the companies), although the percentage fell by 3.5 points on the figure for 2014. The percentage of independent directors chairing the board fell to 7.4% (8% in 2014).

There was a majority of non-executive members on the boards of 97.1% of the companies (95% in 2014).

Executive directors were on average the longest serving on the board (10.1 years), followed by proprietary directors (7.9 years) and independent directors (5 years). Taking into account all directors, the average length of service of directors fell slightly. However, in the category with the longest length of service, the fall was significant as the percentage of directors with a length of service greater than 12 years stood at 5.3% compared with 11% in 2014.

Presence of independent directors on governing bodies FIGURE 9.6



Source: Companies' ACGRs and CNMV.

The Good Governance Code recommends that independent directors should account for at least half of all directors. This proportion may be reduced to one third when the company does not have a high capitalisation or when it has one shareholder, or several shareholders acting together, that controls over 30% of the share capital. In 2015, independent directors accounted for at least 50% of the board members at 57.1% of Ibex 35 companies. Of the other companies, in 63.7% at least one third of the directors were independent.

The number of companies which do not have any independent director on the board fell significantly from 4.3% in 2014 to 1.5% in 2015. These are mainly companies undergoing insolvency proceedings or in the process of liquidation.

Figure 9.6 tracks the progress of the main variables indicating the presence of independent directors on the governing bodies of listed companies.

Board committees

In 2015, 40.1% of listed companies had established board committees with executive functions (40.4% in 2014). All listed companies are required to establish an audit committee and an appointments and remuneration committee (or, in the latter case, two separate committees).

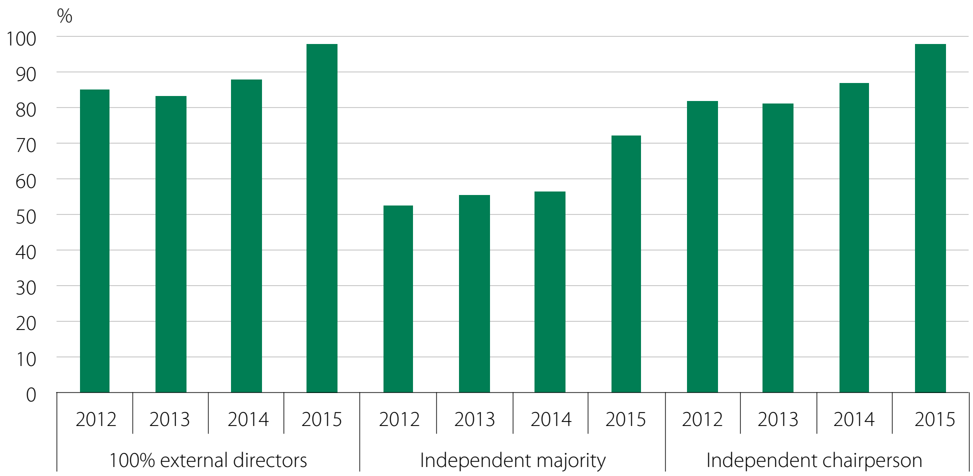
Article 529 *quaterdecies* and *quindecies* of the Capital Companies Act establishes a series of requirements for the composition of the audit committee and appointments and remuneration committee of listed companies. The results obtained in the review of these committees in the sample of companies selected by the CNMV are as follows:

– Seven companies (three in 2015) had incidents pending rectification with regard to the audit committee at year-end 2016. All the incidents pending rectification are due to the absence of a majority of independent directors on the committee.[24] The seven companies will be subject to monitoring in 2017.

– With regard to the appointments and remuneration committee, five companies had incidents pending rectification, which will be subject to monitoring in 2017. All of the incidents are related to the fact that the composition of this committee was not in line with legal requirements.

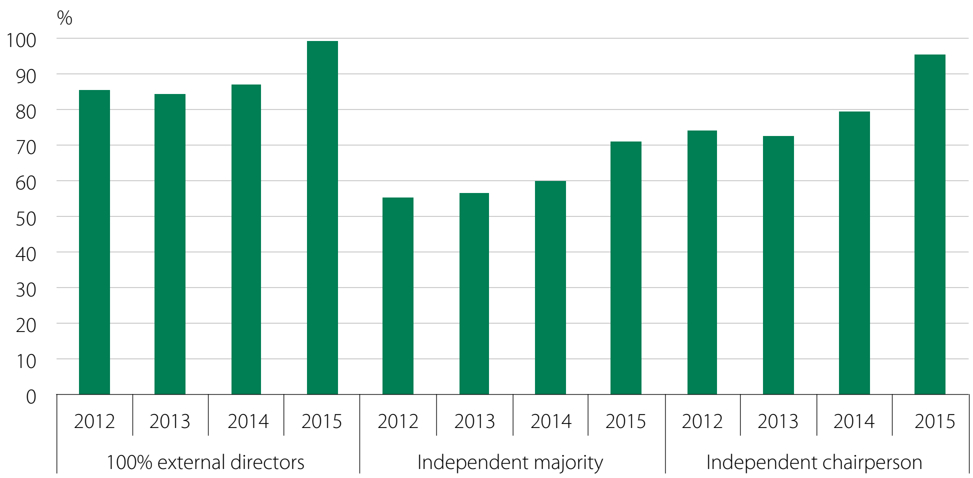
24 As from 17 June 2016, the audit committee must exclusively comprise non-executive directors, at least most of which must be independent.

Composition of the audit committee FIGURE 9.7



Source: Companies' ACGRs and CNMV.

Composition of the appointments and remuneration committee FIGURE 9.8



Source: Companies' ACGRs and CNMV.

The proportion of executive directors and proprietary directors on the executive committee fell slightly to 27.6% and 38.8%, respectively (28.7% and 38.9% in 2014). In contrast, the proportion of independent directors rose to 26.2% (25.1% in 2014).

The CNMV review process for the composition and running of mandatory supervision and control committees has revealed specific cases in which executive directors may attend the meetings with a right to speak but not to vote. These practices might go against the provisions established in the Capital Companies Act aimed at encouraging the necessary independence in the running of the audit committee and the appointments and remuneration committee in order to appropriately exercise their supervision and control functions.

Mandatory financial reporting and account auditing

Listed companies are required to state in their ACGRs whether their separate and consolidated accounts are signed off before their submission to the board, and, if so, which officers are responsible for such verification.

47.5% of the companies indicated that their 2015 annual financial statements were signed off by the responsible officers before their drafting or approval by the board. This proportion rises to 80% in the case of Ibex 35 companies. The percentages remain unchanged compared with 2014.

Risk management

Listed companies must describe their risk management policy and control systems in their ACGRs, identifying the potential risks they face, the risks materialising in the year and the body in charge of establishing and supervising control mechanisms.

The main potential risks that companies identified were: risks resulting from financing difficulties, credit risk, the impact resulting from the contention of public spending, regulatory changes, a slowdown in growth in emerging economies and political and social instability.

The most frequent risks reported as materialising in 2015 were: high indebtedness and difficulties in restructuring debt, high exposure to credit risk, currency volatility, fall in the price of oil and restrictions on applying tax credits.

As in previous years, most of the companies analysed (91.2%) named the audit committee as the body responsible for establishing and supervising risk control systems. Other companies named the board of directors, the internal audit or the risk committee.

9.3.2 Transparency of related-party transactions

The volume of related-party transactions performed by listed companies in the first half of 2016 totalled 120.72 billion euros, a fall of 22.0% on the same period of the previous year. 64.0% of these transactions were performed with significant shareholders; 29.0% with persons, companies or entities in the same group; 0.4% with directors and managers; and the remainder with other related parties. The equivalent percentages in the first half of 2015 were 62.6%, 28.0% and 1.2%, respectively. Table 9.6 shows the different types of transactions performed by listed companies in the first half of 2016, broken down by item and nature of the related party.

With regard to the transaction counterparties, in the first half of 2016, 82 companies reported 324 transactions with significant shareholders, 60 reported 136 transactions with directors and managers, 66 reported 280 transactions with group persons or entities and 70 reported having performed 223 transactions with other related parties.

Related-party transactions. First half-year of 2016: breakdown by line item and nature of the related party

TABLE 9.6

Million euros

		Significant shareholders		Directors and managers		Persons, companies or entities in the group		Other related parties		Total	
		% of total	% ch. 1HY	% of total	% ch. 1HY	% of total	% ch. 1HY	% of total	% ch. 1HY	Amount total	% ch. 1HY
Expenses	2016	30.0	-78.2	1.6	-61.0	50.4	-59.4	18.0	15.4	3,589	-64.5
	2015	48.9	-16.5	1.5	138.0	44.1	-5.7	5.5	10.8	10,105	-9.8
	2014	52.7	52.1	0.6	-23.1	42.2	1.9	4.5	12.1	11,208	23.7
Revenue	2016	38.0	-43.6	0.3	-2.9	52.0	-7.0	9.7	-35.2	3,478	-27.8
	2015	48.6	-19.0	0.2	146.6	40.4	-17.0	10.8	5.8	4,820	-16.0
	2014	50.5	8.3	0.1	-9.3	40.9	-16.6	8.6	-42.5	5,736	-9.6
Other transactions	2016	65.8	-16.6	0.4	-74.9	27.6	-15.3	6.2	-38.9	113,650	-18.8
	2015	64.1	-0.3	1.2	17.0	26.4	-25.4	8.3	-9.7	139,936	-9.0
	2014	58.5	-5.4	0.9	20.2	32.2	-30.0	8.3	-31.4	153,758	-17.2
Total	**2016**	**64.0**	**-20.4**	**0.4**	**-73.4**	**29.0**	**-19.5**	**6.7**	**-36.3**	**120,718**	**-22.0**
	2015	**62.6**	**-1.8**	**1.2**	**22.5**	**28.0**	**-23.4**	**8.2**	**-8.4**	**154,861**	**-9.3**
	2014	**57.9**	**-2.8**	**0.9**	**17.3**	**33.2**	**-27.6**	**8.1**	**-30.9**	**170,702**	**-15.1**

Source: Periodic public information (PPI) of listed companies (1st half-year).

Table 9.7 shows the percentage of related-party transactions with regard to total expenses, revenue and assets of the companies during the corresponding period.

Percentage proportion of related-party transactions

TABLE 9.7

Million euros

	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
Expenses[1]	11,208	4.7	10,105	4.1	3,589	1.4
Revenue[2]	5,736	2.2	4,820	1.8	3,478	1.3
Other transactions[3]	153,758	3.8	139,936	3.3	113,650	2.7

Source: Periodic public information (PPI) of listed companies (1st half-year). (1) The percentage is calculated with regard to the aggregate of all expenses and losses included in the companies' unpaid receivables register. (2) The percentage is calculated with regard to the aggregate of all revenue and gains included in the companies' unpaid receivables register. (3) The percentage is calculated with regard to the companies' total aggregate assets.

9.3.3 Annual report on director remuneration

In 2016, the CNMV published, for the third time, an annual report on the remuneration of directors of listed companies, which described in aggregate terms the main features of the remuneration policies and practices applied to their directors by the companies in question, obtained from the information included in the annual report on director remuneration published by each one of these companies. Some of the most significant figures of that report are shown in this section.

Order ECC/461/2013, of 20 March, establishing the content and structure of the annual corporate governance report, the annual report on remuneration and other reporting instruments of public listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets, and CNMV Circular 4/2013, of 12 June, establishing the standard forms for the annual report on the remuneration of the directors of listed companies and of the members of the boards of directors and oversight committees of savings banks that issue securities admitted to trading on official securities markets,[25] implemented, for the first time in Spain, a unified model for publishing information on the remuneration of members of the boards of directors of listed companies. Although companies have been required to disclose this information since publication of the Sustainable Economy Act 2/2011, of 4 March, which introduced a new Article 61 *ter*[26] in the Securities Market Act 24/1988, of 28 July, it was not until 2013 that a provision was established for a standardised format so as to facilitate analysis of the information in comparable terms.

Remuneration accrued in 2015

The average remuneration per board and per director rose once again compared with the previous year, and stood at 3.5 million euros and 344,000 euros, respectively, in 2015. These figures represent a 7.5% rise for the board and an 8.2% rise per director compared with the remuneration accrued in 2014. This rise is mainly the result of the 34.7% increase in the average remuneration of companies that do not form part of the Ibex 35, as the average in Ibex 35 companies fell by 5.6%.

The increase in remuneration in companies that do not belong to the Ibex 35 is essentially the result of significant non-recurring payments in two companies (15.9 million euros in Abengoa and 21.6 million euros in Talgo). Deducting these payments, the annual increase in the average per board would not have changed significantly compared with the previous year.

In the case of Ibex 35 companies, the fall in average remuneration accrued by the boards of directors is explained by the changes in the composition of the index as

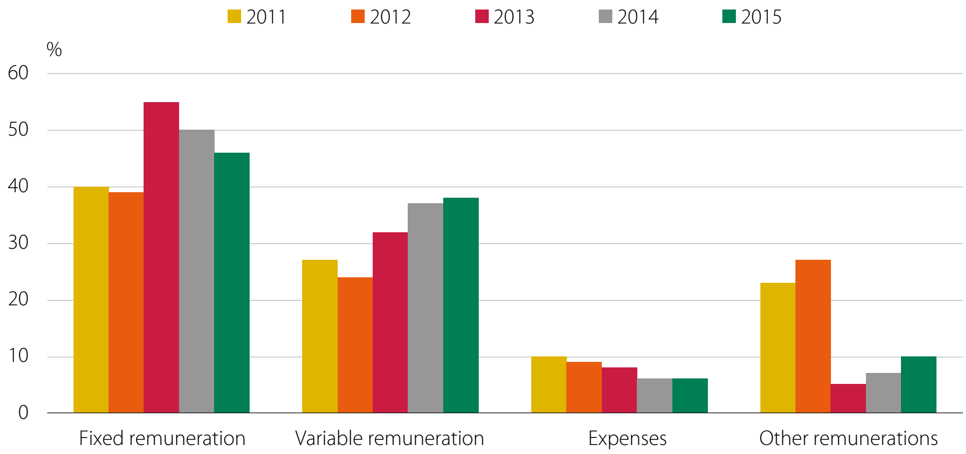
25 Section B of the standardised format in Annex I of Circular 4/2013 is repealed by the single repealing provision of CNMV Circular 7/2015, of 22 December, amending Circular 5/2013, of 12 June, establishing the standard forms for annual corporate governance reports by listed limited liability companies, savings banks and other entities that issue securities listed for trading on official securities markets, and Circular 4/2013, of 12 June, establishing the standard forms for the annual report on the remuneration of the directors of listed companies and of the members of the boards of directors and oversight committees of savings banks that issue securities admitted to trading on official securities markets.

26 Article repealed by section b) of the repealing provision of Law 31/2014, of 3 December, amending the Capital Companies Act for the improvement of corporate governance.

Abengoa and Jazztel were removed and Aena and Merlín were added. Without these changes, the remuneration of the boards of Ibex 35 companies would have risen by around 3%.

Figure 9.9 tracks the remuneration per board by item.

Remuneration by item FIGURE 9.9



Source: Companies' ACGRs and CNMV.

Although its specific proportion fell in 2015, fixed remuneration remains the most significant component making up total remuneration, accounting for 46% of the total. The proportion of variable remuneration with regard to total remuneration continues to take on greater importance and is more significant in high capitalisation companies.

10 Supervision of the markets

As part of its supervision of secondary markets, the CNMV continued paying particular attention in 2016 to compliance with the reporting obligations of financial intermediaries both in relation to reporting the transactions referred to in Articles 89 to 92 of the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, and in relation to reporting suspicious transactions (Article 232 of the recast text of the Securities Market Act). Such supervision is essential in order to detect market abuse conduct and other infringements.

The CNMV also continued focusing on transactions or situations that are particularly sensitive for market transparency and price discovery, including the publication of significant events and suspensions of trading due to a lack of information, accelerated book building for large packages of shares, treasury stock trading and the reporting of short positions. It should also be noted that the CNMV issued two statements reminding the market of the prohibition on managers of listed companies operating in certain periods, as provided for in Article 19 of the Market Abuse Regulation.

As indicated in Chapter 5, the first stage of the reform of the clearing, settlement and registry system in Spain began in April 2016 (see Exhibit 5.1). The implementation of the reform also required a significant supervisory effort by the CNMV, which is reported on in this chapter.

The chapter begins with Exhibit 10.1 on Regulation (EU) 2016/1011 of the European Parliament and of the Council, of 8 June 2016, on indices used as benchmarks in financial instruments and financial contracts and to measure the performance of investment funds, and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (hereinafter, European Benchmarks Regulation), which aims to provide a European response to the weaknesses revealed by the cases of index manipulation detected in recent years. The Regulation grants new powers to authorities and provides for the formation of supranational colleges of supervisors for benchmarks with the potential to affect financial stability. This is the case of the Euribor, whose college of supervisors was set up last year. The CNMV forms part of said college as a competent authority, given that four contributors to this index are Spanish banks.

New European Benchmarks Regulation: participation of the CNMV in the College of Supervisors of the Euribor EXHIBIT 10.1

The European Benchmarks Regulation entered into force on the day following its publication and will apply as from 1 January 2018. Some of its provisions, such as those relating to critical benchmarks and the colleges of supervisors, apply as from 30 June 2016.

The aim of the Regulation is to improve the functioning and management of benchmarks and to ensure that the indices produced and used in the European Union are robust, reliable, representative and appropriate for their purposes, as well as not susceptible to manipulation.

This Regulation, which is in line with recommendations and principles published by the Financial Stability Board and IOSCO in 2014, forms part of the global response by authorities and regulators to the cases of manipulation detected over recent years in the most important interest rate benchmarks in the world, which reveal their vulnerability and the adverse effects that this may entail for consumers and investors, confidence in the market and the stability of the financial system.

In order to cover these weaknesses, the Regulation defines a regulatory and supervisory framework adapted to each type of benchmark (commodities, interest rates or other financial indices, such as stock market indices) and proportional to their importance in the financial system (distinguishing between critical benchmarks, significant benchmarks and non-significant benchmarks). In summary, the new Regulation:

– Strengthens governance, regulating the requirements for administrators, which must have an organisational structure and resources for appropriate management of conflicts of interest.

– Also strengthens the methodology, preventing the calculation of benchmarks being exposed to improper influence and requiring that it is based, as far as possible, on real transactions instead of basing it on estimates as has been the case to date. Also requires transparency on the data and methodology used for determining the benchmark.

– Regulates the contributors of data to benchmarks, which are subject to control by an authority responsible for administering the benchmark in compliance with a code of conduct that ensures the accuracy and integrity of the data provided.

– Applies stricter rules to critical benchmarks, i.e., those which may have an impact on financial stability. Among other measures, the competent authority may prevent contributors from no longer contributing and it may require other entities to participate in order to ensure continuity of the benchmark, after consulting the college of supervisors which also contains the supervisory authorities of the contributors and ESMA.

– Establishes a regime of equivalence, recognition or validation of benchmarks administered in third countries for their use by entities supervised in European Union territory.

– Grants authorities new powers of authorisation and registration of administrators, as well as supervision, inspection and sanction for administrators, contributors and any persons involved in the provision of the benchmarks, including reviewing and verifying that the contents of the codes of conduct applicable to the contributors to benchmarks are in line with the requirements of the Regulation.

Given the systemic importance of the Euribor in Europe and in some Member States in particular – for example in Spain due to the high proportion of retail mortgages referenced to the index – European institutions have processed implementation of the powers that the new Regulation grants to authorities.

Accordingly, the resolution of the European Commission considering the Euribor as a critical benchmark was published on 12 August 2016. The Belgium authority responsible for supervising the administrator of the Euribor, the Financial Services and Markets Authority (FSMA), has started up the formation of the college of supervisors of the Euribor, in which the CNMV participates as a competent authority as four of the contributors are Spanish banks.

The college must be consulted with regard to various decisions that may be adopted by the competent authority of the benchmark administrator which, as a result of their significance, might affect other jurisdictions. These include the decision to require contributors to continue providing input data when the cessation of such provision may be harmful for the continuity of the benchmark. The mandatory contribution may also be applicable to entities that are not contributors to the benchmark. ESMA is empowered to exercise binding mediation in response to disagreements between the members of the college regarding mandatory contributions.

The activity performed by the college in the first months since its creation has focused on monitoring the reform in progress of the benchmark in order to adapt to the recommendations and principles published by the Financial Stability Board (FSB) and IOSCO in 2014 and the European Regulation that will be applicable as from January 2018.

10.1 Significant actions by the CNMV in relation to trading and post-trading

The number of transactions in the post-trading markets and infrastructures supervised by the CNMV fell by 32.6% in 2016 on the previous year. The largest fall was concentrated in settlement transactions and was the result of the start of the reform of the clearing, settlement and registry system, the first stage of which affects equity, as indicated in Exhibit 5.1. Since 27 April 2016, it has been mandatory to use a clearing house in purchase and sale transactions of shares and subscription rights performed through multilateral trading segments of stock-market equity, including transactions closed in the MAB and Latibex. The participation of a clearing house involves the netting of transactions, which has led to a substantial reduction in settlements in Iberclear (see Section 5.2 for further details).

Last year, the CNMV sent a total of 207 deficiency letters (17 fewer than in 2015) relating to its supervisory work in this area. Equity trading continued to account for most of the deficiency letters, as shown in Table 10.1. In the other segments, there was a noteworthy rise, not so much in their number as for their reason, in deficiency letters relating to derivatives trading and settlement processes. In the former case, this increase was linked to the analyses performed on the quality of the information sent to trade repositories. In the latter case, all the letters sent were related to implementation of the reform of the clearing, settlement and registry system.

Summary of market supervisory activities TABLE 10.1

			Reports		
Markets	Number of transactions (in thousands)	Deficiency letters	Supervision	To other bodies and agencies	Periodic
Equity					
2015	61,964	135	57	29	26
2016	54,444	127	70	26	26
Fixed income					
2015	117	14	4	40	12
2016	94	5	4	4	12
Derivatives					
2015	6,116	19	8	4	39
2016	5,033	24	8	2	41
Settlement					
2015	45,433	7	–	–	12
2016	17,015	11[2]	1	1	4
Other					
2015	–	49	9	–	52
2016	–	40	9	–	52
Total[1]					
2015	**113,630**	**224**	**78**	**73**	**141**
2016	**76,586**	**207**	**92**	**33**	**135**

Source: CNMV. (1) In the case of deficiency letters and reports, the calculation includes one single action even though it simultaneously affects different areas. Therefore, it may not match the sum of the corresponding breakdowns by area shown in the table. (2) One of the deficiency letters was sent to 64 entities.

One of the main aims of supervising secondary markets is to detect possible market abuse conduct. With this aim, the CNMV uses various sources of information, particularly the daily reporting of transactions in financial instruments executed by investment firms, credit institutions and the branches in Spain of both types of entity. The information contained in this reporting is entered into an alarm system, referred to as the advanced system for monitoring secondary markets (Spanish acronym: SAMMS). Another important source of information is the reporting by firms of suspicious transactions.

The development of these two types of reporting is reviewed in Subsections 10.1.1 (reporting transactions executed in financial instruments) and 10.1.2 (reporting suspicious transactions). The rest of Section 10.1 reports on significant aspects of the supervision of equity markets (10.1.3), fixed-income markets (10.1.4), derivative products (10.1.5) and clearing, settlement and registry activities (10.1.6).

10.1.1 Reporting transactions executed in financial instruments

Article 89 of the recast text of the Securities Market Act establishes that investment firms, credit institutions and branches of investment firms and credit institutions in Spain are required to report the transactions in financial instruments that they have executed to the CNMV, at the latest on the business day following their execution.

The main aim of transaction reporting is to facilitate the detection and investigation of executed transactions that, either through manipulation or through the improper use of inside information, might constitute market abuse. Proper reporting helps to detect possible breaches of conduct of business rules, as well as to facilitate the study of certain market practices.

In 2016, the CNMV continued emphasising the need for entities not only to comply with this obligation, but also that they should do so by submitting information with a high standard of quality. For this purpose, in addition to sending various general notices to the entities subject to such obligations resulting from the conclusions obtained in general quality tests, the CNMV has individually reviewed the transaction reporting of certain entities. As a consequence, the CNMV sent 37 deficiency letters in 2016 relating both to failures to report and problems in the quality of the content of the reports.

In addition, the CNMV sent three letters to entities that had been repeating errors or omissions in order to request information on the procedures and controls for reporting transactions and on the reports of their internal control or compliance units. These procedures and controls are essential for proper monitoring of the reporting to the CNMV.

In order to rectify the incidents, entities send the CNMV supplementary reporting files that cancel or amend the incorrectly reported transactions and report transactions which were previously omitted. A total of 131 supplementary reporting files were submitted in 2016.

The CNMV received over 119 million registrations from a total of 133 entities subject to the requirement to report transactions executed on financial instruments, of which more than half report on an almost daily basis. The number of registrations fell by 14% on the previous year, in line with the fall in trading, which was sharper in the second half of the year (see Chapter 2).

Finally, the CNMV received over 247 million registrations from the competent authorities of other Member States of the European Union in 2016, an increase of 3% on the previous year. In turn, the CNMV sent over 29 million registrations, a fall of 21% on the previous year, to the competent authorities of other Member States.

10.1.2 Reporting suspicious transactions

As indicated, the reporting of suspicious transactions is one of the main sources of information for the CNMV's investigations of possible market abuse. With regard to this reporting, it is important to highlight, firstly, the change in the regulations as a consequence of application, as from 3 July 2016, of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council, and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (hereinafter the Market Abuse Regulation or MAR) and Commission Delegated Regulation (EU) 2016/957, of 9 March 2016, supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council, with regard to regulatory technical standards for the appropriate arrangements, systems and procedures as well as notification templates to be used for preventing, detecting and reporting abusive practices or suspicious orders or transactions.

The CNMV received a total of 194 reports of this type in 2016, 40% up on 2015, of which 106 corresponded to former suspicious transaction reports sent pursuant to Article 232 of the recast text of the Securities Market Act, while the rest corresponded to suspicious transaction and order reports (STORs) submitted in accordance with the MAR.

Once again, the bulk of the reports[1] received in 2016 related to insider dealing, accounting for 56% of the suspicious transaction reports and 48% of the STORs. In addition to these reports, we can add the 2% of the total relating to attempted insider dealing (the new Regulation also requires reporting of attempted insider dealing and not only insider dealing already carried out). Most of these reports indicate possible insider dealing in the context of the publication of the aforementioned significant events, principally relating to corporate transactions and the publication of results.

The other reports related to market manipulation, predominantly suspicions relating to manipulation already carried out, although a significant number of the STORs (23%) related to attempted market manipulation.

With regard to the markets referred to in the reports, 2016 saw a significant reduction in reports corresponding to trading carried out on the MAB (from 15% in 2015 to 11% in 2016). These reports mainly related to market manipulation. With regard to stock market equity, 18% of the reports received related to three shares on the electronic market. With regard to fixed income, there was an increase in reports, although they remain at a very low level.

Reports of suspicious transactions relating to Spanish instruments received from other regulators accounted for 26% of total, which is practically double the number received in 2015. Reports forwarded by the CNMV to foreign regulators fell by half compared with the previous year and accounted for 4% of the total.

10.1.3 Equity

Trading halts due to disclosure of information

Both the number of issuers affected by trading halts and the number of halts fell significantly in 2016, by 47% in the former case and by 40% in the latter.

The need to disclose information, mainly related to corporate transactions and the delisting of issuers, was the reason for eight of the nine halts agreed during the year.

1 Article 1 of Delegated Regulation (EU) 2016/957, defined suspicious transactions as: market manipulation; insider dealing; attempted market manipulation; and attempted insider dealing.

Temporary trading halts TABLE 10.2

	2015	2016
Number of issuers suspended	15	8
Number of halts	15	9
Due to the need to disclose significant information	10	8
Due to expiry of acceptance period for delisting bids	3	1
Other	2	0

Source: CNMV.

Publication of significant events

New legal and supervisory framework of the CNMV

The Market Abuse Regulation, which, as indicated above, has been applicable since July last year, establishes a single framework for regulating market abuse and, in particular, the concept of inside information and its disclosure. As a consequence, in the framework of the advice that the CNMV provides to the General Secretariat of the Treasury and Financial Policy in the transposition and implementation of this Regulation, the CNMV is working on reviewing the current legislation on significant events and the distinction between this concept and that of inside information.

In this regard, it is important to indicate that one of the CNMV's main tasks is focused on supervising the inside information that issuers are required to submit in applying the provisions of the Market Abuse Regulation. This work is closely linked to the functions that the Securities Market Act attributes to the CNMV, which consist of ensuring market transparency and proper price discovery by promoting the dissemination of the information necessary to ensure that these aims are achieved.

In this regard, the CNMV supervises that the truly sensitive information for share prices is made available to the public so as to avoid information asymmetries and to ensure that the information may be fully, correctly and appropriately assessed by the public. Immediate reporting is particularly important and, in this regard, the Market Abuse Regulation indicates that inside information should be disclosed as soon as possible.

Nevertheless, the EU Regulation allows issuers to delay, on their own responsibility, disclosure to the public of inside information provided that all of the following conditions are met: i) immediate disclosure is likely to prejudice the legitimate interests of the issuer; ii) delay of disclosure is not likely to mislead the public; and iii) the issuer is able to ensure the confidentiality of that information. To the extent that any of these conditions are not met, the issuer may not continue delaying disclosure of the information and must publish it immediately. In the event that the issuer delays disclosure of inside information, it must inform the CNMV immediately after disclosing the information.

With the aim of clarifying the situations in which issuers may have legitimate interests for delaying disclosure of inside information, on 20/10/16 ESMA published its Guidelines on legitimate interests of issuers to delay the disclosure of inside information and situations in which the delay of disclosure is likely to mislead the public. The CNMV has decided to inform ESMA of its intention to comply with these guidelines and incorporate them into its supervisory work.

Key data on significant information published in 2016

The number of disclosures of significant information submitted to the CNMV in 2016 stood at 8,736, 14.3% down on the previous year. Table 10.3 provides a breakdown of significant event disclosures by type.

As in previous years, disclosures relating to "financial instruments" were once again the most numerous, accounting for 54.9% of the total. The heading "business and financial position" accounted for 23.6% of the disclosures, "corporate governance and official notices" accounted for 16.3% and "corporate transactions" accounted for 5.2%. Fewer disclosures were registered under all the headings than in the previous year. As shown in Table 9.8, the sharpest falls both in relative and absolute terms were recorded in "financial instruments" (837 fewer disclosures) and in "corporate governance and official notices" (406 fewer).

Under the heading "financial instruments", the falls affected all subheadings except "dividend information", in which disclosures rose very slightly. The most important falls in absolute terms were recorded under "securitisation funds" (584 fewer disclosures than in 2015), "capital increases and reductions" (79) and "credit ratings" (41), as well as in "other disclosures on financial instruments" (96).

In the heading "business and financial position", the fall was concentrated in "insolvency proceedings" (38 fewer disclosures) and, particularly, in "other disclosures on business and financial position" (158), while in the most important subheading, that of "earnings information", the number of disclosures was slightly higher than in 2015.

Under the heading "corporate transactions", the falls affected three of its four components, which included the two largest sub headings: "transfers and acquisitions of shareholdings" (15 fewer disclosures than in the previous year) and "other disclosures on corporate transactions" (24 fewer). The fourth subheading, "transformations, mergers, spin-offs and liquidations", recorded a significant increase (29 more disclosures than in 2015).

Lastly, in the heading "corporate governance and official notices", there were noteworthy falls in disclosures on "composition of the board of directors" (142) and "other disclosures on corporate governance" (234).

Significant event notices received by the CNMV TABLE 10.3

Type	2015	2016	% change 16/15
Financial Instruments	**5,631**	**4,794**	**-14.9**
Capital increases and reductions	268	189	-29.5
Public offerings for sale or subscription	63	47	-25.4
Dividend information	192	195	1.6
Block trades	57	36	-36.8
Trading halts and resumptions	20	17	-15.0
Credit ratings	127	86	-32.3
Asset funds	3,803	3,219	-15.4
Other financial instruments	1,101	1,005	-8.7
Business and financial position	**2,256**	**2,067**	**-8.4**
Earnings information	1,522	1,529	0.5
Insolvency proceedings	49	11	-77.6
Other business and financial position	685	527	-23.1
Corporate transactions	**472**	**451**	**-4.4**
Transformations, mergers, spin-offs and liquidations	36	65	80.6
Strategic agreements with third parties	38	27	-28.9
Transfers and acquisitions of shareholdings	163	148	-9.2
Other corporate transactions	235	211	-10.2
Corporate governance and official notices	**1,830**	**1,424**	**-22.2**
Notices and resolutions of general meetings and assemblies	545	520	-4.6
Composition of board of directors	419	277	-33.9
Annual corporate governance report	177	172	-2.8
Other corporate governance	689	455	-34.0
Total	**10,189**	**8,736**	**-14.3**

Source: CNMV.

Accelerated book building for large packages of shares

A total of 12 accelerated book builds for large packages of shares, affecting nine issuers, took place in 2016. The shares of Abertis, Applus and Caixabank were subject to two accelerated book builds.

In one of the operations, the shares involved in the book build form part of the treasury shares of the issuer, while the others corresponded to shares from significant shareholders of the issuer. The percentages of the book builds ranged between 0.51% and 13.97%.

All of the book builds were performed at a discount with regard to the closing price of the session. The discounts ranged between 1.02% and 8.88%. They all began following the market close and were completed prior to the start of the following stock market session.

As indicated above, application of the MAR began on 3 July 2016. The new aspects introduced by the Regulation include the rules on market soundings. Consequently, as announced by the CNMV on 5 July 2016, the criteria for the placement or purchase of large share packages approved by the CNMV Board on 19 December 2007 were no longer in force.

The Market Abuse Regulation and its implementing standards define what is understood by market sounding and indicate the obligations that must be met so that disclosure of inside information made in the course of a market sounding are deemed to be made in the normal exercise of a person's employment and do not therefore constitute the unlawful disclosure of inside information.

Such obligations affect both the market participant that discloses information in the context of a market sounding and those that receive it, and refer to the assessment that they must make about whether they are in the possession of inside information, the creation and maintenance of records of the information they transmit, and the maintenance of the record of potential investors that they contact.

Treasury stock trading

In 2016, the CNMV continued monitoring the operations performed by issuers through buy-back programmes under Commission Regulation (EC) No. 2273/2003, of 22 December 2003, implementing Directive 2003/6/EC of the European Parliament and of the Council, as regards exemptions for buy-back programmes and the stabilisation of financial instruments. Since its entry into force on 3 July, the CNMV has been monitoring said trading under the Market Abuse Regulation and its implementing legislation, Delegated Regulation (EU) 2016/1052.

With the aim of informing the market and its participating entities of the change in legislation, the CNMV announced on 30 June 2016 that share buy-back programmes that were in force and all of those subscribed subsequently must follow, as from 3 July, the provisions of the new legislation. The CNMV also sent a notice informing issuers with a buy-back programme in force at that time as well as the operators of said programmes.

As established in Regulation (EC) No. 2273/2003, the Market Abuse Regulation establishes that the sole purpose of buy-back programmes must be to reduce the capital or to comply with obligations arising from debt financial instruments exchangeable into equity instruments and employee share option programmes or other allocations of shares to employees of the issuer or of an associate company.

The main new aspect in the operations is that during the auction stage, no orders may be transmitted or modified unless the shares are only traded by means of auctions, in which case the orders must be transmitted with sufficient reaction time for other participants.

There were 14 buy-back programmes in force in 2016 corresponding to 13 issuers (one issuer had two buy-back programmes over the year). Six of these programmes aimed to buy back shares for their subsequent amortisation while the remaining eight were for share option programmes.

Supervision of compliance with the obligations and conditions provided by the Regulation is considered particularly relevant as the operations performed under the Regulation are considered as "safe harbours" for the purposes of market abuse legislation. As in previous years, supervision of the buy-back programmes is essentially focused on the following aspects: i) supervision of the significant event published by the issuer prior to the start of the buy-back programme; ii) supervision of the significant event published by the issuer with the details of the transactions performed under the framework of the buy-back programme; iii) supervision of compliance with the conditions for operating in terms of volume in order to verify that the issuer did not buy more than 25% of the average daily volume of the shares; iv) supervision of operations in auctions; and iv) supervision of compliance with the restrictions to trading implemented in the framework of the buy-back programme.

In addition, the Market Abuse Regulation and Delegated Regulation (EC) No. 2016/1052 match the previous legislation with regard to the conditions to be met in relation to the stabilisation of financial instruments in order to benefit from the safe harbour. Supervision of stabilisation transactions focused on verifying compliance with the transparency and operating obligations, essentially to the extent that transactions executed as part of the stabilisation may not, under any circumstances, be performed above the offer price.

Another of the lines of supervision with regard to treasury shares is related to the liquidity agreements entered into by issuers under CNMV Circular 3/2007, of 19 December, on liquidity agreements for the purpose of their acceptance as a market practice. The aim of these agreements is to favour the liquidity of trading and the regularity of share prices within the limits established by the issuer's general shareholders' meeting for the acquisition of treasury shares. The CNMV has been promoting their use by issuers (through the financial intermediary executing the transactions) as a mechanism for providing liquidity.

At year-end 2016, a total of 29 issuers had liquidity arrangements subject to Circular 3/2007.

As in previous years, supervision of liquidity agreements mainly focused on the following aspects: i) supervision of the significant event published by the issuer prior to the start of the trading performed under the liquidity agreement; ii) supervision of the significant event published by the issuer on a quarterly basis reporting the transactions performed, the cash used and obtained, as well as the balance of the securities and cash account; iii) supervision of the significant event published by the issuer in the event of the termination of the liquidity agreement; iv) supervision of compliance with the conditions for trading in terms of volume, with the aim of verifying that the issuer did not exceed 25% of the daily average of market orders; and v) supervision of compliance with the restrictions to trading implemented in the framework of the liquidity agreement.

As part of this supervision, the CNMV has contacted issuers and financial intermediaries on numerous occasions, it has sent various requests for information and it has answered multiple enquiries relating to the implementation and functioning of liquidity agreements.

In October 2015, the CNMV performed a public consultation as part of the procedure that it needed to carry out in order to establish liquidity agreements as an accepted market practice for the purposes of the provisions of the Market Abuse Regulation. In view of the results of said consultation and immediately following entry into force of the MAR, the CNMV informed ESMA of the currently accepted market practice and the practice that it intends to replace it with. This new practice involves various changes with the aim of adapting it to the MAR and improving its functioning. In application of the provisions of said Regulation, on 16 December 2016 ESMA published its opinion on this CNMV notification in which it concludes that the proposed market practice is compatible with Article 13.2 of the MAR and, furthermore, contains the necessary mechanisms to ensure that market confidence is maintained.

Finally, it is important to highlight the monitoring of the application of the recommendations made by the CNMV to securities issuers and to financial intermediaries with regard to discretionary treasury stock trading. These recommendations, which are included in the document entitled "Recommendations by the Comisión Nacional del Mercado de Valores for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares", were approved by the CNMV in July 2013 and refer to aspects including the following: the manner for carrying out these transactions in terms of volume, price and time; the internal organisation and oversight of the trading in own shares and the information that must be provided to the supervisor and to the market.

Study of additions and deletions in the Ibex 35 index

The CNMV supervises the changes in the composition of the Ibex 35 index in order to analyse whether the change in the shares meets the technical rules of the index and to detect any distortions of trading in the market aimed at favouring a share remaining in or joining the index.

In 2016, the Technical Advisory Committee of the Ibex 35 decided in its first ordinary review of June to remove Sacyr and OHL and replace them with Cellnex and Viscofan. In the second ordinary review conducted in December, it agreed to keep the composition of the index unchanged.

In addition, in July, the Technical Advisory Committee agreed, bearing in mind the circumstances of FCC resulting from the takeover bid made on its shares, to remove the company from the Ibex 35. Subsequently, in an extraordinary meeting it decided to replace FCC with Meliá Hotels.

Managers' transactions in closed periods

Entry into force of the Market Abuse Regulation has created new supervisory obligations for the CNMV. One important new aspect is set out in Article 19 of the Regulation and consists of a prohibition on persons discharging managerial responsibilities in an issuer, in accordance with the definition of this term in Article 3 of the Regulation, conducting any transactions on his/her own account or for the account of a third party, directly or indirectly, relating to the shares and debt instruments of the issuer or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the issuer is obliged to make public in accordance with the rules of the trading venue where the shares are admitted to trading or in accordance with national law. The interim financial report includes the half-yearly report and the interim statement corresponding to the first and third quarters of the year to the extent that they contain financial information.

As set out in the Questions and Answers document approved in July 2016 by the Board of Supervisors of ESMA, publication by an issuer of information that contains key variables or data on financial results that will be included in the interim or year-end financial report referred to in the above paragraph determines the date from when the calculation of the 30-day period begins. The ESMA Question and Answer document adds that in the event the announced information changes following publication, this will not trigger another closed period and, in any case, persons discharging managerial responsibilities remain subject at all times to Articles 14 ("Prohibition of insider trading and of unlawful disclosure of inside information") and 15 ("Prohibition of market manipulation") of the Market Abuse Regulation.

Nevertheless, the Market Abuse Regulation provides that the issuer may authorise persons with managerial responsibilities to trade during a limited period in certain circumstances provided a series of requirements set out in Commission Delegated Regulation (EU) 2016/522, of 17 December 2015, supplementing the Market Abuse Regulation, are met.

Article 19 of the Market Abuse Regulation also establishes the obligation for issuers to notify the persons discharging managerial responsibilities of their obligations under the article in writing and to draw up a list of all persons discharging managerial responsibilities and persons closely associated with them.

To the extent that the Market Abuse Regulation extends its scope to multilateral trading facilities and organised trading facilities, the aforementioned obligations and prohibitions are extended to issuers with securities on said trading venues and the persons with managerial responsibilities in such issuers.

Since the entry into force of the Market Abuse Regulation, the CNMV has issued two notices to the market and its participants in order to remind them of the aforementioned obligations and prohibitions.

Supervision of the obligations resulting from Regulation (EU) No. 236/2012 of the European Parliament and of the Council, of 14 March 2012, on short selling and certain aspects of credit default swaps

As in previous years, a good deal of the CNMV's supervisory work focused on compliance with the obligations resulting from Regulation (EU) No. 236/2012 of the European Parliament and of the Council, of 14 March 2012, on short selling and certain aspects of credit default swaps.

These obligations are basically divided into two main areas: transparency of net short positions when certain thresholds are reached and compliance with the conditions for performing short sales.

The CNMV's supervision focused on the following areas:

– Transparency regime.

  The Regulation establishes a transparency regime with the obligation to notify net short positions in shares which reach or fall below 0.2% of the capital, as well as each additional 0.1% in excess of that percentage. In addition, the Regulation establishes the obligation to disclose positions which reach or fall below 0.5% of the capital, as well as each additional 0.1% in excess of that percentage.

In 2016, the CNMV received a total of 5,273 notifications of net short positions in shares, a daily average of 20.3 notifications. There was therefore an increase compared with the number of notifications received in 2015 (up 5%), which suggests greater awareness among investors of the obligations indicated in the Regulation, which is in part the result of the intensive advisory work performed in this area.

A total of 201 investors reported short positions in 2015, mostly US and UK hedge funds, as in previous years. At the end of the year, 63 issuers held net short positions, while a total of 79 were affected by short positions at some time during the year (73 issuers in 2015). The average of all the aggregate net positions weighted by market capitalisation stood at 1.04% of the capital at year-end 2016, compared with 0.86% at year-end 2015.

The CNMV performs different supervisory actions aimed at verifying compliance with the transparency regime established by the Regulation. In this regard, the CNMV performs an analysis of the notifications of net short positions and carries out periodic supervisions of notifications of net short positions of greater than six months so as to determine whether they remain in force or not. This work makes it possible to detect possible breaches of the Regulation by those holders who have not updated their net short positions by means of the appropriate notification, which led to the CNMV sending several letters requiring information. This analysis also allows the CNMV to keep an updated register of the net short positions in listed issuers on Spanish markets.

– Creation and increase in net short positions and compliance with conditions for performing short sales.

In 2016, the CNMV sent various letters requiring information to determine how the reported net short positions had been generated and, as the case may be, to verify compliance with conditions for performing short sales. These letters were sent to various foreign entities that operate in Spanish securities markets.

This supervisory work is carried out on an ongoing basis and allows the CNMV to know which mechanisms and financial instruments are commonly used by investors to take a net short position in a security and the type of agreements reached in the short sales in order to comply with the Regulation.

In June, the CNMV issued a communication on short selling,[2] reminding market participants that: "[...] the simple performance of brokerage services and, in particular, the power of members of trading venues to receive and process orders given by clients cannot be framed within the situations of an absolutely enforceable claim under contract or property law to be transferred ownership of the corresponding number of securities under the terms provided for in Article 12(b) of the Regulation on short selling". The communication adds that, consequently: "[...] this type of trading, to the extent that it leads to a short sale, must comply with the provisions of Article 12 of the Regulation on short sell-

2 Available at: http://www.cnmv.es/portal/ALDIA/Informacion-Sector.aspx?ejercicio=2016&page=2&lang=en.

ing unless it is performed as part of the market-making activities of an entity making use of the exemption in the terms provided under Article 17 of the Regulation on short selling".

10.1.4 Fixed income

The CNMV's supervision of secondary fixed-income markets includes oversight of the significant information published and the trading halts, as well as the analysis of suspicious transaction reports received by the CNMV. This year it is also important to mention the help provided by the SAMMS in the CNMV's oversight duties thanks to its alarm system.

With regard to the supervision of fixed-income markets, it is important to distinguish between retail investor trading, which in 2016 accounted for 0.54% of the total traded volume and 60.17% of the total number of transactions, and trading performed by institutional investors, which accounted for 99.46% of the volume, and the remaining 39.83% of the total number of transactions.

With regard to trading by retail investors, in addition to overseeing aspects of market abuse, the CNMV pays special attention to detecting entities' discriminatory practices with some of their clients, which basically consist of performing securities purchases and sales with clients in which the entity acts on its own account and adds significant spreads. These are bilateral trades executed outside the Electronic Debt Trading System (Spanish acronym: SEND).

In the area of market abuse, the CNMV has supervised the transactions performed on 112 issues, corresponding to 29 issuers, which were amortised in advance without it detecting any indication of the use of inside information.

With regard to the supervision of incidents in the settlement of trades on fixed-income securities, the incidents relating to the activity of institutional investors are particularly important as these are bilateral trades performed outside the market. In 2016 there were a total of 1,086 uncovered trades for an amount of 16 billion euros. This amount accounted for 0.07% of the total settled volume, which amounted to 21.8 trillion euros, of which 21.5 trillion euros corresponded to sovereign debt and 222 billion to corporate debt.

68.66% of these incidents were resolved by means of sell-buybacks/buy-sellbacks and 20.90% were cancelled.

The leading cause of the incidents remains the inability to perform the transfer of titles from the Euroclear and Clearstream accounts to Iberclear on time due to the different timetables existing in their settlement cycles.

10.1.5 Derivative products

MEFF Exchange

The CNMV's supervision of derivatives traded on MEFF Exchange focused on daily trading, price trends and open positions. The CNMV closely monitored trading on dates close to the disclosure of significant information by the issuers of securities with derivatives traded on MEFF, as well as trading prior to suspensions of trading.

As part of the monitoring of open positions, during the weeks the contracts mature, the CNMV conducted a specific analysis of the roll-over of positions of the accounts with the largest open positions. The CNMV also monitored the performance of the Ibex 35 over the period for calculating the settlement price upon the maturity of the future.

In addition, the CNMV conducted specific analyses of possible cases of market abuse detected in its usual supervisory work, as well as of cases relating to the reporting of suspicious transactions received from market participants.

Warrants, certificates and other products

The supervisory work in the warrants segment focused on specialists' compliance with their obligations and on reviewing intraday trading. As part of this second aspect, the CNMV paid special attention to joint trading in warrants and their underlying assets by the same holder. The CNMV also analysed trading related to reporting of suspicious transactions linked both to spot trading and trading in other derivatives markets, and trading which might involve a transfer of gains between holders.

In addition, the CNMV monitored the publication of significant information of the issuers of warrants and of the settlements corresponding to the different maturities.

10.1.6 Clearing, settlement and registry

The CNMV is responsible for supervising Iberclear. Until the start of the reform of the clearing, settlement and registry system in April 2016 (see Exhibit 5.1), the corresponding regional governments were responsible for supervising the central securities depositories of Barcelona, Bilbao and Valencia. Following the start-up of the reform, the securities registered in those central securities depositories were transferred to Iberclear, which currently centralises all settlement and registry services.

As indicated in Chapter 5, the new clearing, settlement and registry system started to be applied for equity on 27 April 2016, with equity trading on multilateral platforms sent to the central counterparty (CCP) for clearing. The first settlement using the new system took place on 2 May.

The CNMV supervised the adaptation of the entities, as well as the processes prior to the start over the weekend of migration, which included migration of the securities under registry references to the balances in the new accounts of the participating entities and their allocation in the new accounts opened by the entities.

Similarly, as part of its routine tasks, the CNMV monitored the settlement efficiency of each one of the participants, delays in the settlement of trades, buy-ins and levels of use of last-resort lending. Supervising the settlement activity of each participant involves monitoring the settlement of each one of the cycles and other detailed information.

The CNMV conducted particularly thorough monitoring of efficiency levels over the first few sessions in order to apply exceptional measures where necessary. Although most of the problems were recorded in bilateral trades, given that these trades may also have an impact on transactions from the CCPs and influence their efficiency ratios, an extension of the buy-in period was authorised. The measure affected transactions with a theoretical settlement date between 2 and 20 May, with the normal situation resumed thereafter.

Prior to the start-up of the reform (from January to April), the volume of activity fell both in the number of settled trades and in volume, thus continuing the trend that began in the second half of 2015. Over this period, efficiency levels remained very high, although they fell slightly both in terms of the number of trades and in terms of the settled amount compared with the previous year.

Compared with that situation, following the start-up of the new system and the mandatory use of the CCP, the number of trades to be settled from the market fell by almost 93% and the settled amount by more than 63%.

With regard to settlement efficiency, it should be pointed out that, although the volumes pending settlement have worsened in percentage terms, standing at levels of 3% compared with less than 1% in the previous system (January-April), the effective amount has not changed significantly. One of the reasons behind the lower efficiency can be found in one of the key aspects of the reform: the disappearance of assured purchases as the securities for delivery may only come from transactions that have already been settled.

Inefficiency was higher at the initial stages of the new system, but stabilised as from the second month. Even in sessions of increased activity and volatility, such as that following the results of the referendum on the United Kingdom remaining in the European Union, inefficiency levels remained relatively stable, as they did following the move to the D+2 period.

One of the elements that allowed these levels of efficiency is the last-resort loan managed by BME Clearing. This facility has enabled, on average, settlement of slightly more than an additional 2% on each theoretical settlement date. Nevertheless, the importance of the last resort loan has been falling progressively from levels of 3.6% in May to 1.7% in December.

The CNMV monitored those entities with higher levels of activity whose failed settlements might have a greater impact on the system as a whole. As a result of this analysis and in line with Article 45.6 of Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012, Iberclear was asked to provide information on the mechanisms for identifying, controlling, managing and mitigating the risks posed by entities with more complex operations.

Clearing and central counterparty (BME Clearing)

A very significant part of the CNMV's supervisory work has been focused on verifying compliance by the Spanish central counterparty – BME Clearing – with the requirements of Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (EMIR), which imposes the requirement of competent authorities to perform a validation at least annually.

In this regard, part of the evaluation was performed through the information submitted for authorisation of the extension of clearing activities for natural gas and liquefied natural gas contracts with physical delivery, which has not yet been completed and which includes the amendments necessary for compliance with the EMIR in this segment.

In addition, the CNMV has conducted specific monitoring with regard to the start of the new activity segments of the CCP, such as interest-rate OTC derivatives and equity securities traded on stock markets.

In segments with less activity (MEFFRepo, MEFFPower and IRS), the CNMV conducted a thorough supervision of the registered transactions and their terms. Supervision in the equity segment focused on the CCP's efficiency in settling transactions and on the evolution of the last-resort loan (a tool used to facilitate transaction settlements). The monitoring was particularly intense during the initial sessions of the start-up of the system and those subsequent to the shortening of the settlement period from D+3 to D+2 (3 October), as well as following the referendum on the United Kingdom remaining in the European Union.

For all the segments, the CNMV analysed the evolution of open positions and the collateral requested in each one of the segments with the aim of verifying that they suitably cover the registered risk. Particularly, following start-up of the equity segment, the CNMV monitored the default fund requested by BME Clearing. This needed to be adapted to the actual risk as the initially established fund had been determined based on estimates.

The CNMV also monitored compliance by the CCP of the disclosure obligations in accordance with the CPMI-IOSCO Principles for Market Infrastructures and Regulation (EU) No. 575/2013.

Project for reform of the securities clearing and settlement system

Although the first stage of the reform began in the second quarter of 2016, the reform process does not end with the migration to the new platform and the reduction of the settlement period to D+2, but, as indicated in Exhibit 5.1, the CADE platform for fixed-income settlement needs to be migrated to the new system and Iberclear incorporated into TARGET2-Securities (T2S) in September 2017. That last stage requires regulatory and procedural changes that have already begun. In addition to specifying the legal framework for the settlement and registry of fixed-income securities, these modifications also include other adaptations that are considered necessary for improved and more competitive functioning of the system in the context of T2S and the framework established by Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving security settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSDR).

10.2 The Market Monitoring Unit

The Market Monitoring Unit (Spanish acronym: UVM) is the investigation unit of the Directorate-General of Markets responsible for detecting market abuse practices. The UVM performs in-depth investigations of situations in which inside information may have been used or market manipulation practices might have been performed. It also checks other significant aspects, such as compliance with the obligations for safeguarding inside information by securities issuers, investment firms and, in general, any person or entity that possesses this type of information.

The UVM also checks that the intermediaries in transactions with financial instruments report suspicious transactions to the CNMV where inside information may have been used or practices undertaken which might distort free price discovery. These reviews check that the internal conduct regulations and internal procedures of the entities contain appropriate rules for preventing and detecting market abuse.

Since its creation, the UVM regularly requests the cooperation of supervisors and regulators of other jurisdictions under the multilateral and bilateral agreements signed by the CNMV for enquiries, cooperation and sharing information. Supervisors from the European Union, especially the United Kingdom, were the main recipients of these requests for cooperation.

On completion of the UVM's investigations, the CNMV's Executive Committee decides whether to apply measures, including disciplinary measures. In 2016, five disciplinary proceedings were initiated affecting ten natural or legal persons for the commission of the following infringements:

– One broker-dealer for market manipulation as a result of orders and transactions on its own account.

  During the opening auctions of a security traded on a regulated market, the broker-dealer entered two types of purchase order for its own account. On the one hand, at the start of the auctions, large orders that would later be cancelled; these purchase orders covered the demand that was shown throughout the auction on incorporating the highest buying price. On the other hand, orders with lower volume and price, which only form part of the best demand when the first orders are cancelled. The cancellation took place one second prior to the random period in which the opening auction ended and led to a significant fall in the equilibrium price, both with regard to the closing price of the immediately previous session and the possible equilibrium price shown during the auctions. The broker-dealer therefore distorted free price discovery throughout the period of the opening auctions and managed to buy at artificially low prices.

– One issuer for market manipulation in trading with its own shares.

  In this case, the issuer had not opted to subscribe a liquidity agreement under the provisions of CNMV Circular 3/2007, of 19 December, on liquidity agreements for the purpose of their acceptance as a market practice. The issuer performed discretionary trading of treasury shares that was not in line with the recommended criteria of the CNMV published in July 2013.

  The treasury stock trading performed by the issuer represented a significant volume of total trading and therefore distorted free price discovery to the extent that they involved a substitution in the market of the demand positions of independent third parties, which are required to create free price discovery. In addition, the issuer held a clearly dominant position in the demand for its own shares, which it used to modify the increase in the equilibrium price caused by third parties in the auctions, particularly when these generate falls in the benchmark prices. The auction price is therefore not freely discovered through the coming together of different market agents.

Disciplinary proceedings were also initiated against the CEO of an issuer, as the participant in and person responsible for the market manipulation strategy performed, and against the market member that brokered the transactions for failing to report a suspicious transaction.

– One natural person and an investment firm for performing market manipulation practices.

  The titleholder of the investigated transactions was a natural person that repeatedly traded with one or more securities or financial instruments with various short-term strategies. In one of the securities, the natural person used an automatic programme for entering orders, made available and generated at the person's request by the company that provided the investment services. This programme entered in the market numerous purchase orders of a low number of shares, at the market price, providing the price of the last execution was lower than the best bid price in the order book. These orders led to executions that raised the price (in many sessions, over half of all the price rises) and were not aimed at creating a position in the security, but at giving a false or misleading image of the price evolution which made it possible for the titleholder to unwind positions in the security at higher prices than the average acquisition cost.

– One director of an issuer for the use of inside information in the context of a takeover bid.

  The processes aimed at formulating a takeover bid are susceptible to the use of inside information as the bid price is almost always higher than the quoted price of the issuer's shares. Therefore, when the process is made public, whether as an intermediate and thus incomplete stage or with the formulation of the takeover bid, the share price rises significantly, sometimes even exceeding the bid price.

  In this case, the director of the issuer was aware, in the context of his functions, of the process initiated by the significant shareholders to formulate a delisting bid for the issuer's shares. A few days after becoming aware of this process, he instructed an entity to acquire shares of the issuer in favour of one of his daughters, thus increasing his position in the share.

– The chairman of an issuer for the transmission of inside information in the context of a takeover bid, and the chairman of a non-profit organisation, which used it to acquire shares for the organisation, for himself, his spouse and his daughter.

  The non-profit organisation held a fixed income portfolio in order to perform its objectives, which it reduced significantly, thus substantially modifying its investment profile by purchasing shares of the issuer before the takeover bid.

The investment decision came from the chairman of the organisation, who also decided to purchase shares of the issuer both for himself and his spouse and daughter. Taking into account that the chairman of the issuer was closely associated with the non-profit organisation and for many years was professionally linked to the chairman of said organisation, disciplinary proceedings were initiated as it was considered that he was the source of the inside information.

Finally, the Executive Committee decided to send six warning letters or formal communications in 2016. Most of these were sent to different issuers so that they might adopt or strengthen measures to ensure that the discretionary management of their treasury share trading would not interfere with free price discovery.

10.3 Credit rating agencies

In the scope of the powers relating to regulating credit rating agencies,[3] in 2016 the CNMV began supervision of compliance by Spanish issuers of their obligation to consider hiring small agencies[4] to rate their issues or the issuer itself when appointing at least two credit rating agencies. Similarly, the CNMV participates in a European working group that aims to harmonise application of this obligation and the documentation recording the reasons why a small agency is not hired.

The CNMV has actively cooperated with the European Securities and Markets Authority (ESMA) in the implementing regulations on rating agencies, as well as disciplinary procedures and authorisations and rejections of registrations of new agencies in Europe.

Accordingly, guides on the validation and review of credit rating agencies' methodologies and a report on good supervisory practices for reducing mechanical dependency on credit ratings by financial institutions aimed at competent national authorities were published in 2016.

With regard to disciplinary proceedings, a fine was imposed by ESMA on Fitch Ratings Limited as a result of a failure to have proper internal controls in place for the publication and dissemination of credit ratings.

3 Regulation (EU) No. 462/2013 of the European Parliament and of the Council, of 21 May 2013, amending Regulation (EC) No. 1060/2009 on credit rating agencies.

4 Article 8 *quinquies* of the Agencies Regulation, relating to the use of multiple credit rating agencies by an issuer, establishes that where issuers intend to appoint at least two credit rating agencies for the credit rating of the same issuance or entity, they shall consider appointing at least one small credit agency, with no more than 10% of the total market share (in accordance with total revenue) from among the list of agencies published by ESMA, providing the issuer considers it capable of rating the relevant issuance or entity.

11 Supervision of entities

The marketing of complex investment products to retail customers was once again a priority area for the CNMV in its supervisory work in 2016 relating to the provision of investment services, with particular attention paid to financial contracts for differences. New evidence was obtained during the year that investing in these products led to losses in the vast majority of cases. Following the warning issued in July 2016 on the risks involved in trading with these products, on 21 March 2017, the CNMV sent a communication to the sector requiring the adoption of certain measures to strengthen investor protection with regard to these contracts.

An equally important new aspect in 2016 was the use of mystery shopping for the first time in order to conduct on-site verification of the practices for marketing investment products at bank branches (see Exhibit 11.1). In addition to providing valuable information for supervision, the experience was very useful for assessing the possibilities of this new supervisory tool.

In addition, in 2016 the CNMV began its activities as the resolution authority of investment firms during the preventive stage. The first resolution plans were drawn up in the year and the CNMV cooperated with other national and international authorities in drafting the criteria and methodologies in the area of preventive resolution.

The increase in investment in collective investment products over recent years has made it necessary for the CNMV to make an even greater effort to supervise this sector. Together with the recurring controls, essentially aimed at verifying compliance with the prudential limits of the managed portfolios and the obligations of management companies in preventing conflicts of interest and providing appropriate information to unit-holders and shareholders, in 2016 the CNMV conducted various one-off reviews, including those relating to liquidity management procedures, the remuneration reports to be included in the annual report of collective investment schemes (CIS), and index funds and tracker funds. In addition, in 2016 and the first few months of 2017, the CNMV adopted a series of initiatives aimed at strengthening transparency in CIS and guiding their management companies on compliance with their obligations (see Exhibit 11.2).

11.1 Investment firms

In 2016, the CNMV continued paying close attention to supervising the marketing of investment products to retail clients, particularly with regard to complex products. In accordance with the Activity Plan, a significant part of the CNMV's supervisory work resulted from it exercising the new powers attributed to it by Law 5/2015, of 27 April, on promoting business financing. In turn, this Law enabled the CNMV to use new tools, as will be discussed later.

The CNMV sent out a total of 1,125 deficiency letters to supervised entities in 2016, 295 more than in the previous year, 912 of which originated from off-site supervision. The increase was mainly concentrated in requests for information (320 more than in 2015), particularly those relating to the gathering of information performed by the EBA in view of the amendment to the prudential regime of credit institutions and investment firms. The request to adopt corrective measures or recommendations also grew (71 more letters), while those sent as a result of late filing of information fell (72 fewer letters).

Supervision of investment firms and credit institutions: deficiency letters sent by the CNMV in 2016 TABLE 11.1

Type of deficiency letter	Off-site	On-site	Total
For late filing of information	234	2	236
Requests for information	486	118	604
Corrective measures or recommendations	81	21	102
Other notifications	111	72	183
Total	**912**	**213**	**1,125**

Source: CNMV.

There was also intense legislative activity in 2016, particularly relating to the development and implementation of Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments and of Regulation (EU) No. 1286/2014 of the European Parliament and of the Council, of 26 November 2014, on key information documents for packaged retail and insurance-based investment products (PRIIPs Regulation). Also particularly noteworthy was publication of the European legislation resulting from Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and 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.

11.1.1 Conduct of business rules and organisational requirements

This subsection addresses the key supervisory actions carried out with regard to compliance with conduct of business rules and organisational requirements.

Design of the supervision model for crowdfunding platforms

One of the key new aspects of the Law on promoting business financing was the regulation of crowdfunding platforms, which are authorised and supervised by the CNMV. Chapter 8 provides a summary of the categories of this activity and the requirements for authorisation set out in the legislation, as well as data on the applications for authorisation submitted and the authorisations granted.

With regard to supervision, in 2016 the CNMV completed the design of the control mechanisms that it will use for this type of platform. The supervision will initially be based on the reports that will be drawn up by an independent expert.

First verification of the marketing practices of financial institutions through mystery shopping

In accordance with the 2016 Activity Plan, the CNMV used this new tool in supervising the processes of marketing investment products in the bank branch network for the first time in 2016, in the form of a test. Through this process, employees of the CNMV or, as the case may be, of a company hired by the CNMV, go to bank branches or branches of other entities providing investment services pretending to be customers interested in acquiring products or investment services.

This first process, which was carried out on a representative sample of institutions, was focused on the information that the commercial staff of the financial institutions orally pass on to customers on their range of products. Based on this activity, the CNMV detected weaknesses which led to publication of a communication and which were reported to the institutions.

Exhibit 11.11 covers the main characteristics of the control and the most significant incidents that were detected.

Pilot control of the marketing of investment products in bank branches through mystery shopping

EXHIBIT 11.1

In 2016, the CNMV carried out a pilot test of the use of this tool, commonly known as mystery shopping. To this end, it used an external firm which, following the CNMV's instructions, simulated visits of customers or potential customers to various institutions with the aim of verifying how they market a series of financial products.

The activity was aimed at a representative sample of institutions that account for around 50% of bank branches. Between September and November, a total of 179 mystery shoppers made 450 visits to branches located in 20 large towns and cities spread over Spain. In none of these cases was the purchase of the product completed.

As highlighted in the communication published by the CNMV on 22 February 2017 (which may be consulted at http://www.cnmv.es/portal/AlDia/Informacion-Sector.aspx), this first and novel experience has been useful, particularly as a result of the possibility of analysing information on oral instructions that entities give to customers, which are often a key aspect in the investment decision-making process.

This exercise allowed the CNMV to identify certain weaknesses in the institutions' commercial practices, which include the following:

– It was often detected that implicit oral recommendations were made that the customers perceived as advice in which specific products were frequently highlighted and, in addition, reference was made to the customer's personal circumstances. This confirms the perception obtained by the CNMV in its supervisory experience that an actual advisory service is sometimes provided without the customer being fully aware of this and without the institutions themselves classifying or recognising it as such and, therefore, without them applying the conduct of business rules that are required when providing that service.

The CNMV's Guide on the provision of investment advisory services, of December 2010, analyses in detail the aspects which mean that, in certain situations, the oral messages transmitted to customers must be considered as implicit recommendations, which places the relationship with the customer within the scope of investment advice.

The CNMV considers that institutions must implement procedures for training and transmitting information and instructions to their commercial network, including the appropriate controls, so as to minimise the risk of investment advisory services being provided without this being clearly notified and acknowledged. In particular, clear instructions should be given to the staff of the commercial network so that they will be particularly careful in the conversations held with customers who are not being advised by the institution.

– It was observed that the bulk of the range of products offered were mutual funds, which is understandable in the current market context. Specifically, the initial offer included mutual funds in approximately 90% of the visits. The following can be highlighted with regard to this situation:

  i) The institutions often handed over commercial sheets instead of providing the key investor information document (KID). In some cases, these sheets did not correctly reflect all the key product data included in the KID or they did so in an imprecise or inaccurate manner, and even if they included the same warnings for the investor that are highlighted in the KID, the manner in which they were presented (footnote, small print, etc.) downplayed them.

  ii) In some cases of combined offers of mutual funds and traditional bank deposits, the information documents given to the mystery shoppers included the risk marker provided for in Order ECC/2316/2015, of 4 November, on obligations of information and classification of financial products, for the bank deposit (which has the minimum level of risk), but without clarifying that said marker exclusively referred to this product (the CNMV does not assess the risk indicators of bank products) and that the mutual fund had its own risk marker, which may be higher.

  iii) All of the funds offered were funds managed by the group to which the corresponding institution belonged. This fact, together with the aforementioned risk of implicit oral recommendations, makes it necessary to remind institutions of the duty of appropriately managing conflicts of interest in the context of marketing investment products.

- Deficiencies were revealed in other aspects of the information offered orally to customers during the marketing prior to providing investment services, which makes it recommendable that institutions should analyse and strengthen the procedures used to transmit information to retail customers. The most important deficiencies were as follows:

  i) Insufficient oral information with regard to the commissions, costs and expenses applicable to the instruments offered.

  ii) During the oral explanation of the nature of the financial instruments offered, emphasis was often placed on the advantages of these instruments, while insufficient emphasis was placed on their risks, which leads to an unbalanced presentation of the product. Sometimes, when the commercial staff orally informed the mystery shopper that the product offered might not be appropriate, this fact was downplayed and presented as unimportant.

  iii) Occasionally, when structured products without the commitment to return the principal on maturity were offered, customers were orally informed incorrectly with regard to their nature, with the staff indicating that they were not complex instruments. In some cases, even though the mystery shopper requested it, no information document was given to the customer relating to this type of instrument.

The code of conduct rules of the securities market establish the general duty of entities providing investment services to give information to their customers. Retail customers, in particular, must be adequately informed and the information provided to them, including oral information, must be impartial, clear and not misleading. The potential benefits of the instruments offered may not be highlighted without providing a balanced indication of their risks.

Following this experience, in view of the results obtained in this pilot test, which will be taken into account in the ordinary supervisory activities, the CNMV intends to continue using this tool based on mystery shoppers in the future.

Interaction with the sector in view of the coming entry into force of the new European legislation on investment services

Following one of the strategic lines set out in the 2016 Activity Plan (enhancing interaction with the industry), the CNMV maintained various contacts during the year with significant institutions and associations in the Spanish financial industry in view of the entry into force, in January 2018, of the new European legislation affecting the provision of investment services, specifically MiFID II, Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments and amending Regulation (EU) No. 648/2012, known as MiFIR, and the PRIIPS Regulation.

The industry will need to make a significant effort in order to adapt to the new legislation. The CNMV has maintained an attitude of active listening to the concerns and needs of the industry, aiming to resolve any doubts that are raised about the implementation of this legislation, and it has promoted appropriate interpretive and supervisory convergence in the international groups in which it participates.

Public communications aimed at the industry

In addition, with the aim of promoting and facilitating regulatory compliance, the CNMV publicly disseminated in 2016 various communications aimed at the industry, including those relating to: i) the distribution of financial instruments subject to Directive 2014/59/EU of the European Parliament and of the Council, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012 of the European Parliament and of the Council (Bank Recovery and Resolution Directive); and ii) the distribution to customers of classes of shares of CIS and clone funds.[1]

The first of the CNMV communications echoes the statement published by ESMA on 2 June 2016 reminding credit institutions and investment firms of their obligation to act in the best interests of their clients in the sale of financial instruments considered as eligible liabilities for recapitalisation following entry into force, on 1 January 2016, of the Bank Recovery and Resolution Directive.[2]

The ESMA statement clarifies how credit institutions and investment firms are expected to apply the rules of conduct corresponding to the distribution of these instruments to clients. In particular, it states that they should indicate in a clear and simple manner that the instruments are unsecured and therefore subject to the resolution regime defined by the Directive and that the impact on investors in a resolution scenario depends on the rank of liability in the resolution creditor hierarchy. Clients must also be informed of the effects that a resolution may have on the investment (total loss, conversion into ordinary shares or other instruments that absorb losses, suspension of the payment of interest, modification of the majority of the instrument, etc.). It also indicates that when an entity sells recapitalisation instruments of the entity itself or entities of its group, it is extremely likely that personal recommendations will be made and that, in these cases, the entity should perform a thorough suitability assessment. It is considered important for firms to ensure that any targeting of financial instruments does not compromise the overarching obligation to act in the best interests of the clients.

The communication on the distribution to clients of classes of CIS shares and clone funds once again addresses a problem that has already been highlighted in recent years. The CNMV indicates that, in application of the duty to act in the best interests of their clients, distributors of CIS should offer them, from among the available classes of CIS shares with the same investment policy or clone CIS available, those with the most beneficial financial conditions which objectively, according to the information presented in the CIS prospectus, they can individually access. However,

1 The first communication was published on 23 June 2016 and the second on 24 October. Both can be consulted at http://www.cnmv.es/portal/ALDIA/INFORMACION-SECTOR.ASPX.

2 The ESMA statement may be consulted, together with the CNMV communication of 23 June at http://www.cnmv.es/portal/ALDIA/INFORMACION-SECTOR.ASPX.

in its supervisory activity, the CNMV continues to detect practices that need to be modified. In fact, several supervisory actions performed (10 to date) have concluded with proposals for disciplinary measures as a result of infringements in this area.

In its communication, the CNMV identified various practices observed in its supervisory actions in the scope of discretionary portfolio management and the provision of investment advice which involve not acting in the optimal interest of the client and which therefore breach conduct of business rules.

New measures relating to the marketing of contracts for differences (CFDs) and other complex products to retail clients

Particularly noteworthy in this area is the update of the study performed in 2013 on the results obtained by retail clients in trading with CFDs. The conclusions are very similar to those of the first study and also coincide with those of similar studies performed by other European supervisors.

The study, which covers the period between 1 January 2015 and 30 September 2016, analyses the results obtained by 30,656 clients. During this period, 82% of the clients that traded with CFDs suffered losses, which amounted to 142 million euros (52 million euros as a result of the materialisation of the market risk plus 90 million euros for commissions and other costs).

The marketing of this type of product to retail clients has been of concern to the CNMV for some time. In October 2014, it issued a warning about the risks and high probability that clients will suffer losses when they invest in CFDs and in July 2016, as a result of the ESMA warning on the sale of contracts for differences, binary options and other speculative products, it issued a new warning about the risks involved in trading with these products.

In addition to these warnings, measures to strengthen investor protection have now been adopted. Without ruling out additional actions, the CNMV has recently taken measures in this direction which basically consist of warnings that are specified in a communication aimed at the entities marketing these products issued on 21 March 2017.[3]

Controls in entities that provide investment or management services with a high level of automation (robo-advisors)

A noteworthy new development in the CNMV's supervisory actions in 2016 was the early review of one of the first entities in Spain to provide advice on management services with a high level of automated decision-making. Early reviews are supervisory actions that aim to analyse a specific aspect as soon as possible and in the early stages of development and they are therefore planned by focusing on the trends seen in the industry. Their aim is essentially preventive, focusing on the detection of weaknesses that might involve a risk from the point of view of investor protec-

3 Available at: http://www.cnmv.es/portal/ALDIA/INFORMACION-SECTOR.ASPX.

tion and, in general, for compliance with regulatory requirements. In the case reviewed, the management was limited to a low number of mutual funds.[4]

Analysis of trends in products marketed to retail clients

Since 2015, the CNMV has received detailed information on a quarterly basis on products that the main entities market to retail clients. In 2016, in the framework of its recurring supervisory tasks, the CNMV has strengthened the early analysis of investment trends that are reflected in the data received in order to detect products or trends of special supervisory interest that might demand action by the CNMV.

With regard to the features of the marketed products, the most noteworthy trend is the lengthening of the terms, with an increase in products with maturity between 6 and 10 years, both in structured CIS and investments with a target return, such as structured notes. This trend seems to respond to the current scenario of low interest rates, which makes it impossible to offer attractive short-term returns without taking on risk.

Given the difficulty that less sophisticated clients may have in recognising and assessing the risk involved in these longer terms, particularly in the current market situation, the CNMV considers the marketing of these products to be of special supervisory interest and it has included the controls applicable in this area among its priorities.

Main incidents detected in the recurring reviews on compliance with conduct of business rules and organisational requirements

The verification work performed in this area essentially focused on credit institutions and, as in previous years, on analysing the procedures for evaluating the appropriateness of products for clients (appropriateness and suitability test) and on compliance with information obligations relating to financial instruments. The CNMV also supervised the variable remuneration of commercial staff and the organisational structure of the internal control areas with regard to the activities that the CNMV is authorised to supervise.

The main incidents detected in the inspections performed are shown below:

- Deficiencies in the assessment of appropriateness and suitability. In the first case, as a result of being related to families of instruments with widely differing products or as a result of insufficient assessment of the knowledge and experience of the client; in the second case, as a result of incorrect assessment of the investment objectives or financial position of the client or as a result of the possibility of inconsistencies between the client's answers.

- Failures to match the client's risk profile with the risk of the products or portfolios under management advisory services.

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4 With regard to robo-advising services, it is particularly interesting to note the report published in December 2016 by the Joint Committee, made up of the three European supervisory authorities, which analyses the potential risks and benefits for consumers and financial institutions. Available at https://esas-joint-committee.europa.eu/library.

– Weakness in classifying the risk or complexity of products or deficiencies in measuring and controlling the risk of the managed portfolios.

– Deficiencies in the information provided to clients on risks, incentives and costs and, in some cases, lack of evidence of informative documentation being given to the client with regard to the nature and risk of the product; deficiencies in the procedures for traceability of transactions based on a prior assessment by the entity.

– Deficiencies in the variable remuneration policies and schemes for commercial staff.

– Organisational structures that might hinder the necessary authority and independence of control functions, as well as limited involvement by senior management in control aspects. The CNMV also detected in some cases that the information reported to senior management on the deficiencies observed and corrective measures proposed is insufficient or incomplete.

– The CNMV once again observed the inclusion in the managed portfolios and the formulation of recommendations classes of CIS that were less advantageous for the investor than others that the investor could have accessed.

– Performance of investment services and activities for which the due authorisation is not held or, as at the case may be, performance of these activities by employees who do not form part of the entity's staff and are not registered as agents.

Reports on client asset protection

Entities must submit these annual reports in the first half of the following year. In 2016 the CNMV received a total of 199 reports corresponding to 2015, which are broken down by type of entity in Table 11.2.

The qualifications as stated by the auditors have not revealed significant incidents which might indicate the existence of imbalances in assets belonging to clients.

Reports on client asset protection (IPACs) TABLE 11.2

	2015					2014				
	Auditor's opinion									
		Clean		Qualifications			Clean		Qualifications	
Type of firm	No. of IPACs	No.	%	No.	%	No. of IPACs	No.	%	No.	%
Credit institutions	113	77	68	36	32	115	100	87	15	13
Broker-dealers and brokers	48	45	94	3	6	48	43	90	5	10
Branches of non-EU credit institutions	2	2	100	0	0	2	2	100	0	0
Portfolio management companies	1	1	100	0	0	4	3	75	1	25
CIS management companies	35	33	94	2	6	33	31	94	2	6
Total	**199**	**158**	**79**	**41**	**21**	**202**	**179**	**89**	**23**	**11**

Source: CNMV.

11.1.2 Prudential requirements

The prudential supervision of investment firms is carried out, firstly, by analysing their economic-financial situation and net worth viability and, secondly, by verifying that they comply with the solvency requirements laid down in the specific legislation. The ultimate aim is to ensure that these firms have sufficient own funds to take on the risks associated with the activity that they perform. The bulk of this supervision is based on an analysis of the information sent periodically to the CNMV by the firms, which is complemented by on-site inspections.

As in other years, the sector as a whole had ample own funds in 2016 (see Chapter 7). As part of its supervisory tasks, the CNMV has closely monitored the firms that have revealed net worth or solvency incidents.

In addition to the periodic controls on compliance with ratios and the review of the content of the audited annual accounts, prudential supervision also requires the CNMV to review the capital and solvency self-assessment reports.

Since 2015, investment firms have been required to include stress scenarios relating to credit, market, operational and economic risks in the annual capital self-assessment reports. In 2016, with the aim of simplifying the performance of the stress tests, firms were offered the possibility of using one single joint scenario for all the aforementioned risks. Almost all the firms made use of this option. The result of the stress self-assessments revealed that firms are generally suitably capitalised with no major weaknesses observed.

The analysis of the information contained in the aforementioned self-assessment reports, as well as the results of the stress tests, have been used to draw up the 2017 supervisory programme, which will be reviewed throughout the year.

The common procedures and methodologies for the supervisory review and evaluation process (SREP) were once again applied during 2016. In accordance with these procedures, supervisory authorities must give different scores to each entity, which will serve as a reference not only for the purposes of supervising the entities, but also in order to set the time at which the recovery measures planned by the entities should be initiated.

Similarly, in accordance with the provisions of the legislation on the resolution of investment firms, in 2016 the CNMV reviewed the first recovery plans submitted by firms subject to this obligation, as well as the first resolution plans drawn up by the CNMV itself as the resolution authority in the preventive stage (see Section 11.1.3 for further details).

11.1.3 Actions of the CNMV in exercising its functions as resolution authority (preventive stage) of investment firms

Spanish legislation on recovery and resolution opted for a model that distinguishes between resolution functions in the preventive stage, which are entrusted to the CNMV with regard to investment firms and to the Bank of Spain with regard to credit institutions, and in the enforcement stage, which are assigned to the Fund for Orderly Banking Restructuring (Spanish acronym: FROB) for both types of entity. Staff entrusted with these tasks must enjoy hierarchical and functional independence with regard to the supervisory activity of the CNMV and the Bank of Spain as supervisory bodies.

The CNMV began its activity as resolution authority of investment firms in 2016 following an initial preparatory stage in which, among other tasks, the unit entrusted with these functions was created and given the resources necessary to exercise its functions, the EBA guides on resolution were adopted and manuals and guidelines were drawn up. In this first stage, an informative session was also organised aimed at investment firms in order to inform them of the implications of the new legislation.

The first resolution plans were drawn up in 2016, while at the same time the CNMV cooperated with other national and international authorities in drafting the criteria and methodologies in the area of preventive resolution.

Work was also conducted on drawing up the cooperation agreement between the CNMV and the FROB and a document was prepared, in the form of an internal instruction, on the potential conflicts of interest that might arise in the exercise of the supervisory and resolution functions corresponding to the CNMV, including the procedure for cooperation, coordination and sharing of information between said functional areas, in accordance with the first additional provision of Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (Law on recovery and resolution) and in Article 3(3) and (4) of the Bank Recovery and Resolution Directive.

Resolution plans

As resolution authority in the preventive stage, the CNMV must draw up and approve, following a report from the FROB and from the supervisor, the resolution plan of each investment firm[5] or group subject to supervision on a consolidated basis with the aim of identifying the best resolution strategies for each business in the event that it fails. On drawing up the resolution plan, the CNMV performs an evaluation of the entity in order to determine whether, in the event that it fails, the resolution or liquidation can be carried out in a credible and feasible manner, without undermining the continuity of the critical functions, identifying and, where appropriate, eliminating the obstacles that may hinder said functions.

Both the CNMV's supervisory function and its resolution function need to plan how to face a critical situation or a resolution of any entity. To this end, it is necessary for the entities to draw up recovery plans and for the CNMV to draw up resolution plans. Both documents are set up as if they were a living will which will allow the entity and the authorities to face a situation of crisis or failure in an orderly manner so as to avoid or reduce the negative repercussions both in the clients' assets and, as the case may be, for the stability of the financial system and the economy.

The resolution plans of seven investment firms were drawn up in 2016, having applied the following criteria and guidelines:

– Resolution strategy. In the resolution plans drawn up, it has been concluded that, in the event of failure, liquidation in accordance with an ordinary insolvency

5 The scope of application is limited to investment firms whose minimum legally required share capital is equal to or greater than 730,000 euros, and therefore only affects broker-dealers.

procedure is a credible and feasible procedure to the extent that it would make it reasonably possible to achieve, and at least to the same extent as a resolution process, the resolution objectives established by the Law on recovery and resolution.

– Resolvability. Some of the entities hold a significant volume of client assets (cash and financial instruments). In the event of failure, the resolvability of the entity may be affected by difficulties and delays in the restitution and transfer of these assets to other entities in the course of liquidation through ordinary insolvency proceedings.

  Although in none of the cases analysed have such circumstances been considered as substantial impediments so as to require measures to be adopted to eliminate them, the CNMV has proposed preventive measures to the entities, such as entering into agreements with third-party entities when certain early warning thresholds are reached so that, in the event of failure, the transfer and redemption of client assets is assured, whether on a provisional or final basis, without incidents and in the shortest possible time.

– Minimum requirement for own funds and eligible liabilities (MREL). In the course of the evaluation of the resolvability and drafting of resolution plans, the CNMV must also analyse whether the entity has sufficient minimum own funds and eligible liabilities to absorb losses and be able to carry out the chosen (resolution or liquidation) strategy. In the cases analysed, the CNMV has not considered it necessary to require additional resources to recapitalise the entities as it has concluded that the proposed strategy (liquidation through ordinary procedures) makes it possible to achieve the resolution objectives to the same extent as an alternative resolution strategy.

– Simplified obligations. The legislation allows the CNMV to establish, for certain entities, simplified obligations in drawing up recovery and resolution plans. To this end, in accordance with the criteria and guidelines prepare by the EBA, this will be based on indicators of size, type of activity, risk, interconnectedness and impact of the entity or group on markets and the economy. Accordingly, the CNMV has opted to draw up simplified resolution plans, which should be updated at least annually and, at any event, when there is any change in the entity that might affect their effectiveness.

Review of recovery plans

As indicated in Section 11.1.2, in 2016 all investment firms falling within the scope of application of resolution legislation submitted their recovery plans. These plans have been reviewed independently in the micro-prudential supervision and resolution functional areas of the CNMV, as well as by the FROB, in its capacity as a resolution authority at the enforcement stage, and it has been concluded that in no case did their content have a negative effect on the resolvability of the entities.

Coordination with other authorities and international activity

Coinciding with the CNMV taking on its new resolution powers, its Vice-chairperson joined the governing committee of the FROB. This institutional mechanism promotes coordination between the two authorities, which is of particular importance due to the functions assigned to them. At a more formal level, the cooperation between the FROB and the CNMV will be strengthened by the signing of an agreement defining the roles of the authorities at each stage and the method for cooperating and sharing information, with the aim of performing the functions entrusted to them as efficiently as possible.

The CNMV actively participates, in close cooperation with other Spanish resolution authorities, at European and international forums in which issues relating to resolution are discussed. In particular, the CNMV is a member of the Resolution Committee (ResCo) of the EBA, together with the FROB and the Bank of Spain. In 2016, a large part of the activity of ResCo was focused on setting standards relating to the drafting of resolution plans and determining the MREL set out in the Bank Recovery and Resolution Directive.

The CNMV also closely monitors the work and recommendations in this area, both from European institutions (Single Resolution Board and European Systemic Risk Board) as well as the committees and working groups of the Financial Stability Board.

11.1.4 Regulatory changes

The CNMV and other Spanish supervisory authorities continued making a significant effort in implementing European legislative initiatives. In particular, the work in drafting the implementing standards of MiFID II, MiFIR and the PRIIPs Regulation, which have a key impact on investor protection in the field of investment services, remained intense despite the delay in the entry into force of the standards, initially planned for January 2017, until January 2018. It should be remembered that the European Commission has justified the delay in MiFID II and MiFIR as a result of their technical complexity with the aim of ensuring greater legal certainty for the industry and a smoother implementation for consumers. The delay in the case of the PRIIPs Regulation was due to the European Parliament rejecting the technical standards relating to the methodology used for drawing up the key information document (KID).

In the field of prudential regulation, in 2016, 20 new directly applicable delegated and implementing regulations were approved relating to the Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and the Regulation on prudential requirements for credit institutions and investment firms, leading to a total of well over 60 applicable regulations. In addition, the EBA published guidelines during the year.

The CNMV and the other European securities supervisors continued cooperating with the EBA in developing a specific prudential regime for investment firms. An initial public consultation was performed in 2016 and the necessary data was collated in order to conduct a calibration exercise. It is likely that the EBA will present a specific proposal to the European Commission in 2017 which will involve a simplification of the regulation applicable to small-sized investment firms that do not perform an activity similar to that of credit institutions.

With regard to the Bank Recovery and Resolution Directive and Regulation (EU) No. 806/2014 of the European Parliament and of the Council, of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, a total of 16 delegated regulations on resolution have been published, 12 of them in 2016.

11.2 Supervision of collective investment schemes and closed-end investment vehicles

11.2.1 Supervision of mutual funds and SICAVs

The CNMV once again focused the bulk of its supervisory work with regard to mutual funds and investment companies (SICAVs) on preventive analysis aimed at verifying whether CIS management companies adequately comply with their legal obligations, particularly whether they resolve conflicts of interest in an appropriate manner and whether unit-holders and shareholders receive sufficient information about their investments.

The CNMV's supervision combines off-site supervision and on-site inspections. Off-site supervision is essentially based on analysing the financial statements of the CIS that they, or their management companies, submit to the CNMV on a monthly basis, which include a list of individual positions of the portfolio assets and derivatives. On-site inspections are basically focused on verifying less standardised or more specific aspects of the CIS that do not appear in the standardised reporting.

The supervision involves two types of analysis: periodic and non-recurring. The periodic analyses generally include verifying that the sector complies with aspects such as adequacy of resources and the internal controls of CIS management companies, the prevention of conflicts of interest and compliance with legally established ratios and the suitability of investments. In turn, the non-recurring controls may be general or specific and focus on particular aspects of the activity of management companies that are detected during the supervision.

As a result of these supervisory actions in 2016, the CNMV sent out 1,648 deficiency letters to supervised entities. Of this total, 1,503 letters corresponded to off-site supervision, while the others related to on-site inspections or visits to the entities.

As shown in Table 11.3, most of the deficiency letters were for late filing of information or in order to request the adoption of corrective measures or recommendations. In the former case, the letters as a result of a failure to submit audits in the first half of the year accounted for a large proportion of the total. Noteworthy among the corrective measures was the request for changes in the confidential information sent by management companies due to the amendment to the confidential statements of these entities, which has involved the application of new information controls.

Supervision of CIS: deficiency letters sent by the CNMV in 2016 TABLE 11.3

	Actions		
	Off-site	On-site	Total
For late filing of information	698	0	698
Requests for information	76	55	131
Corrective measures or recommendations	727	45	772
Other notifications	2	45	47
Total	**1,503**	**145**	**1,648**

Source: CNMV.

The rest of this subsection summarises the main controls performed in 2016.

Periodic controls

– Control of legality. The CNMV checks compliance with diversification ratios and limits, as well as the minimum levels of assets and number of unit-holders and shareholders required by legislation in order to be considered a CIS.

  The most numerous incidents in 2016 were once again the result of sudden failures to comply with diversification limits, i.e., those which are the result of circumstances beyond the control of the management companies (for example, price rises associated with market behaviour), although the vast majority of such incidents were regularised within the legally established time periods.

– Analysis of operational limits on derivatives trading. The CNMV conducts a specific review of compliance with these limits in which it particularly analyses the capacity of management companies to detect weaknesses in their control systems for derivatives trading. The excess leverage detected in the analyses in 2016 were one-off situations and of a low amount.

– Information for unit-holders. The CNMV continues reviewing the content of the information included in the public periodic reports for unit-holders. These analyses paid particular attention to the descriptive information in order to ensure that the information is useful, understandable and sufficient so that investors in the CIS may understand its performance.

– Analysis of returns and asset valuations. Using regression analysis, the CNMV compares the net asset values of the CIS with other estimates based on the performance of the markets, which makes it possible to identify returns that may be classified as atypical and which may reveal incidents in the control and valuation procedures, as well as other incidents relating to the recording of transactions, conflicts of interest, etc. In addition, the CNMV performs comparative analyses of the valuations applied by entities for the same asset with the aim of detecting possible errors and deficiencies in the controls applied.

– Analysis of CIS audits. Regulations require firms to send CIS audit reports and annual accounts electronically to the CNMV. This information must be delivered to investors as part of the annual report. No relevant incidents were detected in the CIS audit reports in 2016, with the number of qualifications being very low.

Non-recurring controls

– Liquidity management. The CNMV continued performing analyses of the liquidity levels held by CIS in fixed-income or equity assets, as well as the procedures that they are required to implement in accordance with current legislation. The requirements include periodically performing stress tests on the portfolios, considering the overall positions in securities and fair treatment of unit-holders in the event of sales due to mass redemptions. All the deficiencies detected resulted in the CNMV sending the corresponding deficiency letter.

– Information on remuneration. The CNMV reviewed the information on remuneration that must be included in the annual report of the CIS, which corresponds to the half-yearly report of December. This information is required under the UCITS Directive and the AIFMD and has recently been transposed to Spanish law. Specifically, they are required to report aggregate figures for the overall amounts of fixed and variable remuneration, indicating the number of beneficiaries and providing qualitative information on the management company's remuneration procedures.

– Index and tracker funds. By law, these funds must be governed by specific parameters (tracking error and correlation coefficient with regard to the benchmark that they follow) and include in the periodic information certain qualitative and quantitative information on deviations with regard to the benchmark. The analysis verified compliance with the parameters and information requirements.

– Possible conflicts of interest in share acquisitions in public offerings. Various public offerings of shares on the electronic market were performed last year in which the participants in one single financial group participated and therefore the CNMV analysed the placement of shares in the portfolios of the CIS so as to detect possible unresolved conflicts of interest.

– CIS expenses. In previous years, the CNMV analysed the expenses charged to CIS as management and deposit commissions and brokerage expenses. In 2016, it supplemented these controls with a new analysis of the other expense items charged to CIS (audit expenses, bank commissions, registry expenses, remuneration of the members of the board of directors in the case of SICAVs, etc.) in order to assess the amount of such expenses and whether they were reasonable.

– Absolute return mutual funds. The CNMV analysed the advertising disseminated by management companies in marketing this category of fund, as well as the evolution of the net asset values in 2016 with the aim of verifying whether the volatility limits set out in their prospectuses were met.

In addition to these analyses performed on a sector scale, the CNMV also performed numerous controls as a result of specific issues that affected individual entities (asset valuation, investments in unsuitable assets or liquidity, conflicts of interest, etc.).

Strengthening the transparency of CIS

EXHIBIT 11.2

Throughout 2016 and at the start of 2017, the CNMV adopted a series of initiatives aimed at strengthening transparency in collective investment schemes and guiding their management companies with regard to compliance with the different obligations set out in the current legislative framework.

These initiatives were laid down in the publication of the following documents:[1]

– CNMV Communication on the content of the periodic public information of CIS (23/06/2016). This document establishes the rules governing the information offered in the periodic public reports of CIS (regulated in CNMV Circular 4/2008, of 11 September, on the content of the quarterly, half-yearly and annual reports of collective investment schemes and their position statements), particularly so that no significant aspect is omitted and so as not to mislead the recipients of the reports. These rules are grouped into three blocks: information on the market vision and investments performed by the CIS; information on the policies relating to voting rights and exercising such rights; and an explanation of the figures for expenses, return and risk measurements.

– Enquiries on the legislation of CIS, venture capital undertakings and other closed-end collective investment vehicles (13/10/2016). The document updates the previous document setting out the answers and clarifications of the CNMV on enquiries made by the industry with regard to the interpretation of certain aspects of Law 35/2003, of 4 November, on collective investment schemes, and its implementing regulation. This update was the result of the amendments introduced in the Law on CIS by Law 22/2014, of 12 November, regulating venture capital undertakings, other closed-end collective investment schemes and their management companies, and amending Law 35/2003, of 4 November, on collective investment schemes (hereinafter, Law 22/2014). It is also included new enquiries relating to venture capital.

– Technical Guide on strengthening the transparency of investment funds with a long-term target return (19/01/2017). As a consequence of the current situation of low interest rates, CIS management companies have lengthened the maturities of the funds with a target return. The possibility of a rise in interest rates, together with the long-term nature with which these products are launched, introduces risks for the unit-holders of said funds of suffering significant losses in the event of a redemption prior to maturity. Consequently, in accordance with this technical guide, the key investor information document and the commercial documentation for this type of fund must include certain warnings about those risks.

– Technical Guide on related-party transactions relating to financial instruments made by collective investment scheme management companies (19/01/2017). This technical guide sets out a series of criteria and rules for management companies to bear in mind when applying their procedures for the approval of the trading of assets for CIS portfolios with related parties so as to prevent conflicts of interest and ensure that these transactions are performed in the exclusive interest of the CIS and at arm's length, or better, as required by legislation.

1 These be consulted at http://www.cnmv.es/portal/ALDIA/INFORMACION-SECTOR.ASPX.

11.2.2 Supervision of hedge funds and funds of hedge funds

The assets managed by hedge funds remained at low levels in 2016. Funds of hedge funds are either in the process of liquidation or have high levels of ownership by entities belonging to the financial group of the management company.

In this context, the supervision of hedge funds in 2016 mainly consisted of analysing risk levels and compliance with structural requirements (assets and minimum number of unit-holders and shareholders).

With regard to funds of hedge funds, the CNMV focused its supervision on the liquidation processes in progress in order to check that the management companies acted with due diligence and that they provided adequate information on these processes to investors.

11.2.3 Supervision of real estate CIS

At present, there are only three real estate funds registered, which are currently in the process of liquidation. The CNMV's supervision in 2016 therefore focused on monitoring these processes and ensuring that unit-holders received adequate information about the process.

11.2.4 Supervision of closed-end investment firms

With the end of the adaptation period established by Law 22/2014, of 12 November, regulating venture capital undertakings, other closed-end collective investment schemes and their management companies, and amending Law 35/2003, of 4 November, on collective investment schemes, the CNMV's supervisory work in 2016 focused on overseeing compliance with the new criteria established for calculating the mandatory investment and diversification ratios required for these entities.

In its supervision work, the CNMV paid particular attention to the information provided in the reports on the valuation method used in the different portfolio investments, as well as the explanations in the cases in which the valuation method had been modified. The aim of this analysis was to check that the vehicles are properly valued.

11.3 Supervision of management companies: CIS management companies and closed-end collective investment entity management companies

The CNMV's supervision of CIS management companies and closed-end collective investment entity management companies in 2016 was marked by the changes introduced in CNMV Circular 4/2015, of 28 October, amending Circular 7/2008, of 28 November, on accounting standards, annual accounts and confidential financial statements of investment firms, collective investment scheme management companies and venture capital undertaking management companies, and Circular 11/2008, of 30 December, on accounting standards, annual accounts and confidential financial statements of venture capital undertakings.

The new regulations update the information collected by means of the confidential financial statements established in Circular 7/2008. Firstly, this information is adapted to the legislative changes that entered into force in 2015, specifically those introduced by the Collective Investment Scheme Regulation, which affect CIS management companies, and by Law 22/2014, which are applicable to venture capital undertaking management companies. The amendments, which have been appropriately reflected in the new templates for the confidential financial statements refer, among other aspects, to the extension of the investment services that venture capital undertaking management companies may provide, to the new definition of own funds applicable both to CIS management companies and to venture capital undertaking management companies, and to the obligation of these companies to report on the number of complaints received and processed by customer service departments.

In addition, Circular 4/2015 extends the calendar for sending periodic information of venture capital undertaking management companies, which is now half-yearly, with the aim of having confidential information with the same regularity for all management companies.

This has meant that these companies have been required to make an effort to adapt to the new rules, which leads to greater quality of the information received and allows more efficient supervision of these management companies.

As indicated in Chapter 6, in 2016 there was an increase in the number of companies registered with the CNMV, as well as in the assets that they manage. The CNMV has maintained the monitoring of the levels of own funds of these entities, which stood at similar levels to those recorded in 2015, with ample own funds above the minimums required for these types of companies.

With regard to venture capital undertaking management companies, 2016 was the first year in which the CNMV supervised compliance with the minimum own funds requirements established by Law 22/2014, after the adaptation period provided for in the Law finalised on 14 November 2015. The data sent by the venture capital undertaking management companies showed that the industry maintained a high surplus of own resources as at 31 December 2015, a situation which continued over the first six months of 2016.[6] Some management companies recorded incidents with regard to the level of resources that were resolved over the year.

6 Venture capital undertaking management companies have until 30 April 2017 to submit to the CNMV the periodic information corresponding to 31 December 2016.

11.4 Supervision of depositories

In 2016, the CNMV performed various actions of off-site supervision, including the recurring task of analysing the half-yearly reports on the supervision and oversight function of the depositories that they are required to submit to the CNMV. In these reports, depositories are required to record all non-compliances with legislation or anomalies that have been detected in the management or administration of both financial and real estate CIS, together with any observations that the management company or, as the case may be, the SICAV may have made as a consequence of the depository reporting the anomaly.

In these controls, special attention is paid to valuation incidents reported by the depositories, failure to comply with the investment policy, transactions not made on a regulated market, and reconciliation differences of cash and securities balances.

These controls were supplemented by off-site supervision of compliance with the depository function in its two key aspects: the function of custody of the assets owned by the CIS and the function of supervision and oversight of the activity of the management companies. The CNMV also analysed the structure, resources and independence of this function within the depository.

No on-site activities were performed in 2016 in the case of depositories, although in the inspections performed on CIS management companies, the CNMV evaluated the level of compliance with the obligations entrusted to the depositories, in particular relating to the custody of the securities of the CIS and the supervision and oversight of the activity of the CIS management companies.

Lastly, it is important to point out the approval in 2016 of CNMV Circular 4/2016, of 29 June, on the functions of depositories of collective investment schemes and entities regulated by Law 22/2014, of 12 November, regulating venture capital undertakings, other closed-end collective investment schemes and their management companies, and amending Law 35/2003, of 4 November, on Collective Investment Schemes, which specifies and details how depositories should perform the functions, both of custody and registration and of supervision and oversight of the activity of the management companies. The Circular, which entered into force on 13 October 2016 and, therefore, will influence the supervisory work undertaken by depositories in 2017, is a consequence of Directive 2014/65/EU (MiFID) and has not involved major changes given that in this aspect, Spanish legislation already provided a very similar framework to that provided by the aforementioned Directive, which emphasises the depository's oversight functions.

11.5 Supervision of securitisation fund management companies

Last year's supervisory activity in relation to these companies was mainly focused on revising audit reports, whose role is essential for ensuring the accuracy of the information provided by these companies and suitable control of compliance with regulations.

In addition, and given the new legislative aspects introduced by Law 5/2015, of 27 April, on promoting business financing, in the regime for securitisations – in particular with regard to the requirements relating to own resources which securitisation fund management companies need to comply with as from November 2016 –

a simulation exercise on the status of said own resources was conducted with 2015 data and no non-compliances were found.

11.6 Cooperation in the prevention of money laundering

The Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Spanish acronym: SEPBLAC) and the CNMV have applied the cooperation agreement entered into between the two entities, which takes into account both the CNMV's supervision plan and the priorities set by SEPBLAC in its analyses of money-laundering risks. In application of said agreement, in 2016 the CNMV submitted notifications to SEPBLAC with the conclusions reached on the level of compliance with the obligations in the prevention of money laundering by investment firms and collective investment scheme management companies included in the reviews previously agreed between the CNMV and SEPBLAC .

Similarly, the CNMV submitted information obtained in supervising certain entities to SEPBLAC as it noted the existence of indications of suspicious transactions that may be related to money laundering.

Lastly, a CNMV representative attends the meetings of the Standing Committee of the Commission for the Prevention of Money Laundering and Monetary Offences, as provided for in the Regulation of Law 10/2010, of 28 April, on the prevention of money laundering and terrorist financing.

12 Investor assistance

The CNMV pays priority attention and allocates significant resources to responding to investor claims, complaints and enquiries. This effort is justified not only because it is a service that is absolutely necessary for investors, but also because it is a source of extremely valuable information for the CNMV that very often results in supervisory actions aimed at ensuring investor protection.

The number of claims and complaints filed with the CNMV fell again in 2016 and was very far from the highs reached in 2012 and 2013. The reasons for the claims are also very different from those filed in 2012 and 2013. In particular, claims relating to information prior to the purchase of investment products – both the information that entities are required to collect in compliance with their obligation to assess whether the product matches the client's investor profile and the information that entities must provide to the investor about the features of the product – accounted for less than half of the claims resulting in a final report. This figure stood at 87% in 2014. Similarly, within this group, there was a very significant increase in claims in the area of collective investment and convertible products, while claims relating to preferred shares and subordinated debt now account for a very small proportion.

Warnings about unregistered firms that offer investment services are a particularly important aspect of the information that the CNMV makes public through its website. The warnings relate to entities detected both by the CNMV and by supervisors of other countries. A noteworthy new aspect in 2016 was the improved format used by the CNMV for disseminating the notifications received from other supervisors, which sometimes group several firms together in one single notification. Since 2016, the CNMV has been publishing individualised warning notifications on its website, which facilitates the search for the background by firm through this channel.

The CNMV also continued paying preferential attention to financial education, particularly relating to development of the Financial Education Plan, a task that it performs together with the Bank of Spain and which enjoys the participation of numerous public and private institutions. Activities relating to promoting financial education in schools, particularly in secondary education, were once again among the most noteworthy activities conducted in this area.

12.1 Claims management

Investors can file complaints with the CNMV's Claims Service for delays, failures to address their problems or other inadequate actions by financial institutions, as well as claims for specific actions or omissions that harm their interests and rights. Nevertheless, they must prove that they previously filed these complaints or claims with the customer care service and/or customer ombudsman of the entity in question with one of the following three results: i) the entity did not accept the claim or complaint for processing, ii) the petition was rejected or iii) the claim or complaint was not resolved within two months of it being filed.

In 2016, investors filed a total of 1,205 claims and complaints, a fall of 13.9% on 2015. The fall in claims and complaints filed was more moderate than in previous years.

Claims and complaints submitted are not accepted if they do not comply with the acceptance requirements and these failures cannot be rectified or are not rectified in time. For this reason, a total of 400 claims and complaints were not accepted in 2016. Even when they are accepted, the claim or complaint may be terminated early in certain cases without the CNMV issuing a final reasoned report. Specifically, this may happen when there is acceptance by the entity, withdrawal by the claimant or mutual agreement between the parties or because the issue falls outside the CNMV's authority. Of the total number of claims and complaints processed, 14.8% required no final reasoned report as they were accepted by the entity or resolved by mutual agreement; 2.6% required no final reasoned report because the complaint was withdrawn and 1.6% as the issue fell outside the CNMV's authority.

In the other cases, processing the complaint or claim ended with the issue of a reasoned report which concluded by stating whether the corresponding entity complied with transparency and investor protection legislation or best financial practice and customs. In 2016, the CNMV issued final reasoned reports on 602 complaints and claims, 81% of those processed, a fall of 53.8% on the previous year. Claimants received a favourable report in 51.3% of the cases, while the remaining 48.7% received an unfavourable report. In 2015, these percentages were 58.4% and 41.6%, respectively.

The number of outstanding claims and complaints at the end of the year stood at 295, 62 more than in the previous year. The main reason for this increase is related to the reform of the legislation regulating the common administrative procedure, whereby Saturdays are considered as non-business days for the purposes of calculating deadlines expressed in days. Given that the different deadlines established for processing the different claims procedures are set in days, this modification led to an increase in the calendar days that need to elapse for each process to be considered as concluded. In addition, entities regularly request extensions to the deadlines that correspond to them in order to file statements. Another factor in the delay is the diversity and complexity of the contents of a large part of the claims filed, which required the CNMV to request additional clarifications, on many occasions, from the entities subject to claims or even from third parties, in order for the CNMV to issue appropriate decisions on the matters of substance set out in the claims.

Complaints processed broken down by type of resolution

TABLE 12.1

Number of claims and complaints

	2014		2015		2016		
	No.	%	No.	%	No.	%	% change 15/16
Registered with the CNMV's Claims Service	**2,393**	**–**	**1,400**	**–**	**1,205**	**–**	**-13.9**
Not accepted for processing	**592**	**–**	**547**	**–**	**400**	**–**	**-26.9**
Processed	**4,520**	**100**	**1,516**	**100.0**	**743**	**100.0**	**-51.0**
Without final reasoned report	**766**	**16.9**	**213**	**14.1**	**141**	**19.0**	**-33.8**
Acceptance or mutual agreement	260	5.8	139	9.2	110	14.8	-20.9
Complaint withdrawn	42	0.9	28	1.8	19	2.6	-32.1
Competence of other authorities	464	10.3	46	3	12	1.6	-73.9
With final reasoned report	**3,754**	**83.1**	**1,303**	**85.9**	**602**	**81.0**	**-53.8**
Report favourable to claimant	2,700	59.7	761	50.2	309	41.6	-59.4
Report unfavourable to claimant	1,054	23.3	542	35.8	293	39.4	-45.9
Being processed at the end of the year	**896**	**–**	**233**	**–**	**295**	**–**	**26.6**

Source: CNMV.

As shown in Table 12.2, the claims resulting in a reasoned report in 2016 relating to the information received by investors prior to contracting financial products accounted for 42.2% of the total and fell by 61.3% on 2015. In general, investors stated in these claims their objection to the fact that these products did not meet their investor profile and the lack or deficiency of the information provided about these products.

With regard to the type of product referred to in the prior information, claims relating to collective investment schemes (CIS) recorded sharp growth on the previous year (200%) and were the most numerous group (14.5% of claims processed with a reasoned report). The increase in this type of claim reflects, above all, the boom in the marketing of these products over recent years (see Chapter 6). Claims relating to convertible products also recorded significant growth (63.6%) and increased their share of the total to 12%.

In contrast, claims for deficiencies in the prior information in the case of preferred shares and subordinated debt fell by 87.6%, and by 91.9% in the case of financial swaps. In addition, the relative proportion of these claims in the total number of claims processed with a reasoned report fell from 14.2% in 2015 to 3.8% in 2016 for the former, and from 2.8% to 0.5% for the latter.

Resolved claims relating to prior information on other products fell by 80.9% on the previous year and accounted for 11.5% of the total. The bulk of this group is made up of claims relating to shares (25) and to structured products acquired through international issues or atypical financial contracts (31).

Reasons for the processed claims and complaints resulting in the issue of a final reasoned report

TABLE 12.2

Number of claims and complaints

	2014		2015		2016		
	No.	%	No.	%	No.	%	% change 15/16
Prior information on the product and/or matching of the product to the client	**3,262**	**86.9**	**657**	**50.4**	**254**	**42.2**	**-61.3**
Spanish preferred shares and subordinated debt	2,550	67.9	185	14.2	23	3.8	-87.6
Convertible products	226	6	44	3.4	72	12.0	63.6
Financial swaps	31	0.8	37	2.8	3	0.5	-91.9
CIS	17	0.5	29	2.2	87	14.5	200.0
Other	438	11.7	362	27.8	69	11.5	-80.9
Incidents in order execution	**117**	**3.1**	**241**	**18.5**	**147**	**24.4**	**-39.0**
Securities[1]	64	1.7	184	14.1	86	14.3	-53.3
CIS	53	1.4	57	4.4	61	10.1	7.0
Commissions	**148**	**3.9**	**187**	**14.4**	**60**	**10.0**	**-67.9**
Securities[2]	112	3	139	10.7	52	8.6	-62.6
IIC[3]	36	1	48	3.7	8	1.3	-83.3
Information subsequent to purchase	**70**	**1.9**	**71**	**5.4**	**45**	**7.5**	**-36.6**
Securities	43	1.1	63	4.8	33	5.5	-47.6
CIS	27	0.7	8	0.6	12	2.0	50.0
Other reasons	**157**	**4.2**	**147**	**11.3**	**96**	**15.9**	**-34.7**
Total processed with final reasoned report	**3,754**	**100.0**	**1,303**	**100.0**	**602**	**100.0**	**-53.8**

Source: CNMV. (1) Does not include incidents in the execution of sales orders for Spanish preferred shares and subordinated debt contained in some claims classified under the heading "Spanish preferred shares and subordinated debt". (2) Commissions for administration and custody, transactions, transfers and other securities commissions. (3) Commissions for subscription, redemption, transfer and other commissions relating to CIS.

Claims resulting in a final reasoned report relating to the execution of securities purchase, sale or transfer orders fell by 53.3% on the previous year, although their percentage of total claims resulting in a reasoned report remained the same. Claims relating to share purchase or sale orders accounted for the most significant part under this heading (45 claims), followed by claims relating to share transfer orders (17) and orders relating to pre-emptive subscription rights (10).

Claims relating to the execution of subscription, redemption and transfer of CIS rose slightly, specifically by 7%, and accounted for 10.1% of claims resulting in a reasoned report in 2016, compared with 4.4% in 2015.

Resolved claims relating to the commissions applied by intermediaries fell by 67.9% on 2015 and their proportion of total claims resulting in a final reason report also fell (10% in 2016). The fall was recorded in both commissions for securities transactions (execution of stock market transactions, administration and deposit, transfer, change of ownership, etc.) and commissions for CIS operations (subscription, redemption, transfer, etc.).

The number of claims resulting in a reasoned report relating to information subsequent to purchasing the product fell by 36.6%. This information aims to enable clients to accurately monitor their positions in investment products, as well as the options or rights resulting therefrom, with investors often claiming that they have not received the notifications or that they have received them past the deadline or only a short time before having to place the corresponding instructions.

Finally, the resolution of claims for other reasons fell by 34.7%. This section includes a wide variety of incidents, including those relating to ownership of the contracts, handling probate, contracts for deposits and administration of securities, settlement and early cancellation of atypical financial contracts and portfolio management.

Monitoring of rectifications by entities

The reasoned report which the CNMV issues is not binding. However, if the report is favourable to the claimant, the CNMV requires that entities notify whether or not they accept the CNMV's criteria and, as the case may be, that they provide documentation demonstrating that the situation referred to by the claimant has been rectified. These notifications must be made within a period of one month following receipt of the report by the parties. If the entity fails to submit the notification, it will be deemed not to have accepted the criteria contained in the report.

Of the 309 claims closed in 2016 with a report favourable to the claimant, in 43% of the cases the entities notified that they accepted the criteria and rectified the situation referred to in the claim. This percentage therefore continues to rise as it stood at 30% in 2015 and 6% in 2014.

In 29.1% of the claims closed in 2016 with a report favourable to the claimant, the entities reported their disagreement with the report or informed about issues from which it cannot be deduced that they accepted the criteria or rectified the situation.

Especially significant claims

Unlike in previous years, the claims and complaints relating to the information which entities collect from clients prior to purchasing investment products in order to assess whether the product matches their investor profile or the information which they provided to clients about the investment product accounted for less than half of the total number of claims resolved in 2016.

There has also been a change in the type of financial products referred to in these claims. Claims relating to convertible bonds, linked to the issue of these types of instruments offered as a voluntary swap to the holders of a prior issue from the same entity, rose in 2016.

New criteria have been set with regard to the events and transactions which, affecting a financial instrument, must be reported to investors by the depositories of those instruments. These new criteria therefore affect claims relating to the information that must be provided to investors subsequent to contracting a financial instrument.

It has therefore been considered that depositories of financial instruments must not only notify their clients about transactions, prior to the time they are effectively carried out, in which the investor has the power to take a decision, such as capital increases or shareholder remuneration programmes through bonus issues. It is also considered good practice for the depositary to inform its clients of other types of corporate operations, such as a reverse splits, before they are carried out.

It is also good practice, in the event of capital increases, for the entity to inform clients about such increases before the opening of the session on the first day of trading of the pre-emptive rights. At any event, the notification must be made with sufficient time for shareholders to make orders on their rights, should they decide to do so, at the start of said session. In this regard, it is considered sufficient, in the case of electronic notifications, for the information to be sent at any time prior to the first day of trading and up to the opening time of the session. Postal notifications should be made with the time considered sufficient for the investor to also receive such notifications prior to the opening of the session on the first day of trading.

12.2 Enquiries

The CNMV's Claims Service responds to enquiries from investors on matters of general interest relating to the rights of users of financial services and the legal routes for exercising such rights. These requests for advice and information are provided for in Article 2.3 of Order ECC/2502/2012, of 16 November, which regulates the procedure for filing claims with the claims services of the Bank of Spain, the CNMV and the Directorate-General of Insurance and Pension Funds.

In addition to the enquiries provided for in the aforementioned Order ECC/2502/2012, the CNMV helps investors search for information contained in the official public registries of the CNMV and in other public documents which it publishes. The CNMV also deals with various enquiries and doubts relating to securities markets that investors may have.

There are three channels available for submitting enquiries: by telephone, by post or through the virtual office (available at the CNMV's website: http://www.cnmv.es/portal/home.aspx), where there is a section for submitting claims, complaints and enquiries and where identification is required by means of an electronic certificate or identity card or through a username and password, which can be used for future enquiries or claims with the CNMV.

The CNMV dealt with 8,028 enquiries in 2016, a fall of 9.5% on 2015, which is more moderate than the fall recorded in the previous year. The slowdown in the reduction in the number of enquiries basically reflects the upward effect of the insolvency situation of Banco de Madrid, S.A. in 2015.

The fall affected the three channels for enquiries, although the drop was sharper in relative terms in those received through the virtual office. As shown in Table 12.3, most of the enquiries were made by telephone (81.2%) and were dealt with by call centre operators. These enquiries were limited to providing information contained in the CNMV's official registries and website. The second most used method was the virtual office (14.7%) followed by ordinary post or through a general registry (4.1%).

The average period of response times, apart from enquiries received by telephone and dealt with the same day, stood at ten calendar days in 2016.

Enquiries dealt with by the CNMV by method of receipt

TABLE 12.3

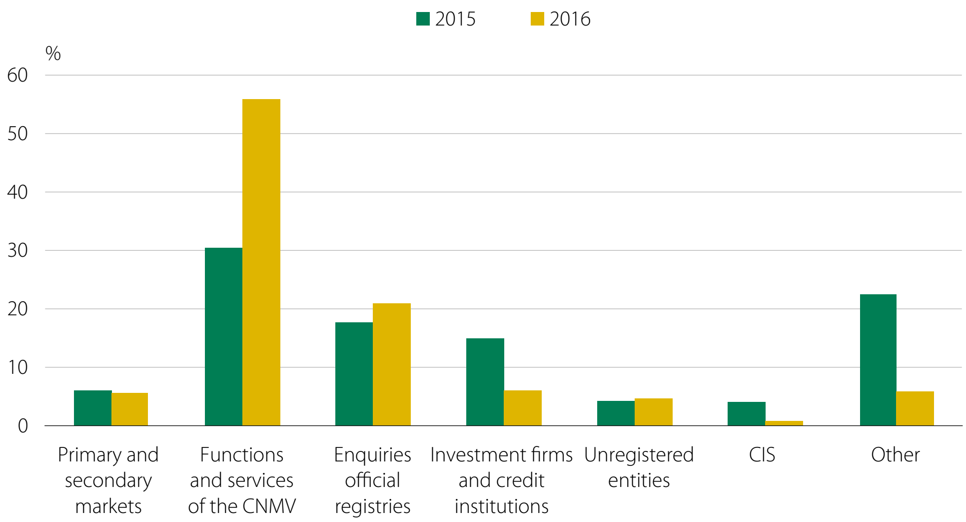
	2014		2015		2016		% change
	No.	% / total	No.	% / total	No.	% / total	16/15
Telephone	5,307	73.5	6,974	78.7	6,514	81.1	-6.6
Postal mail	397	5.5	512	5.8	331	4.1	-35.4
Form/Virtual Office	1,517	21.0	1,380	15.6	1,183	14.7	-14.3
Total	**7,221**	**100.0**	**8,866**	**100.0**	**8,028**	**100.0**	**-9.5**

Source: CNMV.

As in previous years, enquiries in 2016 were related to investors requesting information about data available on the CNMV's official registries: information on registered entities, fees for investment services, significant events, short positions, significant shareholdings, CNMV notifications, statistics and publications, among other content that is freely available to the public. However, as shown in Figure 12.1, the most numerous enquiries were those relating to the CNMV's functions and services, in particular those relating to the status of claim and complaint proceedings. The call centre has also provided interested parties with telephone numbers and contact details of other bodies when the issues raised in the enquiry do not fall under the responsibility of the CNMV (these enquiries were catalogued under the heading of "Other" in Figure 12.1).

Enquiries by topic

FIGURE 12.1



Source: CNMV.

As a result of their interest, the following enquiries dealt with in 2016 can be highlighted:

– Enquiries relating to the decision of Bankia, S.A. to return the investments made by minority shareholders in its stock exchange flotation.

– In accordance with the significant event that the bank reported to the CNMV on 17 February 2016, the CNMV informed the group of investors that will be beneficiaries of the process initiated by Bankia, S.A., which excluded those investors who purchased their shares subsequent to the stock exchange flotation and, therefore, on the secondary market.

– Enquiries relating to binary options, CFDs and other speculative products aimed at small investors, a large percentage of which are advertised through online platforms.

  In these cases, investors were informed that these are non-standardised, high-risk, complex and speculative products that require continuous monitoring.[1]

– As in 2015, the CNMV dealt with doubts and incidents relating to Cypriot investment firms registered in the official CNMV registries under the free provision of services (i.e., without a permanent establishment in Spain).

  In accordance with the notification published on the CNMV's website on 28 July 2016, the interested parties were informed that, as from the middle of 2015, the European Securities and Markets Authority (ESMA) has been coordinating a group of national regulators whose work has focused on issues relating to several investment firms based in Cyprus that market contracts for differences (CFDs) and binary options throughout the European Union under the free provision of services regime provided for by European legislation, i.e., without a physical establishment in the host Member State.

  The CNMV also informed that the Cyprus Securities and Exchange Commission (CySEC) had imposed fines in some cases and reached agreements in others that affected a total of eight investment firms,[2] for an amount of 2.07 billion euros, and that it had suspended the license of Pegase Capital, Ltd.

– Enquiries relating to the modification of the calculation of commissions for securities transfers.

  Following entry into force of CNMV Circular 3/2016, of 20 April, amending Circular 7/2011, of 12 December, on the fee prospectus and content of standard contracts, the applicable legislation provides, with regard to transfer commissions, that entities must set out in the fee prospectuses a transfer fee for national or foreign securities, expressed as a percentage of the amount of the transferred securities, with the obligation to establish a maximum amount but without the possibility of establishing a minimum amount.

  At any event, the interested parties were informed that the figures set out in the fee prospectus of each entity are the maximum fees that they may charge their clients and that in no way limits the possibility that the entity may agree with its clients commissions that are more favourable for the latter.

  In turn, it was stated that the transfer commission may never serve as a penalty or deterrent and it may only be used to remunerate, in a proportionate manner, the service provided by the investment firm.

1 For further details, you can consult the notification issued by the CNMV through its website on 21 March 2017 (http://www.cnmv.es/portal/ALDIA/Informacion-Sector.aspx?ejercicio=2017). The CNMV had previously issued two warnings on the risks and high probability that clients would suffer losses when they invest in CFDs, the first in October 2014 and the second in July 2016, the latter as a result of the ESMA warning on the sale of contracts for differences, binary options and other speculative products.

2 Depaho Ltd., Reliantco Investments Ltd., IronFx Global Ltd., WGM Services Ltd., Pegase Capital Ltd., Rodeler Ltd., Banc de Binary Ltd. and Ouroboros Derivatives Trading Ltd.

– Enquiries relating to takeover bids authorised by the CNMV over the course of 2016. Specifically, relating to the takeover bids launched for Realia Business, S.A.; Fomento de Construcciones y Contratas, S.A.; Inverfiatc, S.A.; Fersa Energías Renovables, S.A.; and Cementos Portland Valderrivas, S.A.

  Of these takeover bids, those that generated the largest number of enquiries and complaints were those relating to the mandatory takeover bid for shares of Fomento de Construcciones y Contratas, S.A., made by Control Empresarial de Capitales, S.A. de C.V., as well as a takeover bid for shares of Cementos Portland Valderrivas, S.A., made by Fomento de Construcciones y Contratas, S.A., with the aim of delisting the shares of Cementos Portland Valderrivas, S.A. The bulk of the communications complained about the price of the takeover bid proposed by the bidder.

– Enquiries regarding administration and custody commissions relating to suspended and delisted securities.

  This is a recurring type of enquiry. Particularly significant were those relating to the following delisted companies: La Seda de Barcelona, S.A. (in liquidation); Fergo Aisa, S.A. (in liquidation); Martinsa Fadesa, S.A. (in liquidation); Indo Internacional, S.A. (in liquidation); and Nissan Motor Ibérica, S.A.

  With regard to these enquiries, the CNMV passed on the importance of obtaining prior information about the commissions and expenses established by depositories in their fee prospectuses for managing said procedure.

– Professional enquiries.

  Particularly noteworthy were the enquiries received on the requirements for establishing crowdfunding platforms following approval of Law 5/2015, of 27 April, on promoting business financing, and those framed within the FinTech sector, which, since the end of 2016, have been processed by a specialist group set up for this purpose.

12.3 Warnings about unregistered firms

Through its website, the CNMV issues warnings to investors about firms that are not authorised to provide the investment services provided for by law that have been detected by it or by other supervisors.

The following warnings were issued in 2016 (see Statistical Annex III.5):

– 35 warnings (38 in the previous year) on natural and legal persons and websites were issued under Article 17 of the recast text of the Securities Market Act, which entrusts the CNMV with protecting investors by disseminating any information necessary to that end, and under Article 144 of the Securities Market Act, which establishes that the CNMV is the competent body to issue requirements to all persons or entities which, without having obtained the mandatory authorisation and without being registered in the corresponding administrative registries, perform, on a professional basis, the activities reserved for investment firms or which use the names that are also reserved for said firms, in order that they should immediately cease using said names or offering or performing those activities, with the CNMV able to issue public warnings with respect to said conduct.

– 424 warnings (212 in the previous year) were received mainly from supervisors in Member States of the European Union in connection with unauthorised firms, and 17 others were included under the heading "Other warnings", with alerts relating to improper conduct or actions.

The increase in these warnings, compared with the previous year, was the result of the CNMV issuing an individualised notification for each one of the unauthorised firms included in the notifications that some supervisory bodies make on a joint basis covering several firms.

This change in how the CNMV disseminates the notifications received from other supervisory bodies has optimised background searches by entity, given that the joint notifications on unauthorised firms meant that it was not possible to individually locate firms through the CNMV's website.

Since 2010, the IOSCO website provides an alert service on unauthorised firms which includes alerts issued by members of this organisation.

Given that not all the warnings issued by IOSCO members are in turn reported to the CNMV, the CNMV recommends visiting the corresponding section on unauthorised entities on the IOSCO website[3] in order to obtain further information.

12.4 Investment Guarantee Fund (FOGAIN)

The Investment Guarantee Fund (FOGAIN) compensates customers who are unable to recover the money or securities entrusted to investment firms, except financial advisory firms, in the event of bankruptcy proceedings or a declaration of insolvency by the CNMV. The fund's coverage also extends to customers of discretionary portfolio management services of CIS management companies and management companies of closed-end entities. The maximum amount of the compensation following verification of the investor's net position stands at 100,000 euros.

As indicated, the customers of financial advisory firms are not covered by the fund. Neither are customers of foreign entities operating in Spain covered by FOGAIN unless these operate through a branch and they have decided to join up to FOGAIN. There are currently no entities in this situation. Foreign entities are therefore attached to the guarantee funds of their home State, whose coverage may not be the same as that offered in Spain.

At year-end 2016, FOGAIN had a total of 142 member entities, six up on the previous year. Table 12.4 shows the breakdown by type of entity.

Following the security and liquidity criteria set out in its regulations, in 2016 the fund continued to invest its assets in public debt with different maturities. It also invested part of its assets in bank deposits.

3 http://www.iosco.org/investor_protection/?subsection=investor_alerts_portal.

Trend in number of member entities TABLE 12.4

Type of firm	2013	2014	2015	2016
Broker-dealers/dealers	82	77	77	81
Portfolio management companies	5	5	3	2
CIS management companies	46	48	56	58
Closed-end collective investment entity management companies	–	–	–	1
Total	**133**	**130**	**136**	**142**

Source: CNMV.

The fund's assets totalled 80.2 million euros at year-end, an increase of 23.4% on 2015. The significant rise was the result of the contributions of the member entities and the return on investments, as well as the amounts recovered by FOGAIN over the year. The fund recovered 9.5 million euros in the bankruptcy proceedings of Interdín Bolsa, SV, S.A., which amounts to approximately 49.2% of the total amount paid by FOGAIN to the customers of said entity. The operator of FOGAIN continued focusing its activity on the payment of compensation to investors in entities covered by the Fund, as well as recovery of the amounts paid out.

– Payment of compensation stood at a very low level in 2016 as most of the customers of the covered entities had already received compensation in previous years. It should be remembered that since the fund was set up in 2001, apart from the claims which arose prior to that date and which were covered in application of the retroactive nature of the legislation, FOGAIN has only had to intervene in two cases, as a result of the initiation of the bankruptcy proceedings of Sebroker Agencia de Valores, S.A. in 2010 and of Interdín Bolsa, SV, S.A. in 2015.

– With regard to managing the recovery of the amounts paid out, FOGAIN remains party to several open legal proceedings relating to the claims which it has covered. It has managed to recover 900,000 euros as a result of the procedure initiated against Gescartera Dinero, AV, S.A., which are added to the over 6 million recovered in previous years and, as mentioned above, the 9.4 million euros recovered with regard to the bankruptcy proceedings of Interdín Bolsa, SV, S.A., in which it appears as creditor for the amounts paid to customers of that entity, which amounted to 19.3 million euros.

Finally, FOGAIN continues informing investors of its coverage, the entities that are covered and the procedures to request compensation, as the case may be. This service of providing information to investors, which is one of the functions legally assigned to the fund, is carried out by telephone and through its website (www.fogain.com).

12.5 Investor education

12.5.1 Financial Education Plan

In 2016, the CNMV continued paying particular attention to promoting financial education in Spain. Society is increasingly recognising that this is a necessary goal, which is shown by the growing number of public entities, financial institutions and non-profit organisations that actively participate in this strategy with the ultimate aim of improving the financial literacy of the general public.

The CNMV continued working, together with the Bank of Spain, on developing the financial education plan. A large part of the actions carried out in 2016 in this area were aimed at extending the scope and effectiveness of the activities performed in the framework of this plan. To this end, the CNMV has reflected on an analysis of the first eight years of the plan and on the design of initiatives to be developed over the next five years. In particular, the CNMV has worked on preparing a sustained strategy aimed at promoting investors' awareness of the resources offered by the Financial Education Plan.

Promoting financial education in schools continued to take up a substantial part of the effort made within the framework of the plan. Specifically, in 2016, visits were made to all the different regional departments of education and of the economy with the aim of disseminating the Financial Education Programme among the schools in their respective regions. Similarly, the fifth edition of the aforementioned programme took place over the 2015/2016 academic year. As a new aspect compared with previous years, the plan has included the translation of teaching materials to the co-official languages of Spain and to English. Approximately 400 schools were registered in the programme with the participation of over 41,000 students.

Another initiative framed within the context of the Financial Education Plan performed in 2016 was the holding of Financial Education Day on 3 October, which was held for the first time in 2015. On this day, and on previous and subsequent days, numerous financial education activities (seminars, publications, workshops for young people, debates, games, etc.) were performed in which the participants of the plan actively participated. In addition, a specific website (http://www.diadelaeducacionfinanciera.es/) was designed to promote this day together with a promotional video. The central event of the day was organised in the offices of the CNMV and enjoyed the presence, together with the Chairwoman of the CNMV, of the Governor of the Bank of Spain and the State Secretary for the Economy.

In addition, the code of best practices for financial education initiatives prepared within the framework of the Financial Education Plan was published and applied for the first time in 2016. The aim of this plan is to prevent potential conflicts of interest that might arise between the commercial activity of financial institutions and their financial education initiatives.

Similarly, in 2016 the first Survey of Financial Literacy was performed in the context of the Plan, the results of which will be published at the end of 2017. The survey, which aims to measure the financial literacy of the adult population in Spain, forms part of the National Statistics Plan and is supported by the National Institute of Statistics, which has prepared an extensive sample of randomly selected individuals that represent all Spanish territory and each one of the autonomous regions.

Finally, the CNMV has actively promoted dissemination of the Plan and financial education through the media. In particular, it has regularly participated in educational programmes on the radio, specifically on Radio 5 and Radio Aragón, and it has disseminated, through social networks, news of interest and papers on training issues, particularly related to Financial Education Day.

International forums on financial education

On an international basis, the CNMV has participated in the technical meetings of the International Network of Financial Education of the OECD, the main financial education forum worldwide and it has actively participated in the work conducted through the network. It has also participated at the international forums and seminars on behavioural finance organised by the Brazilian securities market commission.

The CNMV has also actively participated in the initiatives developed by the IOSCO Committee on Retail Investors (C8) aimed at improving investors' financial literacy. The work of this committee in 2016 focused on three particularly important aspects relating to investor education and protection: senior investor vulnerability, the application of behavioural sciences to improving investor protection and the repercussions of new technologies on investor education.

12.5.2 Educational activities of the CNMV

In addition to the educational activities performed within the framework of the Financial Education Plan, the CNMV performs other activities specifically aimed at investors in financial products and services falling within its scope of authority.

Publications and resources for investors

The Investor Section of the CNMV's website offers news and information of interest for non-professional investors and warnings to the public. It is also possible to download and consult the publications aimed at investors (investor fact sheets and guides) online and also to subscribe to them directly. In addition, the users of investment services can make enquiries, claims and complaints through this section.

This section also informs about the CNMV's participation in sector fairs in which it offers personalised services and guidance with regard to all the questions that investors raise in relation to securities markets. With regard to these events, particularly noteworthy was the CNMV's participation in Forinvest, a fair aimed at investors held in Valencia in March 2016.

Conferences and seminars

As in previous years, the CNMV participated in numerous conferences and seminars in 2016. Among other activities, it gave educational talks on investor protection at universities (UNED and the University of Ciudad Real) and the BME Institute.

The CNMV also participated in the IOSCO/PIFS-HLS Global Certificate Program, where it presented its main actions in the scope of investor education, as well as the leading conclusions of the Sound Practices for Investment Risk Education report prepared by IOSCO Committee 8.

13 Disciplinary action

Shortening processing times of disciplinary proceedings remains a priority objective for the CNMV, which once again made an effort in this direction in 2016 with the average processing time remaining at eight months despite the complexity of many proceedings.

13.1 Disciplinary proceedings

13.1.1 Description of proceedings

In 2016, the CNMV Executive Committee initiated 18 new disciplinary proceedings, investigating a total of 28 possible breaches (see Tables 13.1 and 13.2). Disciplinary proceedings were opened in relation to six breaches of rules of conduct on client/investor relations, nine for market abuse (manipulation and use of insider information), one for a failure to report significant holdings, two for breaching rules on short selling, one for operating without authorisation and the rest for breaches of general regulations by investment firms and CIS.

Proceedings initiated and concluded TABLE 13.1

	2015	2016
Number of proceedings initiated	**23**	**18**
Number of proceedings concluded	**41**	**23**
Of which:		
Initiated in 2013	4	–
Initiated in 2014	31	–
Initiated in 2015	6	16
Initiated in 2016	–	7

Source: CNMV.

Over the year, the CNMV concluded 23 proceedings, which included a total of 36 breaches. 16 of the proceedings concluded were initiated in 2015 and seven in 2016. Table 13.2 shows the nature of the breaches addressed in the different disciplinary proceedings concluded in 2016 and Statistical Annex III.3 shows a summary of the decisions adopted by the CNMV. As shown in Table 13.3, 41 fines were imposed for a total of 10,058,000 euros, and one sanction of a six-month suspension of the status of market member imposed on one investment firm.

Breaches addressed in disciplinary proceedings

TABLE 13.2

	Initiated		Closed	
	2015	2016	2015	2016
Very serious breaches	**22**	**21**	**50**	**24**
I. Failure to disclose/incorrect disclosure of significant holdings or treasury stock transactions	11	1	15	9
II. Operating without authorisation	–	1	–	–
III. Breach of rules of conduct	3	6	26	5
IV. Breach of general investment firm regulations	2	6	1	5
V. Breach of general venture capital firm regulations	–	1	–	–
VI. Breach of general CIS regulations	1	–	1	–
VII. Failure of MTF governing companies to comply with supervisory duties	–	–	1	–
VIII. Breach of legislation on short selling	2	2	5	2
IX. Market manipulation	–	1	–	–
X. Insider information	3	3	1	3
Serious breaches	**15**	**7**	**27**	**12**
I. Corporate governance breaches	–	–	1	–
II. Market abuse breaches	2	1	6	1
III. Breach in customer service	2	–	–	2
IV. Breach of general investment firm regulations	–	–	2	–
V. Breach of general CIS regulations	3	2	5	2
VI. Breach of rules of conduct	–	–	1	–
VII. Breach of legislation on short selling	2	–	–	2
VIII. Insider information	1	1	–	–
IX. Market manipulation	5	3	12	5
Minor breaches	**–**	**–**	**2**	**–**

Source: CNMV.

Penalties imposed

TABLE 13.3

	2015			2016		
	Number	Amount[1]	Period[2]	Number	Amount[1]	Period[2]
Fine	90	20,069	–	41	10,058	–
Removal/general disqualification	–	–	–	–	–	–
Suspension of market member	–	–	–	1	–	6

Source: CNMV. (1) Thousand euros (2) Months.

13.1.2 Public register of penalties for serious and very serious breaches

The following penalties for serious and very serious breaches were incorporated into the public register of penalties in 2016:

– CNMV decision dated 26 January 2016 announcing the penalty for a very serious breach imposed on

– CNMV decision dated 2 February 2016, announcing the penalties for very serious breaches imposed on

– CNMV decision dated 8 March 2016 announcing the penalty for a serious breach imposed on

– CNMV decision dated 9 May 2016 announcing penalties for very serious breaches imposed on

– CNMV decision dated 17 May 2016 announcing the penalty for very serious breaches imposed on

– CNMV decision dated 17 May 2016 announcing the penalties for very serious breaches imposed on

– CNMV decision dated 17 May 2016 announcing the penalties for serious breaches imposed on

– CNMV decision dated 18 July 2016 announcing the penalty for a serious breach imposed on

– CNMV decision dated 22 July 2016 announcing the penalty for a very serious breach imposed on

– CNMV decision dated 16 September 2016 announcing the penalties for very serious breaches imposed on

– CNMV decision dated 16 September 2016 announcing the penalties for very serious breaches imposed on

– CNMV decision dated 16 September 2016 announcing the penalty for a serious breach imposed on

– CNMV decision dated 16 September 2016 announcing the penalty for a very serious breach imposed on

– CNMV decision dated 18 October 2016 announcing the penalties for serious breaches imposed on and on the members of its board of directors:

;

– CNMV decision dated 18 October 2016 announcing the penalties for serious breaches imposed on

– CNMV decision dated 18 October 2016 announcing the penalty for a very serious breach imposed on

– CNMV decision dated 18 October 2016 announcing the penalty for a serious breach imposed on

– CNMV decision dated 18 October 2016 announcing the penalty for a serious breach imposed on

– CNMV decision dated 27 October 2016 announcing the penalty for a very serious breach imposed on

– CNMV decision dated 27 October 2016 announcing the penalty for a serious breach imposed on .

– CNMV decision dated 27 October 2016 announcing the penalties for serious breaches imposed on

– CNMV decision dated 27 October 2016 announcing the penalty for a very serious breach imposed on

– CNMV decision dated 27 October 2016 announcing the penalty for a very serious breach imposed on

– CNMV decision dated 24 November 2016 announcing the penalty for a serious breach imposed on

– CNMV decision dated 24 November 2016 announcing the penalties for very serious breaches imposed on

13.2 Litigation department: Judicial review of disciplinary proceedings and other actions

In 2016, a total of 17 administrative appeals were brought against the disciplinary decisions with the Ministry of Economic Affairs and Competition (14 to a higher court, and three motions to set aside the decision), with three appeals to a higher court and one motion to set aside the decision rejected as at year-end 2016. In addition, the Ministry rejected 11 appeals to a higher court and nine motions to set aside the decision lodged in 2015 (see Table 13.4). Furthermore, the CNMV declared inadmissible one of the two motions to set aside the decision lodged in 2016 against two decisions to take no further action on a complaint.

A total of 27 appeals were filed with the administrative courts in 2016, 20 of them against disciplinary decisions, one against the decision to take no further action on a complaint and one against the decision taken in the proceedings for payment of damages for a breach of an administrative contact. The other five appeals were brought against the rejection of a claim of liability, although in two of them the appellants withdrew from the process in the same year.

In addition, the courts handed down 25 judgements, 20 of which related to disciplinary proceedings. Of the 16 judgements handed down by the Central Administrative Courts and the National High Court which referred to disciplinary proceedings, 15 fully upheld the contested decisions, while one overturned the penalties imposed. For its part, the Supreme Court decided on four appeals, all in favour of the CNMV. Specifically, three judgements ratified the contested disciplinary decisions and one upheld the judgement of the National High Court that declared inadmissible an administrative appeal through the special procedure of protection of fundamental rights lodged against a decision to initiate disciplinary proceedings (see Table 13.4 and Statistical Annex III.4).

With regard to the five legal proceedings relating to other decisions, all the judgements were favourable to the CNMV with the exception of one handed down by the Supreme Court in one appeal which led to the annulment of a decision to take no further action on a complaint. Noteworthy among the other judgements was the dismissal of an appeal brought against a decision to dismiss a claim of liability, and the decision by the Supreme Court to declare inadmissible one appeal which led to the ratification of the decision revoking the authorisation of a broker-dealer.

Finally, it is important to point out the situation of the appeals to the courts against administrative decisions lodged in 2014 and 2015 against the dismissal of two liability claims brought by numerous claimants against the CNMV for its actions with regard to an investment firm and against the Ministry of Economic Affairs and Competition and the CNMV for the IPO of a financial institution, respectively, which in 2015 and 2016 led to a large number of proceedings (216 and 72, respectively) as a consequence of the National High Court ordering that the appellants should act individually. As at 31 December 2016, almost all of the procedures handled by the National High Court have been closed as a result of the withdrawal of the appellants or because they have elapsed. For their part, most of the procedures which, as a result of the amount involved, are heard by the Central Administrative Courts and have not yet been closed are currently suspended.

Furthermore, in compliance with the general principle to provide collaboration to legal authorities, CNMV experts provided support to judges and courts of all types in the exercise of their functions. The number of requests for collaboration fell from 283 in 2015 to 186 in 2016. Although there was noteworthy collaboration with criminal courts, mainly relating to fraud or embezzlement, most of the requests (a total of 112) were from the civil courts. These requests basically related to information on the issuing and marketing of financial instruments; asset securitisation; disciplinary proceedings ruled on in the framework of the proceedings handled by the CNMV; identification of securities and ownership of people or entities (knowledge of which corresponds to the depositories of said securities); information on entities that have operated without due authorisation; and, in general, the attainment of evidence in proceedings of various types brought before the different courts, with requests for data or documentation.

Cases in which the CNMV participated in 2016

TABLE 13.4

	Presented	Decided
Administrative appeals	**19**	**25**
Appeals to a higher court	14	14
Motions to set aside the decision	5	10
Appeals to the courts against administrative decisions	**27**	**25**
		Requests received for assistance
Assistance to courts		**186**

Source: CNMV.

13.3 Claims

In 2016, a total of eight claims were presented to the CNMV, one fewer than in the previous year, against the conduct in securities markets of banks, management companies of securitisation funds, one listed company and other entities.

The claims essentially focused on alleged breaches of reporting obligations imposed on management companies of securitisation funds; irregularities in compliance with conduct of business rules in the marketing of financial instruments, particularly in relation to appropriateness tests of clients; alleged manipulation of share prices with regard to information; and, lastly, the possible performance of crowdfunding without authorisation.

As is mandatory, all the claims led to the appropriate investigations by the CNMV, the scope and content of which are confidential. As shown in Table 13.5, five of the eight claims presented during the year had been processed by year-end.

Claims made in 2016

TABLE 13.5

Type of entity claim brought against	**No. of claims**
Banks and savings banks	2
Securities issuers/listed companies	1
Management companies/securitisation funds	3
Other	2
Total	**8**
Content of claims	**No. of claims**
Rules of conduct	2
Market abuse	1
Information obligations	3
Accounting obligations	1
Other	1
Total	**8**
Situation of claims at 31-12-2016	**No. of claims**
In process	3
Closed	5
Total	**8**

Source: CNMV.

14 International activities

The CNMV's international activity once again played a key role in 2016. Almost 100 CNMV employees have participated in over 350 international meetings, without including training activities. This chapter focuses, firstly, on the initiatives adopted by the European Securities and Markets Authority (ESMA) and the International Organisation of Securities Commissions (IOSCO) during the year, which involved the active participation of the CNMV, and secondly, on the CNMV's work in the European Systemic Risk Board (ESRB) and the Financial Stability Board (FSB) in compliance with its mission to contribute towards maintaining financial stability.

14.1 European Securities and Markets Authority (ESMA)

The activity of the European Securities and Markets Authority is conducted in four areas: i) drawing up the single rulebook; ii) assessing risks to investors, markets and financial stability; iii) promoting supervisory convergence; and iv) directly supervising specific financial entities.

This activity is set out in a work programme focused on three aspects: supervisory convergence, regulation and supervision, all of which falls within the framework of the Strategic Orientation 2016-2020.

Given that most of the implementing regulations required by the legislative reform resulting from the last financial crisis were completed in 2016, ESMA has been able to allocate more resources to supervisory convergence with the aim of strengthening consistent and effective application of the legislation. One of the issues in which this drive towards supervisory convergence has materialised has been the process of implementing Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments – known as MiFID II –, as well as of Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments – known as MiFIR – which are to enter into force at the start of 2018.

Another priority during the year was to gather and manage data resulting both from the reporting obligations imposed by MiFID II/MiFIR and those from the supervision of credit rating agencies and from investor protection obligations, within the framework proposed by the information technologies work programme for 2015-2017. Specifically, ESMA has focused on the development of two projects: i) the Financial Instruments Reference Data System (FIRDS), pursuant to which ESMA will collect, store and process instrument reference data from trading venues, with the aim of executing the transparency calculations requested under MiFID II and centralising information on suspensions from trading; and ii) Access to Trade Repositories (TRACE), which will provide ESMA with a single access point to obtain information on trade repositories relating to derivative contracts, which is necessary for competent national authorities to exercise the supervisory functions required under Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories – known as EMIR.

With regard to the CNMV's participation in ESMA, in addition to regularly attending the meetings of its Board of Supervisors, it is important to highlight the appointment of the CNMV Chairperson as a member of the Executive Committee and the presence of its experts in the standing committees and working groups, as well as in a sub-committee of the Joint Committee, which is made up of representatives from the three European supervisory authorities.

The main activities performed by this authority over 2016 are described below.

Investor protection and intermediaries

The Investor Protection and Intermediaries Standing Committee worked over 2016 on drawing up the guidelines and questionnaires relating to the application of MiFID II in this area, particularly with regard to complex debt and structured deposit instruments, assessing knowledge and competence and on cross-selling practices.

Consultation documents have also been published relating to issues such as the target market assessment by entities that design and distribute investment products and the joint guidelines that ESMA and the European Banking Authority will issue on the assessment of the suitability of members of the management body and key function holders, in accordance with Directive 2013/36/EU and Directive 2014/65/EU.

In turn, a working group created especially for analysing aspects relating to supervising entities that offer contracts for differences and other speculative products to retail investors published a warning on investment in contracts for differences, binary options and other speculative products in July, as well as a set of questions and answers on certain key aspects in the sale of these products to retail investors, such as the passport of the entities that market them.

Other documents of strategic importance issued by this standing committee were ESMA's response to the European Commission paper on retail financial services and the ESMA statement on practices for firms selling financial instruments subject to the resolution regime of Directive 2014/59/EU on bank recovery and resolution.

Secondary markets and market integrity

The Secondary Markets Standing Committee allocated a significant part of its resources to drawing up the outstanding technical standards and guidelines relating to market aspects of MiFID II/MiFIR.

Technical standards were issued on indirect clearing arrangements for OTC and exchange-traded derivatives and on reporting obligations under Article 26 of MiFIR with regard to situations that are not considered transactions.

In addition, the committee began the procedure for other technical standards that establish aspects such as the scope of consolidated data reporting providers of non-equity financial instruments, the classes of derivatives that must be traded on trading venues and package orders for which there is a liquid market.

Two consultation documents were also published relating to the management bodies of market operators and data reporting services providers and on the calibration, publication and reporting of trading halts.

In addition, it prepared a protocol containing the cooperation agreements between ESMA and the competent national authorities with regard to the MiFID databases, which are used for performing the transparency calculations required by Articles 33 and 34 of the Regulation implementing MiFID with regard to shares admitted to trading on a regulated market.

The Market Integrity Standing Committee focused on the implementation of Regulation (EU) No. 2016/1011 of the European Parliament and of the Council, of 8 June 2016, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (BMR) and Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse (MAR).

Specifically, the Benchmarks Task Force prepared the draft technical standards and provided technical advice to the European Commission, as established in the aforementioned BMR. As a result of its work on this matter, it published, firstly, a methodological framework with model written arrangements that the administrators of benchmarks must use for establishing the colleges of supervisors for critical benchmarks and, secondly, a final report on technical advice clarifying, among other issues, some of the criteria for deciding when an index from a third country may be accepted for use in the European Union and what constitutes making an index available to the public.

In the field of market abuse, ESMA published the final report on draft implementing technical standards on forms and procedures for cooperation between competent authorities and ESMA with regard to sanctions, measures and investigations performed, and work was carried out on drawing up the draft regulatory technical standards on cooperation arrangements between competent authorities of Member States and third countries under Article 26 of the MAR.

Finally, the standing committee worked to facilitate coordinated and consistent action with regard to issues of market abuse in progress which may arise in short selling and it approved an opinion on liquidity agreements as an accepted market practice, notified by, among others, the CNMV.

Corporate finance and financial and corporate governance information

The Corporate Finance Standing Committee decided, following publication in June of the final peer review report on the efficiency and effectiveness of the prospectus approval process by competent national authorities, that its conclusions should be taken into account in the planning of ESMA's supervisory convergence work and in the process of negotiating the new prospectus regulation. It therefore started to promote greater convergence with regard to base prospectuses, incorporation by reference, risk factors, information requirements for prospectuses and omissions of information.

The Corporate Reporting Standing Committee drew up draft technical standards relating to the European Single Electronic Reporting Format, whose aim is for annual financial statements to be filed using a single electronic format in the European Union as from 1 January 2020.

Post-trading

In 2016, the Post-Trading Standing Committee focused, among other issues, on implementing legislation for Regulation (EU) No. 2015/2365 of the European Parliament and of the Council, of 25 November 2015, on the transparency of securities financing transactions and of reuse (SFTR) and for Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (EMIR).

With regard to SFTR, it submitted to public consultation the draft regulating and implementing technical standards required by the aforementioned Regulation. It also published a consultation on the fees that must be paid to trade repositories under SFTR, which also contains a proposal for amending certain provisions on fees in the EMIR.

In the area of the EMIR, it published a final report on regulatory technical standards on indirect clearing arrangements for derivatives. It subsequently published another report in which it proposed deferring application of the centralised clearing obligation to financial counterparties with a limited volume of activity for two years, with the subsequent proposal for amendment of the three regulations on the clearing obligations. ESMA justified the delay by citing the difficulties faced by these counterparties in accessing central counterparties, and due to the fact that their aggregate positions have a limited impact on any increase in systemic risk.

With regard to trade repositories, it is important to highlight the publication in April of the final report on draft technical standards on access to data and aggregation and comparison of data among trade repositories. In addition, in December it published the consultation of the draft technical standards on the information that trade repositories must publish under the same article as well as that of the guidelines on the transfer of data between trade repositories.

In addition, and with regard to application of the EMIR, ESMA published reports on: i) systemic risk and cost implications of interoperable arrangements between central clearing houses; ii) securities financing transactions and leverage in the European Union; iii) the results of the EU-wide CCP stress test; and iv) peer review under EMIR, which this year has focused on analysing how the competent national authorities ensure that central counterparties comply with margin and collateral requirements.

With regard to Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2013, on improving securities settlement in the European Union and on central securities depositories (CSDR), ESMA published the final report on the draft regulatory technical standards on settlement discipline and, subsequently, a consultation on guidelines applicable to default rules and procedures for CSD participants.

It is also important to mention the work performed on the equivalence regimes for central counterparties with regard to processing applications for recognition of US central counterparties that wish to operate in the European Union, which led to recognition in 2016 of Chicago Mercantile Exchange, Ice Clear Credit LLC, Ice Clear

US and Minneapolis Grain Exchange. In turn, the equivalence decision of the Commission has led to an amendment of the technical standard of Regulation No. 153/2013 on the margin period of risk, with the aim of reducing from two days to one day the period in which the exposure of the central counterparty remains open to the effects of the calculation of the initial margins, providing the derivative is registered in a gross omnibus account or individual segregated account.

Finally, it is also important to highlight the activity performed by the Market Data Standard Committee with the aim of promoting the quality of the market information notified by competent national authorities and trade repositories, as well as to ensure consistency between the different notification regimes. Thanks to its work and following an extended consultation process that began in December 2015, ESMA published its guidelines on transaction reporting, order record-keeping and clock synchronisation under MiFID II in October and the technical standards implementing said Directive.

Collective investment schemes

In 2016, the Investment Management Standing Committee worked on drawing up the regulatory technical standards for European long-term investment funds and at, the same time, providing technical advice to the European Parliament, to the Council and to the European Commission on passport applications by funds and alternative fund managers (AIFMD) of 12 countries that do not form part of the European Union, including Australia, Canada, Hong Kong, Japan, Switzerland, Singapore and the United States.

It also published its final report on the guidelines on sound remuneration policies under the UCITS Directive and an amendment to those published in 2013 on alternative investment fund managers. In this regard, ESMA sent a letter to the European Commission proposing a review of the applicable legislation to ensure consistent application of the remuneration requirements throughout the asset management sector.

In addition, ESMA published questions and answers relating to the application of Regulation (EU) No. 345/2013 of the European Parliament and of the Council, of 17 April 2013, on European venture capital funds (EuVECA); of Regulation (EU) No. 346/2013 of the European Parliament and of the Council, of 17 April 2013, on European social entrepreneurship funds (EuSEF); of the Directive on undertakings for collective investment in transferable securities, the last amendment of which was Directive 2014/94/EU (UCITS V); and the Directive on alternative investment fund managers. It also performed a public consultation on asset segregation.

Finally, other documents of interest published over the year were: i) an ESMA statement on supervisory work on potential closet index tracking and ii) an opinion on loan origination by investment funds.

Financial Innovation

The Financial Innovation Standing Committee, which aims to analyse financial innovation with the aim of providing a coordinated approach to the regulatory and supervisory treatment of this activity, conducts periodic surveys among ESMA members to gather data on the marketing of financial products to retail investors, financial innovation and complaints in different Member States.

With this aim, and with regard to the FinTech project initiatives driven both by other regulators and by the private sector, in December ESMA launched a survey aimed at competent national authorities in order to discover their proposals relating to the different types of innovation facilitators: hubs, regulatory sandboxes and accelerators.

The main areas of financial innovation on which this committee has worked on to date are crowdfunding and distributed ledger technology (DLT).

With regard to the former, ESMA has sent the European Commission information obtained from a survey performed among the different competent national authorities in 2015 with the aim of determining whether EU-wide legislation is required. In addition, a new survey was sent in the autumn to competent national authorities on investment-based crowdfunding platforms.

With regard to DLT, in June ESMA published a discussion paper analysing its potential benefits and risks, as well as the fit of the current European regulation in various scenarios of application of the technology. The final report, published at the start of 2017, states that DLT is still in the development stage and it is not possible to accurately predict its actual possibilities of application to security markets. Nevertheless, it considers that the first steps will take place in peripheral areas of the regulation and not in central activities, such as those subject to MiFID.

Finally, this committee participated in the preliminary organisational and preparatory work required for exercising the new early intervention powers for financial products and practices as from January 2018 by both competent national authorities and ESMA. Specifically, ESMA organised three training sessions aimed at the staff of competent national authorities, which were attended by the CNMV.

Supervisory convergence

The new Supervisory Convergence Standing Committee was started up in 2016 and chaired until October by Lourdes Centeno, up to that date Vice-chairwoman of the CNMV. Its activity has focused on three lines of work: i) annual work programmes on supervisory convergence, ii) convergence tools and iii) assessing the level of convergence of Member States in applying European legislation, referred to as peer reviews. With regard to this last activity, in 2016 ESMA completed two peer reviews: i) one relating to the application of suitability requirements when entities provide financial advice to retail clients, which concluded that although the practice of competent national authorities is acceptable, there is still room to adopt supervisory and sanction measures; and ii) another on the effectiveness of competent national authorities in approving prospectuses and documentation that issuers are required to prepare when they market securities to European investors, which made it clear that there are different practices among Member States and therefore room for greater harmonisation in prospectus approval.

Finally, ESMA continued working throughout 2016 on defining and applying the supervisory convergence tools for preparation, implementation or assessment, by developing a procedure for peer reviews on authorisation and supervision of central counterparties, which was published at the start of 2017.

Joint Committee of the European Supervisory Authorities

Finally, with regard to the Joint Committee made up of the three European supervisory authorities, particularly noteworthy due to its impact on securities markets was the activity being undertaken by the sub-committee that focuses on consumer protection and financial innovation, in which the CNMV participates.

A significant part of this activity has continued to focus on drafting the technical standards necessary for implementing the key investor information documents as from 1 January 2018 with regard to package retail and insurance-based investment products (PRIIPs).

Another issue on which the sub-committee worked over the year was automation in financial advice In December, it published a final report which it concluded that, taking into account the initial stage of development of this phenomenon, the three authorities had decided that no legislative or regulatory measure needed to be adopted for the moment, without prejudice to the current legislation being applicable depending on the sector, and that they will continue monitoring the activity, which may, where appropriate, lead to the new measures being adopted.

Finally, the sub-committee also published a discussion paper on the use of big data by financial institutions in December 2016.

Capital Markets Union EXHIBIT 14.1

Over 2016, the European Commission specified various measures relating to the Action Plan on Building a Capital Markets Union for 2019. The aim of this plan is to channel savings to investment as efficiently as possible and strengthen the European financial system by providing alternative sources of financing.

The Commission informed about the progress made by publishing a status report in April 2016, followed by a communication in which it indicated the measures that it would adopt to accelerate the reforms required by the Capital Markets Union.

In particular, in 2016 the European Commission adopted measures with regard to the six types of policies set out in the plan:

- Financing for innovation, start-ups and non-listed companies.
- Making it easier for companies to enter and raise capital on public markets.
- Investing for the long-term infrastructure and sustainable investment.
- Fostering retail and institutional investment.
- Leveraging banking capacity to support the wider economy.
- Facilitating cross-border investing.

Lastly, with regard to the strategy on supervisory convergence to improve the functioning of the single market, the European Commission works on a continuous basis with ESMA to assess ways to strengthen the effectiveness and efficiency of macro-prudential and micro-prudential supervision.

14.2 International Organization of Securities Commissions (IOSCO)

Since the start of the financial crisis, and as is to be expected given its fundamental role in the international adoption of recommendations and proposals for regulation and supervision of securities markets, IOSCO has cooperated closely with the G20 and the FSB in developing the work resulting from the international financial reform initiated in the years subsequent to the crisis. Its contribution, recognised by Mark Carney, Chair of the FSB, in the IOSCO Board meeting held in Madrid, has been and remains essential in critical work areas such as asset management, central counterparties and market conduct.

Activities associated with international financial reform

Particularly noteworthy in this section is the work performed by IOSCO, together with the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the FSB on three important areas: central counterparties, asset management and market conduct.

With regard to the first of these areas, in September 2015 the aforementioned organisations agreed a work plan to coordinate their respective strategies, which focuses on work aimed at strengthening the resistance of CCPs in crisis situations and drawing up recovery or resolution plans.

The priorities identified with regard to the resilience of CCPs included reviewing current strategies and practices in stress tests and developing a framework for said tests to be consistent, comparable and appropriate to their financial resources. This framework could also include supervisory stress tests. As a first step, in August 2016, the CPMI and IOSCO submitted a consultative report on the resilience and recovery of CCPs, offering detailed guidance on aspects such as governance, stress tests on credit and liquidity, adequacy of financial resources, margins and contributions of their financial resources to losses and recovery. The report proposes that CCPs should introduce the necessary changes by the end of 2017.

With regard to asset management, IOSCO, through its committee on collective investment, has actively participated in identifying four significant structural vulnerabilities associated with asset management: i) liquidity mismatches between CIS and redemption terms and conditions for open-ended CIS units and shares; ii) leverage within CIS; iii) operational risks and challenges in transferring investment mandates in stressed conditions; and iv) securities lending activities by CIS managers.

With regard to work in the area of market conduct, the FSB had already agreed a work plan in May 2015 on measures to reduce misconduct risks of participants in wholesale fixed income, foreign exchange and commodity derivatives markets. As part of this work plan and the international effort to reduce misconduct risk in wholesale markets, IOSCO set up a working group on this matter with the aim of raising the awareness of financial institutions and individuals with regard to the tools and approaches that IOSCO members use to regulate the conduct in wholesale markets and presenting examples of market conduct tools and approaches to help members of the organisation.

The final product will be a set of detailed regulatory tools in order to normalise conduct in the wholesale market by adding relevant tools used in practice by market supervisors.

Accounting, auditing and disclosure

In December, IOSCO published its position (FR12/2016) on three new international financial reporting standards (IFRS) approved by the International Accounting Standards Board (IASB): IFRS 15: Revenue from Contracts with Customers, IFRS 9: Financial Instruments and IFRS 16: Leases. The organisation has decided to inform of its view on the new IFRS given the link between said standards and the goals of ensuring fair, efficient and transparent markets and reducing systemic risk, as well as the Principle of securities regulation 16, which calls for full, accurate and timely disclosure of the financial results of entities and any other information that may be important for investors' decision-making.

In June, it published another statement on non-GAAP financial measures i.e., non-conventional numerical measures that do not match generally accepted accounting principles that issuers decide to use in the information that they submit to regulators or disclose to the public. Although these types of measures may be useful if they contribute towards a more complete and specific vision of the entities, there is a risk that they might provide distorted or confusing information about their financial situation. The document aims to offer useful guidelines to issuers in order to maximise the usefulness of these measures and prevent the risk of transmitting inaccurate or misleading information.

Finally, in May, the IOSCO board approved a *Survey Report on Audit Committee Oversight of Auditors* (FR04/2016), which sets out the regulations and practices in force with regard to the oversight performed by these committees on the auditors and on the audit processes of listed entities in 47 different jurisdictions.

Intermediaries

In December, IOSCO published the update to its report of July 2014 (FR04/2014) on automation of advice, an activity that is expected to continue in the future (according to the study included in the aforementioned report, this industry segment is expected to grow from 4 billion dollars in 2015 to 12 billion dollars by 2019). For the time being, the use of these tools is limited to specific advice and portfolio management, mainly covering investment funds and exchange traded funds, but it could evolve towards general financial planning activities, as is starting to be the case in certain jurisdictions. Some of the risks that the report highlights are the regulatory differences between jurisdictions on when a service of supplying generic information becomes an authentic advisory service, possible vulnerabilities to cyber-attacks and the allocation of liabilities when the IT tool has been developed by a third-party outside the scope of supervision. It concludes by highlighting the authorisation of regulatory sandboxes and the creation of specialised FinTech units, which, in the opinion of the report, may be of critical importance for properly defining the supervisory strategy with regard to automated advice.

Another report of interest in the field of intermediaries (FR14/2016) addresses retail OTC leveraged products and, specifically, rolling-spot Forex contracts, contracts for differences (CFDs) and binary options. These are all particularly complex products which, due to their nature, are closely studied by the members of IOSCO to the extent that certain jurisdictions ban the marketing of CFDs and binary options to retail investors. Based on the information provided by the regulators of 21 jurisdictions from all over the world, the report describes the features of these products, the firms that market them, the business strategies that they use, the applicable legislation in each case, investor complaints and supervisory concerns, challenges and responses.

Emerging risks. FinTech and cyber-security

In 2016, the IOSCO Committee on Emerging Risks led the preparation of a study on FinTech, which was published in February 2017 as the *IOSCO Research Report on Financial Technologies (Fintech)* (FR02/2017). The report examines the benefits and risks associated with information and communication technologies applied to finance in four different areas: alternative financing platforms, retail trading and investment platforms, institutional trading platforms and DLT (the technology behind bitcoin). The trends studied indicate the development of significant changes in the form of different phenomena of disintermediation and re-intermediation, which are taking place at a growing rate.

In addition, the IOSCO board and the CPMI, part of the Bank for International Settlements in Basel, approved in June 2016 a *Guide on cyber resilience for financial market infrastructures* (FR07/2016). The ability of infrastructures to withstand IT attacks and failures is decisive for ensuring the general resilience of the financial system and the economy as a whole. The document provides supplementary guidance to the CPMI-IOSCO Principles for Financial Market Infrastructures, recommending an extensive framework in order to respond to IT hazards through governance measures, identification and protection against such risks and detection, response and recovery in dealing with events. Particularly noteworthy among the specific contents of the guide is the commitment for market infrastructures that suffer a cyber incident to resume their activities in a period of only two hours.

In April, IOSCO published another document on the same subject but with a wider focus: the report on *Cyber Security in Securities Market – An International Perspective* (FR02/2016). Recognising that cyber risks are a significant threat for the integrity, efficiency and stability of global markets, IOSCO designated a special coordinator that led the work performed by several committees in the area of cyber-security, which provided a general descriptive overview of the different regulatory approaches followed by IOSCO members in this regard.

Financial benchmarks

In 2016, the CNMV published a *Report of Guidance on the IOSCO Principles of financial Benchmarks* (FR13/2016), approved in July 2013 as a set of standards applicable to administrators of the indices and submitters of the information used to prepare them (in the terminology of Regulation (EU) No. 2016/1011). Specifically, the guidance determines the criteria that administrators should take into account when conducting the self-assessment and publishing their level of compliance with the principles.

In addition, in February, IOSCO published the *Second Review of the Implementation of IOSCO's Principles for Financial Benchmarks by Administrators of EURIBOR, LIBOR* [United Kingdom] *and TIBOR* [Japan], following the first review published in July 2014.

Collective investment schemes

Within the area of collective investment, IOSCO published the report on *Good Practice for Fees and Expenses of Collective Investment Schemes* (FR09/2016), which identifies a total of 22 good practices and calls for dissemination of information so that investors can adopt fully-informed decisions before intervening directly in the level of the fees applied.

In addition, it also published a consultation report on *Good Practices for the Termination of Investment Funds* (CR04/2016), which is divided into five sections: i) disclosure of the possibility of termination at the time of investment, ii) decision to terminate, iii) decision to merge with other funds, iv) the termination process and v) specific types of funds.

Retail investors

This task force focused on three significant aspects in investor education and protection: i) senior investor vulnerability, ii) the application of behavioural sciences to improving investor protection and iii) repercussions of new technologies on investor education.

With regard to the first of these areas, work focused on recognising the vulnerabilities and risks of this group, how they should be addressed in the regulatory framework and the identification of recommendations, useful tools and practices to raise awareness in the industry.

With regard to the second area, IOSCO's main aim is to identify the practices that are currently being used in the different jurisdictions to develop and design effective financial education programmes.

Work on the repercussions of new technologies in the field of investor education is carried out with the aim of issuing a series of warnings of the risks that investors should focus on with regard to said technologies.

Cooperation and information sharing

IOSCO's most noteworthy achievement in this area was approval of the new Enhanced Multilateral Memorandum of Understanding (Enhanced MMoU or EMMoU) on cooperation and the exchange of information at its Annual Conference held in

Lima (Peru) in May 2016. The Enhanced MMoU also aims to improve the international standard of cooperation currently represented by the 2002 memorandum.

The EMMoU sets out five new types of assistance or information sharing in addition to those set out in the 2002 memorandum which IOSCO members have considered to be essential in order to continue guaranteeing market integrity and stability, protecting investors and preventing misconduct and fraud.

Specifically, IOSCO members that wish to sign up to the EMMoU must have the following five powers, known as ACFIT powers, in order to: obtain and share **Audit** work papers, communications and other related information; **Compel** physical attendance for testimony; **Freeze** assets if possible or, if not, advise and provide information on legal and other measures necessary to freeze assets, at the request of another signatory; and, lastly, obtain and share existing **Internet** and **Telephone** records (not including the content of communications) with other signatories that are held by communications companies. In other words, not the content, but only the metadata or external data of the telephone calls and Internet connections (identity of the lines, date, time and duration of the connection, details on payment of the line, etc.).

14.3 Financial Stability Board

In 2016, the Financial Stability Board (FSB) continued developing and applying G20 recommendations in the financial sector. The areas it focused on with regard to securities market were as follows: i) transforming shadow banking into resilient market-based finance as an initiative to strengthen the use of capital markets in financing the real economy and facilitating financial inclusion; ii) assessing structural vulnerabilities and reducing liquidity mismatches associated with portfolio management; iii) assessing the risks associated with the liquidity of fixed-income markets, particularly in corporate bond markets; iv) developing and implementing the plan on central counterparty resilience, recovery and resolvability; and v) increasing the digitisation of financial markets (FinTech).

The CNMV has maintained a growing presence on issues relating to the FSB as the interest of international regulators of the banking sector has progressively moved towards capital markets as potential threats to financial stability and generators of systemic risk.

In line with the above, the CNMV, in cooperation and coordination with the Secretariat General of the Treasury and the Bank of Spain, has actively participated, *inter alia*, in: i) preparation of a high-level guide and recommendations on CCP resolution through participation, together with the FROB, in the FMI Cross-Border Crisis Management Group (fmiCBCM) of the FSB; ii) preparation of high-level recommendations – through the CNMV's participation in IOSCO – for portfolio managers; and iii) monitoring of shadow banking activities.

With regard to this last point, the CNMV participates in the Shadow Banking Expert Group (SBEG), whose aim is to identify the main entities and activities relating to shadow banking and their quantification. Since 2011, this group has drawn up the annual Global Shadow Banking Monitoring Report, which describes the most significant trends and risks relating to shadow banking. The report is prepared with the information sent by each jurisdiction participating in the group about the size of its financial system and the activities that may be considered as shadow banking. In this regard, the CNMV not only prepares and provides a series of data on its supervised entities, but also contributes with an assessment of the risks that these entities generate for financial stability, as well as a description of the most important measures adopted to mitigate them.

In addition, it is important to highlight that since 2015, the CNMV has been a full member of the Standing Committee on Standards Implementation (SCSI) whose main lines of actions are as follows: i) ensure implementation of financial standards agreed by the G20 and the FSB, ii) report to the Plenary Session of the FSB – and indirectly to the G20 – on the level of implementation of the standards in each one of the member jurisdictions, iii) undertake thematic and country peer reviews amongst its members and iv) encourage global adherence to prudential regulatory and supervisory standards approved by the FSB and drawn up by standards issuers, such as IOSCO and the Basel Committee.

With regard to the above, in 2016 the SCSI addressed, *inter alia*: i) the completion of the thematic peer review on shadow banking and the start and practical completion of the peer review on the level of application of OECD principles on corporate governance in listed financial institutions (the CNMV actively participated in the preparation of both reviews); ii) the conclusion and start of the peer reviews of Brazil and Argentina, respectively (it should be highlighted that crisis management, the resolution of financial institutions and macro-prudential policy have been common themes of the latest country reviews); and iii) evaluation of the impact of the financial reforms implemented on both financial institutions and on the real economy.

Finally, within the framework of the objectives of the German presidency of the G20 in 2017, the FSB's activities in the year will be orientated towards: i) completion of the transformation of shadow banking activities into resilient market-based finance; ii) making derivatives markets safer, particular those traded OTC and, at the same time, drawing up guides for coordinated actions in matters of CCP resilience, recovery and resolution; iii) developing a structured framework for ongoing evaluation of the effects of the financial reform; and iv) addressing new vulnerabilities of the international financial system, such as misconduct risks and climate change.

14.4 European Systemic Risk Board

The European Systemic Risk Board (ESRB) is an independent body set up in 2010[1] that is responsible for the micro-prudential oversight of the financial system within the European Union whereby its goal is to prevent, and where appropriate mitigate, the impact of systemic risk. The ESRB gathers and analyses all the necessary information, identifies and prioritises the risks to the financial system and has the capacity to issue warnings and recommendations for the adoption of corrective measures

1 The European Systemic Risk Board (ESRB) was created under Regulation (EU) No. 1092/2010 of the European Parliament and of the Council, of 24 November 2010, on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board and Council Regulation (EU) No. 1096/2010, of 17 November, conferring specific tasks upon the European Central Bank concerning the functioning of the European Systemic Risk Board.

in response to the risks detected. It therefore has a broad remit covering banks, insurers and pension funds, asset managers, shadow banks and other financial institutions and markets.

The CNMV participates by means of a member of its board sitting on the General Board of the ESRB as a non-voting member. It also actively participates, through the economists of the Research and Statistics Department, in the tasks of the Advisory Technical Committee and the groups of experts set up by this committee, with priority attention paid to matters relating to securities markets.

The leading issues addressed in 2016 by the ESRB with regard to the areas of interest of the CNMV were the analysis of the most significant risks and sources of uncertainty for financial stability in the European Union, the repercussion of the current prolonged low interest rate environment and possible risks associated with the growth of activities and entities associated with shadow banking. It also addressed other issues in detail, such as the liquidity and leverage of investment funds, the design of an adverse scenario for the stress tests that ESMA is conducting in 17 CCPs in the European Union, the possible macro-potential use that may be made of instruments used to date for micro-prudential purposes, such as margins and haircuts, and, on general basis, the need to establish a macro-prudential policy in the European Union that extends further than merely the banking sector.

In 2016, the CNMV participated in two expert groups in the ESRB: one related to shadow banking and the other to investment funds. The former analyses the systemic risk generated by non-bank financial institutions, promoting harmonisation and supervisory convergence. It publishes the annual Shadow Banking Monitor (SBM) report, which analyses the trends and risks resulting from this activity at a European level. In 2016, this group also published the research project entitled *Financial Contagion with Spillover Effects*, which is led by the CNMV and whose results can be consulted on the ESRB website.[2] The expert group on investment funds analyses the implications in terms of financial stability that these products may have, both those that fall under the UCITS framework and also non-harmonised funds. The aim is to draw up recommendations that allow, in cases of instability, improved management of any mass redemptions that may arise and limits to excessive leverage so as to mitigate, as the case may be, financial contagion. It is also currently developing a framework to perform micro-prudential stress tests that make it possible to analyse the overall impact of investment funds in generating systemic risk.

14.5 Mediterranean Partnership of Securities Regulators

The different legislative proposals and activities performed as a consequence of the global financial reform promoted by the G20 and the FSB, the proposals and work plans for the year and other recommendations from these forums were presented at the annual meeting of presidents held in Rome.

A report was also given on the activities performed by ESMA and the legislation adopted by the European Union on collective investment, financial information and

2 ESRB Working Paper No. 32. Available at: https://www.esrb.europa.eu/pub/pdf/wp/esrbwp32.en.pdf?c66a5efa018afcde60f4d153139e48c6 .

cooperation and information sharing relating to market abuse practices. A presentation was also given on the implementing regulations or technical standards included in ESMA's work plan relating to the aforementioned areas, particularly on the new Market Abuse Regulation and also on the work, activities and proposals of IOSCO, particularly the approval of the new enhanced multilateral memorandum of understanding of the Presidents' Committee and with special emphasis on the work of the Growth and Emerging Markets Committee (GEMC) of IOSCO, to which the non-European member countries of the association belong. The non-European member countries also presented the different planned legislative reforms.

14.6 The Ibero-American Institute of Securities Markets (IIMV)

The IIMV performs activities through in-person courses and meetings and through the dissemination of a magazine published three times a year and specific studies. In 2016, the IIMV published three issues of this magazine, which addressed issues relating to in-person courses and the study in progress on the financing of micro-, small- and medium-sized companies through capital markets in Ibero-America. The IIMV also conducted 14 in-person training activities on cooperation and on dissemination among its members as agreed in the meeting of its Board of Authorities held in October 2015 in Mexico City. Over 300 people attended the IIMV courses, which focused on areas including: IFRS, market inspection and oversight, XBRL, corporate governance, cyber-security and FinTech, and risk-based supervision. It is important to highlight the importance that Ibero-American supervisory authorities are giving to corporate governance as, in addition to the study conducted in 2015, they have asked the IIMV to hold specific courses in this area.

14.7 Cooperation and information sharing with foreign authorities

Following the same upward trend as in the previous year, in 2016 there was an extremely significant increase in acts of cooperation and information sharing managed by the International Affairs Department. The CNMV handled 110 requests for support from supervisors from other States (compared with 68 in 2015) and issued 63 requests for support from its counterparts abroad (compared with 25 in 2015).

Most of the cooperation involved submission of information or the performance of investigations on cross-border transactions that allegedly involved market abuse (25 requests received and 28 sent by the CNMV), as well as the sharing of information aimed at verifying the suitability and good repute of regulated entities and individuals (63 requests received and 16 sent).

In addition, there were six cooperation processes initiated by other authorities and five initiated by the CNMV, which contributed towards successful cross-border investigations relating to acts of fraud committed on investors by unauthorised entities. The use of a significant part of its resources allocated to international cooperation in said processes is clear evidence of the CNMV's commitment to protecting investors, irrespective of their geographic location.

V CNMV: organisational, financial and institutional aspects

15 Organisation

The new supervisory powers that the CNMV has taken on over recent years, together with the growing complexity of its traditional oversight activities and its significant presence and participation in international forums mean that the CNMV considers it a priority to have a sufficient number of suitably qualified employees.

In addition, given the technical complexity of the tasks that it performs, the CNMV needs to maintain and, as far as possible, increase its staff's already high level of qualifications. The CNMV, therefore, once again paid particular attention to staff training and, as a result, 77% of the workforce participated in at least one of the numerous training actions organised over the year.

Over recent years, the CNMV's workforce has fallen significantly. Although a considerable number of new employees joined in 2016, a similar number of staff left, leaving the overall workforce at similar levels to the previous year. A significant number of new employees joined in the first quarter of 2017 as a result of a selection process performed in the second half of 2016.

With regard to the CNMV's internal structure, this chapter reports the significant new aspects set out in the amendment to the CNMV's Internal Regulation resulting from a Board resolution in April 2016. It also informs of the appointment of Sebastián Albella and Ana María Martínez-Pina as Chairman and Vice-Chairwoman of the CNMV, replacing, respectively, María Elvira Rodríguez and Lourdes Centeno.

The chapter also details the main objectives and improvements achieved in the internal infrastructure of the IT systems. Particularly noteworthy is the consolidation of electronic administration in the CNMV, which accounts for over 80% of the incoming and outgoing documents and which has replaced the use of paper. This chapter also reports on the CNMV's participation, together with other public Spanish institutions, in the Strategic Sector Plan for the Financial System, whose mission is to identify the vulnerabilities of the essential services in this sector relating to cyber-security risks and to design strategic areas of action to prevent and, where appropriate, mitigate their impact.

The chapter also contains Exhibit 15.1, which details the four strategic areas of action of the CNMV for the 2017-2018 two-year period: i) priority attention to oversight and promotion of market transparency; ii) strengthening the appeal and competitiveness of Spanish securities markets; iii) promoting the analysis and monitoring of financial stability in matters relating to capital markets; and iv) strengthening investors' financial education and support. These strategic areas were published last March together with the 2017 Activity Plan, which details the specific targets set by the CNMV for this year in order to implement said strategic areas.

15.1 Human resources and organisation

Changes in workforce and staff selection processes

At the end of 2016, the CNMV had 401 employees, one fewer than at year-end 2015. There were 35 new hires and 36 departures during the year. Tables 15.1 and 15.2 show the distribution of CNMV staff by professional category and by department.

CNMV staff: composition by professional category TABLE 15.1

Number of employees at the end of each year

	2015			2016		
	Total	**Men**	**Women**	**Total**	**Men**	**Women**
Services	7	7		8	8	
Clerical staff/Computer operators	66	14	52	64	13	51
Technical staff	305	138	167	305	141	164
Management	24	16	8	24	16	8
Total	**402**	**175**	**227**	**401**	**178**	**223**

Source: CNMV.

The CNMV conducted three selection processes in the second half of 2016. The first process was aimed at covering a vacancy for a technical member of staff in the Research and Statistics Department, which remained unfilled. The second process was aimed at covering four vacancies for technical staff in the Information Systems Department, which led to the selected candidates joining at the end of 2016. The third process was aimed at covering 21 vacancies for technical staff for different CNMV directorates and departments and the selected candidates joined in the first quarter of 2017.

Breakdown of staff by Department TABLE 15.2

Number of employees at the end of each year

	2015			2016		
	Total	**Men**	**Women**	**Total**	**Men**	**Women**
Directorates-General	308	129	179	309	132	177
Entities	112	44	68	109	45	64
Markets	95	40	55	101	46	55
Legal Service	57	22	35	55	21	34
Directorate-General of Strategic Policy and International Affairs	44	23	21	44	20	24
Departments	78	44	34	78	44	34
Board	16	2	14	14	2	12
Total	**402**	**175**	**227**	**401**	**178**	**223**

Source: CNMV.

In addition, the candidates selected in processes that started in the previous year joined the CNMV during the course of 2016: in the first half of the year, the candidates selected to cover 18 vacancies for technical staff for different CNMV directorates and departments, and in the second half of the year, the candidates selected to cover six vacancies for administrative staff for different directorates and departments. Both selection processes were started in the second half of 2015, in which a third process was also conducted to cover a vacancy for a technical member of staff in the Information Systems Department, which remained unfilled.

In addition, 25 internal processes were carried out to cover technical staff and 10 processes to cover administrative positions.

Training

The initiatives implemented by the CNMV in 2016 in the context of its training programme include the following:

- Collective training actions given by employees in order to disseminate and share knowledge in different areas within the CNMV. 25% of the staff benefited from this type of action, which accounted for 17% of total training given.

- Technical training actions, developed and given in cooperation with different specialised schools and training centres. A total of 3,826 training hours were given, which were attended by 56% of the staff. These actions accounted for 57% of total training given.

- Training actions in occupational health and safety. As part of the Healthy Habits Programme, aimed at all CNMV employees, different actions of awareness-raising, information and education for employees were conducted in the following areas: healthy eating habits, physical activity/sports, emotional well-being and balance, and prevention and awareness-raising. In the first quarter of 2016, a satisfaction survey was carried out with regard to said programme, which was assessed as positive or very positive by 86% of the respondents. In addition, specific training was given in first-aid and occupational risk prevention. 36% of the workforce participated in these activities.

- Training in skills development accounted for 9% of total training hours and 11 employees participated in the courses organised.

- International training actions, planned and given by IOSCO and ESMA, were attended by 13 CNMV employees.

The training programme comprised a total of 59 training actions and 6,753 training hours. Each employee received, on average, 16 training hours, and 77% of the workforce participated in at least one of the planned training actions.

In 2016, a new edition of the ESMA technical training programme provided through e-learning was implemented, in which 21 CNMV employees participated. This programme, which participants rated very positively both in terms of content and the technological platform used, is expected to continue in 2017.

Finally, as in previous years, a new edition of the Language Programme was implemented, with participation by 47% of the workforce. The participants received a total of 8,576 training hours, an average of 21 hours per student. In addition, and with the aim of perfecting the language (English, French or German) in a native environment, the possibility of attending a summer course abroad was offered for the seventh consecutive year. In total, considering the different options possible, 10% of the staff participated in the summer programme.

Other significant human resources initiatives

A new edition of the telework programme was implemented in 2016 with the participation of 54 employees.

In the fourth quarter of the year, the project to update and improve the CNMV's website was consolidated with regard to its section on job offers in order to adapt the content to the new version of the corporate website.

Every quarter, the internal magazine *Entre Nosotr@s* continues to be published in order to publicise information on human resources to CNMV employees.

In the last quarter of the year, the fifth CNMV Drawing Competition took place, with the participation of the children of employees, under the theme of "Christmas". There were 119 participants, aged between 3 and 14 years of age. The awards were handed out in December.

New organisational developments

In its meeting held on 20 April 2016, the CNMV Board, under the powers granted to it by Article 20(1) of the recast text of the Securities Market Act and in accordance with the provisions of Article 6(2)(b) of its Internal Regulation, approved certain amendments to said Regulation, as well as the amendments resulting from adaptation to the legislation published since 10 July 2003, the date on which the Regulation was approved.

The main amendments were as follows:

– The Board agreed to explicitly assign to the Directorate-General of Strategic Policy and International Affairs the functions of analysis and oversight of aspects of financial stability relating to capital markets and coordination of micro-prudential actions.

– The powers of the Resolution Unit, which falls under the Directorate-General of Strategic Policy and International Affairs, were amended by extending its functions to all the CNMV's powers with regard to resolution. This amendment was made ahead of the likely impact on the CNMV of the initiatives that are being promoted at an international and European level with regard to the resolution of market infrastructures and which, in the cases of systemic entities such as central counterparties, are closely related to financial stability.

– Certain tasks being performed by different directorate-generals were set out in greater detail: the review of the recovery plans of investment firms; inspection and oversight of closed-end collective investment schemes and agents, proxies and depositories of venture capital undertakings; the inspection and oversight of the management companies of securitisation funds and of credit rating agencies; the handling of proceedings relating to securitisation funds and bank asset funds, as well as the review of their account audits; the supervision of compliance with the obligation to disclose significant information; and the authorisation and supervision of market infrastructures and their members.

– The Internal Regulation was also amended so as to entrust the exercise of the functions of supervision and inspection of persons and entities that breach reservation of name or activities in current legislation to the Investors Department, which forms part of the Directorate-General of Legal Affairs. Similarly, the National Securities Numbering Agency now falls under the Directorate-General of Markets.

– Due to publication of the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October (hereinafter, the recast text of the Securities Market Act), the references made in the Internal Regulation to the Securities Market Act were replaced by provisions corresponding to the recast text. In addition, certain references to repealed provisions are replaced by those that have substituted them.

The aforementioned Board Resolution of 20 April 2016, amending the Internal Regulation, was published in the Official State Gazette of 6 May 2016.

Royal Decree 357/2016 and Royal Decree 358/2016, respectively, established the removal of María Elvira Rodríguez Herrer as Chairwoman of the CNMV and of Lourdes Centeno Huerta as Vice-Chairwoman of the CNMV. Both removals were published in the Official State Gazette on 8 October 2016.

Following a proposal from the Ministry of Economy, Industry and Competitiveness – in accordance with the provisions of Article 23(2)(a) of the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October – having completed the procedure provided for in the third additional provision of Law 3/2015, of 30 March, regulating the Senior officials of the General State Administration, and following the deliberation of the Council of Ministers in its meeting held on 25 November 2016, it was decided to appoint, by means of Royal Decree 567/2016, Sebastián Albella Amigo as Chairman of the CNMV, and by means of Royal Decree 568/2016, Ana María Martínez-Pina García as Vice-Chairwoman of the CNMV. Both appointments were published in the Official State Gazette on 26 November 2016.

The CNMV Board, in its meeting held on 22 December 2016, agreed the appointment of Eudald Canadell Casanova as Director of the Research and Statistics Department with effect as from 27 December 2016.

A Chief of Staff joined the CNMV in December.

In the last four months of the year, the Chairwoman of the CNMV approved the service instruction formalising the CNMV's internal procedures approved by the Executive Committee.

The Joint Committee for Oversight, Interpretation and Study (Spanish acronym: CPVIE) of the Collective Bargaining Agreement, pursuant to its article 2(2)(i), updated the content of the collective bargaining agreement in February 2016 to adapt it to the Resolution of 25 November 2015 of the State Secretariat of Public Administrations.

With regard to said agreement, the updated content determined the procedure to be followed for those employees who, complying with the established requirements, opt for the extended summer intensive work schedule (Article 21(7 *bis*) of the Collective Bargaining Agreement).

15.2 Information systems

The CNMV prioritised three objectives in 2016 relating to Information Systems infrastructures:

– Renewal of the technical infrastructures of the work stations and addition of security and continuity elements in all the facilities.

– Development of new software to support both the regulations that enter into force during the year and the renewal of those that have become technically obsolete. In particular, development and implementation of software relating to international projects, particularly those associated with ESMA.

– Strengthening the Virtual Office and Electronic Register in order to consolidate electronic administration.

Particularly noteworthy among the new software developed over the year was that relating to the following areas: incorporation and consultations of files of the new clearing and settlement system; the register of crowdfunding platforms; final issue conditions; the management of commercial paper and management of unauthorised entities. The following were also noteworthy: development of a new module of notifications for electronic appearance; contract management software; completion of the software for receipt of applications for intragroup exemptions provided for in the EMIR; continuation of the work for developing the new software for issue and listing prospectuses; and the start of the new investment firm register. In addition, implementation of the new comprehensive management system for image-based documents was completed.

In 2016, the CNMV also began the work corresponding to it for the Financial Instruments Reference Data System (FIRDS) project and it completed the new presentation of its website, with reorganisation of the contents, ease of access for mobile devices and strengthening of the contents in the English version.

With regard to the Virtual Office and Electronic Register, work was completed on implementation of the new @Firma platform and the new legal person representative certificates. In addition, three new processes were added to the CIFRADOC/CNMV service.

The data on incoming and outgoing documents in the CNMV's register (see Table 15.3) confirms a consolidation of electronic administration at the CNMV. The electronic channel continues to take over from paper: only 16% of the incoming documents and 19% of the outgoing documents were performed on paper.

Incoming and outgoing documents at the CNMV

TABLE 15.3

	2015		2016	
	Number	%	Number	%
Incoming total	**146,385**	**100**	**140,741**	**100**
Electronic	123,087	84	118,882	84
On paper	23,298	16	21,859	16
Outgoing total	**178,269**	**100**	**154,017**	**100**
Electronic	137,667	77	124,576	81
On paper	41,602	23	29,441	19

Source: CNMV.

Table 15.4 shows the distribution of outgoing notifications from the CNMV's Electronic Register. The notifications, with or without acknowledgement of receipt, for electronic appearance at the Virtual Office are replacing the use of paper. In particular, the Directorate-General of Entities only uses this channel to communicate with supervised entities or to send them deficiency letters.

Notification sent from the electronic register of the CNMV

TABLE 15.4

	2015		2016	
	Number	%	Number	%
Emails with acknowledgement of receipt for documents received	100,958	73	93,464	75
Informative emails	24,229	18	17,118	14
Registered notifications	10,751	8	11,438	9
Deficiency letters	1,729	1	1,997	2
Total	**137,667**	**100**	**124,576**	**100**

Source: CNMV.

Participation of the CNMV in the group responsible for defining the Strategic Sector Plan for the Financial System

Law 8/2011, of 28 April, establishing measures for the protection of critical infrastructures (hereinafter, the Critical Infrastructures Act) and Royal Decree 704/2011, of 20 May, approving the critical infrastructure protection regulation, which implements the Act, established the legislative framework that governs and defines the organisational system for protection of infrastructures deemed to be strategic.

In order to guarantee the functioning of these critical infrastructures, it establishes the creation of the Critical Infrastructure Protection System (hereinafter, the System), which must comprise both public and private departments, institutions and organisations with responsibilities in the correct functioning of essential services or the security of citizens in each one of the strategic sectors identified. This System establishes the framework for coordination between the different participants with the aim of improving prevention, preparation and response tools in the event of different threats that might affect the services considered as essential for the country.

The Critical Infrastructures Act identifies the “Financial and Tax System” sector as one of the 12 key strategic sectors. As the regulatory and supervisory authority for securities markets, the CNMV participates together with other public institutions in the group responsible for defining the Strategic Sector Plan for the Financial System, which identifies the essential services included, the general functioning, the infrastructures that comprise them and the vulnerabilities existing at a strategic level, as well as the potential consequences of their inactivity, the strategic measures necessary to maintain them and the measures that must be adopted in order to respond to a risk situation.

15.3 CNMV’s strategic areas 2017-2018 and the 2017 Activity Plan

As indicated, in March 2017 the CNMV published its major areas of action for 2017-2018, which are detailed in Exhibit 15.1. At the same time and in the same document,[1] the CNMV presented its 2017 Activity Plan, which contains, as in previous years, the CNMV’s specific targets for the year, which are now framed within the strategic areas defined for the two-year period.

CNMV Strategic Areas 2017-2018[1]

EXHIBIT 15.1

As a new development this year, the CNMV has opted to set out its strategic areas for the next two years. In addition, following the practice of previous years, it also includes specific targets that should be completed this year.

On the basis of the functions established by law for the CNMV and the basic features of the environment that have been identified, four strategic areas for the coming two years have been defined.

i) Prioritisation of supervision and promotion of market transparency

With the entry into force, application and implementation of the new common European rules on market abuse (MAD/MAR), the extension of investor protection techniques (MiFID II, PRIIPs, etc.) and imminent new European regulations in other areas (CSDR, Prospectus Regulation, etc.), it is worth remembering that the core *raison d’être* of the CNMV is its role as a supervisory body that promotes the integrity and transparency of markets and is charged with safeguarding investors’ interests.

The essential objective is to strengthen, through rigorous use of its supervisory powers, the general perception of the Spanish market as a market of integrity where the legitimate interests of individuals interact within the rules of the game in the most transparent manner and with high standards of investor protection.

Meeting this objective, worthy in itself, should also be of benefit to all stakeholders, attracting and retaining investors’ funds in the market and thereby

1 CNMV Strategic Areas 2017-2018. 2017 Activity Plan. Available at https://www.cnmv.es/DocPortal/Publicaciones/PlanActividad/Plan_Actividades_2017_en.pdf.

making the Spanish market better structured and more resilient to episodes of financial instability.

Consequently, in a continuation of recent years' practice, over the next two years the CNMV will be paying special attention to improving market transparency, the proper functioning of its infrastructures and compliance with the most important standards of conduct and investor protection.

To do this, it will continue to strictly supervise compliance with financial information regulations by issuers, intensify the attack on market abuse by using new powers granted under EU regulations and strengthening its investigatory tools. It will also oversee the proper functioning of market infrastructures and will pay additional attention to information provided to retail investors by investment services companies and by issuers themselves.

Accordingly, with corporate governance rules now stable after the profound changes of recent years, the CNMV will continue to pay special attention to corporate governance of listed companies, with the aim of continuing to support improvements in corporate culture and promoting the commitment of companies to ethical and social values.

At the same time, the CNMV will maintain its policy of publishing technical guides and criteria to increase transparency in its areas of action and make it easier for supervised firms to comply with regulations. It will also work to promote fluid interactions with the sector. Over the next few years, and especially in 2017, this will mainly mean creating the systems for dialogue to make sure the switchover to new regulations takes place efficiently, seeking to promote competitiveness in the financial sector and enhance investor protection.

ii) Enhancing the attractiveness and competitiveness of Spanish securities markets

It is more important than ever to have advanced and competitive capital markets in today's economic environment of modest growth, both worldwide and in the European Union, and great uncertainty with regard to the consequences of recent events such as Brexit and the US presidential elections.

In particular, a further push is needed in the area of regulation, where the CMMV will be exercising its role of advisor and proposer to the government and its own regulatory powers. The ultimate aim is to foster greater diversity in the sources of corporate financing,[2] encouraging economic growth and job creation and providing new investment opportunities for savers.

It is necessary to increase confidence in Spanish securities markets as a source of company finance and build a stable and competitive regulatory regime. The CNMV will be working to this end in coordination with the sector and will strive to ground regulatory policy in rigorous analysis of the underlying national and international situation. This means analysing in advance the potential outcomes of its regulatory policy decisions. It will also be seeking to study – after the event, with appropriate frequency and detail – the impacts of specific regulatory decisions and measures to fine-tune their scope and/or amend them where appropriate.

In 2017 and 2018, the CNMV will focus on preparing the institution and sector for the entry into force of the new European regulations. To do this, it will be paying special attention in this area to its role in presenting regulatory proposals and advice to the Government and the Ministry of the Economy, Industry and Competitiveness on matters affecting markets and securities, including work deriving from the adaptation of the Securities Market Act to MiFID II and the new Market Abuse Regulation. The aim will be to provide clarity and legal security and to pursue a simplification of regulations that minimises processing and demands on the sector without in any way compromising its commitment to investor protection.

In parallel, the CNMV will continue to work with other European supervisors to coordinate the implementation of regulations in as homogenous a way as possible and avoid possible regulatory or supervisory arbitrage between countries.

Additionally, as regards Brexit, the CNMV is taking forward measures in coordination with other bodies and institutions that will help attract financial business to Spain. This has meant defining specific procedures to draw companies in and streamline their relationship with the CNMV.[3] A range of other initiatives are also under way to make Spain an attractive option for companies. All of the above is carried out not only with a view to possible relocations of existing UK business but also looking ahead to future projects for investments and expansion of the European financial industry which, until recently, would have been unlikely to consider an alternative location to London.

As mentioned, given the shifting context in Europe and worldwide, cooperation between different supervisory bodies remains essential. Among other actions, the CNMV will be supporting initiatives by IOSCO and seeking to raise visibility of the fact that it is based in Madrid. In particular, the CNMV will be backing initiatives that build up the Madrid head office as a central hub in the management and development of various training activities related to global securities markets. In parallel, the CNMV must continue to fulfil its increased obligations as a not only effective but also efficient supervisor. To this end, it must continue the process, begun in recent years, of making the CNMV a flexible institution with agile procedures that can adapt quickly in response to the dynamism of financial markets.

The CNMV will therefore pursue the necessary flexibility to call on the human resources it needs to properly carry out its functions (whose scope is expanding due to European and national legislation) and to retain them, seeking to reduce current incentives for specialist technical personnel to move on to other supervisors or the private sector. It will also be intensifying its investment in technology and completing the project to adapt the CNMV to electronic administration and digitisation of documentation.

Finally, it must work to promote innovation. Specifically, the CNMV will be creating a website to receive information, petitions or requests of any kind related to the FinTech phenomenon to keep the institution abreast of changes in this area and work with companies that have innovative projects of interest to the Spanish market.

On this last point, it must intensify the monitoring of issues related to market technological developments, working to ensure the technology used by market participants is ever more resilient to cyber risks, reducing contingencies and enhancing public confidence. This means that the CNMV will have to work to drive forward the use of new technologies in capital markets without neglecting supervision of the risks this may bring with it.

iii) Developing the analysis and monitoring of financial stability in matters relating to capital markets

The financial crisis has highlighted the growing interdependence of financial stability and capital markets. A major part of the work that the Financial Stability Board (FSB) is developing relates closely to the activities of regulators in IOSCO members' securities markets. This work will be the basis of the regulatory regime that, in the medium term, will define the framework for the role of national securities supervisors.

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

Given the importance of these questions, the CMMV must in the next few years intensify analysis and monitoring of those areas of financial markets with the potential to impact financial stability (see Exhibit 1.1). To do this it will use, among other tools, appropriate indicators that can measure stress levels in financial markets and the sources of risk.

iv) Strengthening financial education and support for investors

The increasing complexity of markets, financial relationships between individuals and companies and financial products and services themselves make it abundantly clear that more needs to be done to educate current and future consumers of these products and services, if they are to make informed and responsible decisions.

As a complement to the policy of preventive supervision of recent years, the CNMV has been working on the Financial Education Plan alongside the Bank of Spain and with support from the General Secretariat of the Treasury and Financial Policy and the Directorate General for Insurance and Pension Funds. The aim is to make the Spanish population more aware of the importance of financial education at all stages of life, with particular emphasis on its value as a fundamental element in stability and the protection of financial consumers.

Initiatives under this plan have been supported by a wide range of collaborators playing an active part in achieving its aims.

Ten years into the Financial Education Plan, it is time for a strategic review. By analysing results achieved so far, new and more ambitious targets can be set to guide the plan's future and lay the groundwork for the next stage: the Financial Education Plan 2018-2021.

These targets must focus on bolstering financial education in schools, increasing financial content in the school curriculum, structuring and expanding the network of collaborators and consolidating a communication strategy for the Financial Education Plan that raises its profile and reaches more financial consumers.

Another imperative for the CNMV is to attend to investor demands for an improved system for managing complaints reaching the institution. Following the transposition into Spanish law of the Directive on alternative dispute resolution for consumer disputes,[4] the CNMV will work with the government and other financial supervisors in Spain to develop a system that better satisfies the demands of financial consumers. This calls for analysis of how to establish an extra-judicial system for resolving disputes with investors in a way that saves time and money and helps boost investor confidence in the Spanish financial system. Notwithstanding the above, it is also necessary to consider possible wider-reaching reforms in the area of complaints, as announced in February by the Minister for the Economy, Industry and Competitiveness in the Lower House of Parliament.

1 This Exhibit reproduces Chapter 3 of the aforementioned CNMV Strategic Areas 2017-2018. 2017 Activity Plan.

2 Such an effort is all the more necessary today given Spanish firms' excessive dependence on bank lending, which means that any squeeze on credit, such as we saw during the crisis, tends to cut off finance to the real economy.

3 For instance, promoting the use of English as the language of communication with CNMV, with pre-authorisations and personalised advice.

4 Directive 2013/11/EU of the European Parliament and of the Council, of 21 May 2013, on alternative dispute resolution for consumer disputes and amending Regulation (EC) No. 2006/2004 and Directive 2009/22/EC.

16 Finances

The bulk of the funding of the CNMV comes from the fees they collect from supervised entities in accordance with the items and tariffs established in Law 16/2014, of 30 December, regulating CNMV fees. The income from fees fell by 4.2% in 2016, mainly as a result of the lower number of entity authorisations and registrations and the drop in trading and post-trading activity relating to secondary markets. Ordinary expenses, including their main component - staff costs - also fell, although to a lesser extent. The CNMV generated a surplus of 20.4 million euros, a fall of 11.7% on the previous year.

The information provided in this chapter is supplemented by Part VII of the *Annual Report*, which provides greater details on the CNMV's 2016 accounts.

16.1 Revenue and expenses

In 2016, the CNMV obtained 61.8 million euros in revenue and incurred 41.4 million euros in expenses. Therefore, the surplus for the year amounted to 20.4 million euros.

The surplus for ordinary activities amounted to 18.2 million euros. Ordinary revenue, which mostly came from fees received, amounted to 59.4 million euros, 5.2% down on 2015.

Ordinary expenses amounted to 41.2 million euros, 1.6% down on the previous year. Although the average workforce rose by 0.5%, staff costs, which accounted for 68.3% of ordinary expenses, fell by 2.2%. This was the result of the additional payment in 2015, pursuant to Law 48/2015, of 29 October, on the General State Budget for 2016, of 49.73% of the end-of-year bonus of December 2012, which had been withdrawn by Royal Decree Law 20/2012, of 13 July, on measures to guarantee budget stability and promote competitiveness.

Other ordinary expenses fell by 0.2% on 2015. This fall, which was centred on the headings of supplies and external services and depreciation/amortisation, was partly offset by an increase in transfers and grants given. Supplies and external services, which amounted to 8.4 million euros, fell by 1.8% as a result of the lower costs in hiring the services. The depreciation/amortisation expense fell by 5.0% as a result of the reduction in the amortisable value of intangible assets - computer software. Transfers and grants given increased by 14.2% as result of the increase in the annual payment made to ESMA.

The profit from financial operations amounted to 2.1 million euros.

16.2 Fee structure

As shown in Table 16.1, which shows the different types of fees established for the different services provided by CNMV, fee revenue fell by 4.0% on the previous year.

This fall is mainly the result of the drop in fees from market supervision (13.5%) and fees from the authorisation and registration of entities (25.6%). These falls were partially offset by an increase in fees from the registration of prospectuses (12.5%) and supervision of entities (7.3%), particularly fees for supervision of conduct of business rules of investment firms, credit institutions and CIS management companies (9.9%) and the marketing of foreign UCITS (24.6%).

CNMV fee revenues

TABLE 16.1

Thousand euros

Activity or service	2015	2016	Change (%) 16/15
Registration of prospectuses and market participants	**11,004.7**	**9,954.1**	**-9.5**
Prospectus registration	4,599.1	5,174.4	12.5
Issue prospectuses	863.6	152.9	-82.3
Listing prospectuses	3,735.4	5,021.5	34.4
Securitisation funds and bank asset funds	55.9	48.7	-12.9
Authorisation and registration of entities	5,933.5	4,413.1	-25.6
Authorisation of takeover bids	416.2	317.9	-23.6
Market supervision	**24,220.9**	**20,944.3**	**-13.5**
Stock market and MTF members	9,818.6	8,585.8	-12.6
MEFF members	215.9	126.5	-41.4
Sociedad de Sistemas members	5,471.4	5,041.4	-7.9
CCP clearing members	469.0	220.6	-53.0
Market governing companies	1,880.0	895.0	-52.4
Listed issuers	6,366.0	6,075.0	-4.6
Supervision of entities	**25,788.0**	**27,671.7**	**7.3**
CIS solvency supervision	11,757.5	11,996.7	2.0
Solvency supervision of CIS and securitisation fund management companies	122.0	124.4	2.0
CIS management companies	115.0	117.4	2.1
Securitisation fund management companies	7.0	7.0	0.0
Investment firm solvency supervision	538.5	556.6	3.4
Venture capital solvency supervision	393.6	418.3	6.3
Management companies of closed-ended collective investment entities	74.0	81.0	9.5
Closed-ended collective investment entities	319.6	337.3	5.5
Supervision of CIS and venture capital vehicle depositories	2,597.7	2,736.7	5.4
Supervision of conduct of business rules of investment firms, credit institutions and CIS management companies	7,444.7	8,184.4	9.9
Marketing foreign UCITS	2,934.0	3,654.5	24.6
Issuance of certificates	**13.3**	**17.2**	**28.9**
Total	**61,026.9**	**58,587.2**	**-4.2**

Source: CNMV

17 National Securities Numbering Agency

The CNMV discharges the functions of the Spanish National Securities Numbering Agency (Spanish acronym: ANCV), whose main goal is to assign and administer International Securities Identification Numbers (ISIN)[1] and Classification of Financial Instruments (CFI)[2] codes to facilitate their dissemination. It is also responsible for assigning the Financial Instrument Short Name (FISN).[3] In Spain, the ISIN code is used as the primary identifier in securities trading, clearing and settlement. In its role as ANCV, the CNMV is a founder and full member of the Association of National Numbering Agencies (ANNA), which at 2016 year-end had a total of 92 full member countries and 26 associates.

As part of its international activity, the ANCV actively participates in various international working groups and management bodies relating to its activity, such as WG2: ISIN Quality and Guidelines, which belongs to ANNA and comprises representatives from several national agencies. This group is responsible for drawing up uniform rules and criteria for ISIN allocation worldwide. The ANCV also contributes towards developing and reviewing ISO standards through Technical Subcommittee 4 (SC4).[4]

With regard to the key figures of the ANCV's activities, the number of securities and financial instruments with an ISIN in 2016 totalled 13,065, a slight increase of 0.7% on 2015 (see Table 17.1). Total numbers issued for equity instruments fell by 14.5% as a result of fewer numbers assigned both to collective investment schemes and venture capital entities and to shares. Total numbers issued for fixed-income instruments fell by 9.6% as a result of the drop in private fixed income (-10.7%), as the numbers issued for public debt, which are far fewer in number, rose by 11.1%. Within private fixed income, the fall was particularly concentrated in commercial paper (-14.2%), although there was also a significant reduction, at least in relative terms, in debentures (-33.3%). In contrast, there was a rise in numbers issued for uncovered bonds (7.1%) and securitisation bonds (47.3%), while the number for covered bonds remained at the same level as last year.

With regard to the other instruments, there was a fall in numbers issued for rights issues (-14.3%) and in structured products and warrants (-11.7%). Lastly, in the derivatives market, the increase in numbers once again corresponded to options, in which there was an increase of 8.9%, while futures and swaps recorded falls (-3.4% and -13.8%, respectively).

1 International Securities Identification Number: ISO standard 6166.
2 Classification of Financial Instruments: ISO standard 10962.
3 Financial Instrument Short Name: ISO standard 18774.
4 SC4 is responsible for the standards on securities and financial instruments and forms part of ISO Technical Committee 68.

Number of securities and other financial instruments with ISIN over the year

TABLE 17.1

	2015	2016	% change
Equity	**666**	**569**	**-14.5**
Shares	184	154	-16.3
CIS and venture capital funds	482	415	-13.9
Fixed income	**941**	**850**	**-9.6**
Public debt	45	50	11.1
Treasury bills and commercial paper	12	12	0.0
Bonds and debentures	33	38	15.1
Private fixed income	896	800	-10.7
Commercial paper	768	659	-14.2
Bonds	28	30	7.1
Debentures	21	14	-33.3
Covered bonds	41	41	0
Securitisation bonds	38	56	47.3
Structured products	**272**	**242**	**-11.0**
Rights	**56**	**48**	**-14.3**
Warrants and certificates	**2,626**	**2,317**	**-11.7**
Options	**7,745**	**8,440**	**8.9**
Futures	**260**	**251**	**-3.4**
Swaps	**404**	**348**	**-13.8**
Total	**12,970**	**13,065**	**0.7**

Source: CNMV.

At the end of the year, the number of active securities and other financial instruments with an ISIN code in the ANCV database totalled 19,031. Listed securities and financial instruments accounted for 60.44% of the total.

The total number of queries to the ANCV stood at 729, 7.2% up on 2015 (see Table 17.2). Queries regarding Spanish codes, which accounted for 80% of the total, rose by 9.3 % on the previous year, while queries regarding foreign codes fell by 6.5 %.

Queries handled directly by the ANCV

TABLE 17.2

	2015	2016	% change
Spanish codes	589	644	9.3
Foreign codes	91	85	-6.5
Total	**680**	**729**	**7.2**

Source: CNMV.

18 CNMV Advisory Committee

18.1 Introduction

The Advisory Committee is the body which provides advice to the CNMV's Board. Its functions and composition are provided for in Articles 30 and 31 of the recast text of the Securities Market Act and its implementing legislation – Royal Decree 303/2012, of 3 February, which regulates the CNMV Advisory Committee. The Committee is chaired by the CNMV's Vice-Chairperson and includes representatives of market infrastructures, issuers, investors, credit institutions and insurance companies, professional groups designated by the CNMV, the investment guarantee fund and each one of the Autonomous Regions with authority with regard to securities markets and in which there is an official secondary market.

As a body providing advice to the CNMV's Board, the Advisory Committee informs on those issues referred to it by the Board. In particular, the Committee shall issue a mandatory report relating to: i) the CNMV provisions referred to in Article 21 of the recast text of the Securities Market Act (circulars and technical guides); ii) authorisations, revocations, mergers and takeovers of investment firms, and iii) authorisations, revocations, mergers and takeovers of branches of investment firms from non-EU countries,[1] and the other participants in securities markets when required by regulations, bearing in mind the economic and legal significance of said participants.

In addition, the Advisory Committee provides advice on draft regulations relating in general to the securities market which are referred to it by the Government or the Ministry of Economy, Industry and Competitiveness.

As a consequence of the process of intense international integration affecting the CNMV's activity, the Committee's agenda also includes voluntary consultations from international bodies, such as IOSCO, ESMA or the European Commission, in addition to other initiatives of the CNMV or the Committee itself. This allows greater participation from the sector, which is in line with international recommendations on analysing the impact of regulations.

In addition, since 2012 the Committee has been analysing the recommendations and standards issued by ESMA prior to their application in Spain.

1 It should be indicated, however, that no proceedings for authorisation, revocation, merger and takeover of investment firms have been processed since 2008. The Securities Market Act provides that the Advisory Committee shall issue a mandatory report when required by its regulation. Implementation of this rule was provided for in Royal Decree 867/2001 until 2008. However, this legislation was repealed upon approval of Royal Decree 217/2008, of 15 February, on the legal regime of investment firms, which contains no provision on the intervention of the Advisory Committee in this type of procedure.

The Advisory Committee must meet at least once every three months, but in practice it holds a meeting every month.

18.2 Actions by the Advisory Committee in 2016

Table 18.1 offers a statistical summary of the issues addressed by the Advisory Committee in 2016.

The number of issues addressed fell compared with the previous year. The main reason for the fall is the reduction in the number of mandatory reports prepared as a result of a lower level of legislative activity in 2016.

However, the number of voluntary consultations is the same as the previous year as the importance of the international activity has remained stable for the CNMV, as well as its desire to collect, through the Advisory Committee, the sector's opinion as often as possible and beyond that required by legislation.

Types of issues referred to the Advisory Committee TABLE 18.1

	Number of issues	
	2015	**2016**
Mandatory reports on regulations	16	5
Voluntary consultations (IOSCO, ESMA and others)	14	14
Total	**30**	**19**

Source: CNMV.

Table 18.2 provides a breakdown of the issues addressed.

List of CNMV Advisory Committee actions in 2016

TABLE 18.2

Mandatory reports on regulations

– Draft CNMV Circular on the functions of the depositories of collective investment schemes and venture capital entities and amending Circular 6/2008 on determining the net asset value and operational aspects of collective investment schemes (Session of 18/01/2016).
– Draft CNMV Circular amending Circular 7/2011, of 12 December, on the fee prospectus and content of standard contracts (Session of 14/03/2016).
– Draft CNMV Circular on warnings relating to financial instruments (Session of 09/05/2016).
– Draft CNMV Circular amending Circular 9/2008, of 10 December, on accounting standards of market infrastructures (Session of 20/06/2016).
– Technical guide of good practices for the application of the "comply or explain" principle (Session of 20/06/2016).

Voluntary consultations (IOSCO, ESMA and others):

European Securities and Markets Authority (ESMA)

– Consultation Paper. PRIIPS Key Information Documents (Session of 18/01/2016).
– Discussion Paper. Benchmarks Regulation (Session of 14/03/2016).
– Discussion Paper. UCITS share classes (Session of 09/05/2016).
– Call for evidence. Asset segregation under AIFMD and UCITS (Session of 12/09/2016).
– Consultation Paper. Draft guidelines on MiFID II product governance requirements (Session of 14/11/2016).
– Discussion Paper. The trading obligation for derivatives under MiFIR (Session of 14/11/2016).
– Consultation Paper. Draft technical standards under the Benchmarks Regulation (Session of 14/11/2016).
– Consultation Paper. Draft RTS on package orders for which there is a liquid market (Session of 20/12/2016).
– Consultation Paper. Guidelines on specific notions under MiFID II related to the management body of market operators and data reporting services providers (Session of 20/12/2016).

CNMV

– 2016 Plan of Activities (Session of 18/01/2016).
– Prior consultation on the amendment of Circular 3/2007 on liquidity contracts as accepted market practice in accordance with the provisions of Article 13(11) of the Market Abuse Regulation (Session of 11/04/2016).

Joint Committee of European Supervisory Authorities

– Proposal for a Regulation of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading (Session of 18/01/2016).

Financial Stability Board (FSB)

– Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities (Session of 12/09/2016).

European Banking Authority (EBA)

– Discussion Paper. Designing a new prudential regime for investment firms (Session of 20/12/2016).

Source: CNMV.

VI Report by the Internal Control Body

Internal Audit Report Pursuant to Article 17.4 of the Recast Text of the Securities Market Act - 2016

INTERNAL CONTROL DEPARTMENT
5 May 2017

1.- Introduction

The CNMV's Internal Control Department has performed the audit relating to adaptation of the decisions adopted by the governing bodies to the procedural regulations applicable in each case, in implementation of the Audit Plan and Internal Control Actions approved by the Commission's Board in its session of 27 March 2017, thus complying with Article 17.4 of the Recast Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October.

The work has been performed in accordance with the International Standards for the Professional Practice of Internal Auditing of the IIA (the Institute of Internal Auditors), pursuant to the Internal Audit Rules for the CNMV approved by a Resolution of the Board on 27 July 2016.

2.- Aims and scope

The aim of the work is to verify adaptation to the procedural legislation applicable in adopting supervisory decisions by the CNMV's governing bodies in 2016.

The basic legislation applicable to CNMV procedures is as follows:

- Recast Text of the Securities Market Act.
- Law 30/1992, of 26 November, on the Legal Regime of Public Authorities and Common Administrative Procedures, until 2 October 2016.
- Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Authorities and Law 40/2015, of 1 October, on the Legal Regime of the Public Sector, in force as from 2 October 2016.
- The CNMV's Internal Regulation.

It has also taken into account Resolutions on the delegation of powers of the CNMV in force in 2016.[1]

There have been no limits placed on the scope in the performance of the work.

[1] Board Resolutions on delegation of 11 March 2015, 11 October 2016 and 22 December 2016, and the Executive Committee Resolution of 5 October 2016.

3.- Opinion.

In our opinion, having completed the audit work, it can be concluded that in 2016 the decisions adopted by the CNMV's governing bodies have met the requirements established in current legislation relating to the procedure and authority applicable in each case within the scope of the supervision entrusted to it by the Recast Text of the Securities Market Act and other legislation.

Directora del Departamento
de Control Interno

Fdo.: Margarita García Muñoz

[Director of the Internal Control
Department

Signed: Margarita García Muñoz]

VII Financial statements of the CNMV

Summary of financial statements 2016

1 Balance sheet

Assets	2015	2016
A) Non-current assets	**132,074,907.78**	**121,724,789.75**
I. Intangible assets	**5,482,741.63**	**5,112,706.61**
1. Investment in research and development	885,795.17	1,167,903.47
3. Computer software	4,540,150.46	3,577,334.14
5. Other intangible assets	56,796.00	367,469.00
II. Property, plant and equipment	**77,713,607.60**	**76,711,349.20**
1. Land	43,634,703.45	43,651,330.30
2. Buildings	30,849,380.29	30,259,316.04
5. Other property, plant and equipment	3,229,523.86	2,800,702.86
IV. Long-term financial investments in group companies, jointly-controlled entities and associates	**48,586,146.25**	**39,638,960.67**
3. Loans and debt securities	48,586,146.25	39,638,960.67
V. Long-term financial investments	**292,412.30**	**261,773.27**
1. Financial investments in equity	935.36	935.36
2. Loans and debt securities	290,211.31	259,572.28
4. Other financial investments	1,265.63	1,265.63
B) Current assets	**58,639,679.52**	**87,268,296.28**
III. Trade and other receivables	**36,977,219.37**	**30,202,338.06**
1. Receivables for operating activities	29,971,373.31	27,283,358.74
2. Other receivables	7,005,846.06	2,918,939.90
3. Public authorities	0	39.42
IV. Short-term financial investments in group companies, jointly-controlled entities and associates	**9,460,579.09**	**9,077,651.31**
2. Loans and debt securities	9,460,579.09	9,077,651.31
V. Short-term financial investments	**193,005.79**	**198,485.37**
2. Loans and debt securities	193,005.79	198,485.37
VI. Accrual accounts	**377,024.90**	**460,581.79**
VII. Cash and cash equivalents	**11,631,850.37**	**47,329,239.75**
1. Cash equivalents	2.09	0
2. Cash	11,631,848.28	47,329,239.75
TOTAL ASSETS	**190,714,587.30**	**208,993,086.03**

1 Balance sheet *(continuation)*

Equity and liabilities	2015	2016
A) Shareholders' equity	**184,900,009.34**	**204,372,063.48**
I. Contributed equity	**5,385,871.28**	**5,385,871.28**
II. Equity generated	**174,389,986.18**	**194,790,393.68**
1. Retained earnings / losses	10,533,905.24	33,644,099.89
2. Surplus for the year	23,110,194.65	20,400,407.50
3. Reserves	140,745,886.29	140,745,886.29
III. Valuation adjustments	**5,124,151.88**	**4,195,798.52**
2. Available-for-sale financial assets	5,124,151.88	4,195,798.52
B) Non-current liabilities	**1,127,464.00**	**864,558.17**
I. Long-term provisions	**1,127,464.00**	**864,558.17**
C) Current liabilities	**4,687,113.96**	**3,756,464.38**
I. Short-term provisions	**1,044,303.51**	**696,829.58**
II. Short-term debts	**115,131.66**	**37,576.55**
4. Other borrowings	115,131.66	37,576.55
IV. Trade and other payables	**3,527,678.79**	**3,022,058.25**
1. Payables for operating activities	1,655,073.25	1,141,861.95
2. Other payables	649,389.91	688,917.40
3. Public authorities	1,223,215.63	1,191,278.90
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**190,714,587.30**	**208,993,086.03**

2 Income statement

		2015	2016
1.	**Tax revenues and social contributions**	**61,026,924.81**	**58,587,231.24**
	b) Fees	61,026,924.81	58,587,231.24
5.	**Own work capitalised**	**1,304,147.28**	**569,858.86**
6.	**Other ordinary revenue**	**71,300.45**	**47,069.32**
7.	**Provision surplus**	**309,030.51**	**240,660.80**
A)	**TOTAL ORDINARY REVENUE (1+2+3+4+5+6+7)**	**62,711,403.05**	**59,444,820.22**
8.	**Personnel expenses**	**-28,775,054.64**	**-28,143,036.29**
	a) Salaries, wages and similar	-22,941,928.12	-22,296,489.60
	b) Employee welfare expenses	-5,833,126.52	-5,846,546.69
9.	**Transfers and subsidies granted**	**-1,449,577.34**	**-1,655,191.90**
11.	**Other ordinary expenses**	**-8,897,257.44**	**-8,804,702.38**
	a) Supplies and outside services	-8,543,006.93	-8,386,494.58
	b) Taxes	-354,250.51	-418,207.80
12.	**Depreciation and amortisation**	**-2,718,070.63**	**-2,582,362.32**
B)	**TOTAL ORDINARY EXPENSES (8+9+10+11+12)**	**-41,839,960.05**	**-41,185,292.89**
I.	**Profit (loss) from ordinary activities (A+B)**	**20,871,443.00**	**18,259,527.33**
13.	**Impairment and gains (losses) from disposal of non-financial assets and assets for sale**	**1,480.86**	**13,030.25**
	a) Impairment	30,206.40	23,977.64
	b) Deletions and disposals	-28,725.54	-10,947.39
II.	**Profit (loss) from non-financial operations (I+13+14)**	**20,872,923.86**	**18,272,557.58**
15.	**Finance income**	**2,347,534.94**	**2,035,753.76**
	b) From marketable securities and loans forming part of fixed assets	2,347,534.94	2,035,753.76
	b.1) In group companies, jointly-controlled entities and associates	2,122,902.49	1,883,280.50
	b.2) Other	224,632.45	152,473.26
16.	**Finance costs**	**-1,488.88**	**-171.61**
	b) Other	-1,488.88	-171.61
19.	**Exchange differences**	**-11,704.88**	**-6,548.27**
20.	**Impairment, deletions and disposal of financial assets and liabilities**	**-97,070.39**	**98,816.04**
	b) Other	-97,070.39	98,816.04
III.	**Profit (loss) from financial operations (15+16+17+18+19+20+21)**	**2,237,270.79**	**2,127,849.92**
IV.	**Net profit for the year (II+III)**	**23,110,194.65**	**20,400,407.50**

3 Cash flow statement

	2015	2016
I. CASH FLOWS FROM OPERATING ACTIVITIES		
A) Receipts	**42,056,162.64**	**68,718,291.56**
1. Tax revenues and social contributions	39,384,460.39	65,686,713.23
5. Interest and dividends received	2,483,639.17	2,698,618.03
6. Other receipts	188,063.08	332,960.30
B) Payments	**38,184,845.71**	**39,969,158.53**
7. Personnel expenses	28,376,706.14	28,865,540.89
8. Transfers and subsidies granted	1,329,554.24	1,629,385.22
10. Other operating expenses	8,161,883.20	9,393,227.12
13. Other payments	316,702.13	81,005.30
Net cash flows from operating activities (+A-B)	**3,871,316.93**	**28,749,133.03**
II. CASH FLOWS FROM INVESTMENT ACTIVITIES		
C) Receipts	**5,268,095.73**	**7,819,736.92**
2. Sale of financial assets	4,999,597.69	7,589,371.50
3. Other receipts from investment activities	268,498.04	230,365.42
D) Payments	**2,660,410.42**	**886,934.23**
5. Purchase of property investments	1,262,134.77	670,595.87
6. Purchase of financial assets	999,186.00	0.00
7. Other payments for investment activities	399,089.65	216,338.36
Net cash flows from investment activities (+C-D)	**2,607,685.31**	**6,932,802.69**
III. CASH FLOWS FROM FINANCING ACTIVITIES		
F) Payments to owning entity/entities:	**13,073,325.67**	**0.00**
2. Return of contributions and payment of profit (loss) to owner(s)	13,073,325.67	0.00
Net cash flows from financing activities (+E-F+G-H)	**-13,073,325.67**	**0.00**
IV. CASH FLOWS PENDING CLASSIFICATION		
I) Receipts pending application	3,840.99	22,882.15
J) Payments pending application	0.00	3,689.19
Net cash flows pending classification (I-J)	**3,840.99**	**19,192.96**
V. EFFECT OF EXCHANGE RATE CHANGES	**-11,704.88**	**-3,739.30**
VI. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)	**-6,602,187.32**	**35,697,389.38**
Cash and cash equivalents at the start of the year	**18,234,037.69**	**11,631,850.37**
Cash and cash equivalents at the end of the year	**11,631,850.37**	**47,329,239.75**

4 Statement of changes in equity

	Note to the financial statements	I. Contributed equity	II. Equity generated	III. Valuation adjustments	IV. Other equity increases	Total
A. Equity at end of financial year N-1		**5,385,871.28**	**174,389,986.8**	**5,124,151.88**	**0.00**	**184,900.009.34**
B. Adjustments for changes in accounting criteria and error correction		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
C. Adjusted starting equity for financial year N (A+B)		**5,385,871.28**	**174,389,986.18**	**5,124,151.88**	**0.00**	**184,900.009.34**
D. Changes in equity in financial year N		**0.00**	**20,400,407.50**	**-928,353.36**	**0.00**	**19,472,054.14**
1. Recognised income and expense in the year		0.00	20,400,407.50	-928,353.36	0.00	19,472,054.14
2. Transactions with owner(s)		0.00	0.00	0.00	0.00	0.00
3. Other changes in equity		0.00	0.00	0.00	0.00	0.00
E. Equity at end of financial year N (C+D)		**5,385,871.28**	**194,790,393.68**	**4,195,798.52**	**0.00**	**204,372,063.48**

Annexes

Capital increases and public offerings[1]

I.1

Million euros

	Number of issuers			Number of issues		
	2015	2016	Change 16/15	2015	2016	Change 16/15
Capital increases raising funds	**32**	**30**	**-2**	**71**	**54**	**-17**
With pre-emption right	12	11	-1	15	11	-4
Without pre-emption right (OPS)[2]	0	3	–	0	4	–
Accelerated book builds	3	0	–	3	0	–
Increases with non-monetary consideration[3]	3	3	0	3	4	1
Capital increases by conversion	6	8	2	23	17	-6
Other	13	11	-2	27	18	-9
Bonus issues	**17**	**18**	**1**	**28**	**25**	**-3**
Of which, dividend choice	12	12	0	22	19	-3
Total capital increases	**45**	**45**	**0**	**99**	**79**	**-20**
Public share offerings	**6**	**2**	**-4**	**12**	**2**	**-10**

Source: CNMV. (1) Does not include data from the MAB, ETF or Latibex. (2) Subscription offering. (3) Capital increases with non-monetary consideration have been recorded at market prices.

Capital increases and public offerings in 2016: cash amount

I.2

Million euros

Issuer	Cash amount[1]	Type of transaction	Date registered
Promotora de Informaciones, S.A.	64.0	Other capital increases	12-Jan-16
Repsol, S.A.	424.7	Bonus issue to meet dividend payment	14-Jan-16
Realia Business, S.A.	89.0	Capital increase with pre-emptive subscription rights	19-Jan-16
Abengoa, S.A.	0.1	Capital increase by conversion	26-Jan-16
Faes Farma, S.A.	17.5	Bonus issue to meet dividend payment	28-Jan-16
Banco Popular Español, S.A.	33.1	Bonus issue to meet dividend payment	28-Jan-16
International Consolidated Airlines Group, S.A.	3.7	Capital increase by conversion	02-Feb-16
Iberdrola, S.A.	383.1	Bonus issue to meet dividend payment	02-Feb-16
Quabit Inmobiliaria, S.A.	1.5	Other capital increases	04-Feb-16
ACS, Actividades de Construcción y Servicios, S.A.	73.1	Bonus issue to meet dividend payment	09-Feb-16

Million euros

Issuer	Cash amount[1]	Type of transaction	Date registered
Alza Real Estate, S.A.	5.0	Other capital increases	22-Feb-16
Amper, S.A.	27.7	Other capital increases	23-Feb-16
Borges Agricultural & Industrial Nuts, S.A.	50.8	Capital increase for non-monetary consideration	25-Feb-16
General de Alquiler de Maquinaria, S.A.	0.2	Capital increase by conversion	01-Mar-16
Fomento de Construcciones y Contratas, S.A.	709.5	Capital increase with pre-emptive subscription rights	04-Mar-16
International Consolidated Airlines Group, S.A.	0.1	Capital increase by conversion	10-Mar-16
Arcelormittal, S.A.	1,329.2	Other capital increases	10-Mar-16
Arcelormittal, S.A.	1,647.4	Capital increase by conversion	10-Mar-16
Airbus Group SE	0.1	Other capital increases	10-Mar-16
Urbar Ingenieros, S.A.	1.5	Capital increase with pre-emptive subscription rights	15-Mar-16
Banco Popular Español, S.A.	35.2	Bonus issue to meet dividend payment	29-Mar-16
CaixaBank, S.A.	217.4	Bonus issue to meet dividend payment	31-Mar-16
Arcelormittal, S.A.	2,777.2	Capital increase with pre-emptive subscription rights	08-Apr-16
Global Dominion Access, S.A.	150.0	Capital increase without pre-emption right (OPS)[2]	14-Apr-16
Codere, S.A.	825.6	Other capital increases	15-Apr-16
Telepizza Group, S.A.	118.5	Capital increase without pre-emption right (OPS)[2]	15-Apr-16
Telepizza Group, S.A.	431.5	Public offering	15-Apr-16
International Consolidated Airlines Group, S.A.	0.1	Capital increase by conversion	19-Apr-16
Parques Reunidos Servicios Centrales, S.A.U.	525.0	Capital increase without pre-emption right (OPS)[2]	20-Apr-16
Parques Reunidos Servicios Centrales, S.A.U.	75.2	Public offering	20-Apr-16
Banco Bilbao Vizcaya Argentaria, S.A.	674.6	Bonus issue to meet dividend payment	26-Apr-16
Amper, S.A.	5.0	Capital increase with pre-emptive subscription rights	28-Apr-16
Telepizza Group, S.A.	104.1	Other capital increases	03-May-16
Banco de Sabadell, S.A.	207.3	Bonus issue to meet dividend payment	03-May-16
Meliá Hotels International, S.A.	224.3	Capital increase by conversion	10-May-16
Airbus Group SE	1.4	Other capital increases	10-May-16
Lar España Real Estate, SOCIMI, S.A.	5.3	Other capital increases	19-May-16
Liberbank, S.A.	4.9	Capital increase by conversion	24-May-16
Global Dominion Access, S.A.	14.1	Subscription offering. Exercise of greenshoe option	31-May-16
Sniace, S.A.	15.6	Capital increase with pre-emptive subscription rights	02-Jun-16
Hispania Activos Inmobiliarios, S.A.	230.7	Capital increase with pre-emptive subscription rights	07-Jun-16
Banco Popular Español, S.A.	2,505.6	Capital increase with pre-emptive subscription rights	22-Jun-16
Abertis Infraestructuras, S.A.	0.0	Bonus issue	22-Jun-16
Ferrovial, S.A.	134.1	Bonus issue to meet dividend payment	23-Jun-16
Airbus Group SE	1.9	Other capital increases	28-Jun-16
International Consolidated Airlines	386.1	Capital increase by conversion	30-Jun-16
Inmobiliaria Colonial, S.A.	181.2	Capital increase for non-monetary consideration	05-Jul-16
Inmobiliaria Colonial, S.A.	57.0	Capital increase for non-monetary consideration	05-Jul-16

Capital increases and public offerings in 2016: cash amount *(continuation)*

Million euros

Issuer	Cash amount[1]	Type of transaction	Date registered
Amper, S.A.	5.8	Other capital increases	12-Jul-16
Repsol, S.A.	271.7	Bonus issue to meet dividend payment	14-Jul-16
ACS, Actividades de Construcción y Servicios, S.A.	102.8	Bonus issue to meet dividend payment	21-Jul-16
Adveo Group International, S.A.	27.6	Capital increase with pre-emptive subscription rights	21-Jul-16
Acerinox, S.A.	90.6	Bonus issue to meet dividend payment	21-Jul-16
Iberdrola, S.A.	681.2	Bonus issue to meet dividend payment	02-Aug-16
Lar España Real Estate, SOCIMI, S.A.	147.2	Capital increase with pre-emptive subscription rights	04-Aug-16
Abengoa, S.A.	0.6	Capital increase by conversion	10-Aug-16
Quabit Inmobiliaria, S.A.	0.0	Bonus issue	06-Sep-16
Zardoya Otis, S.A.	0.0	Bonus issue	15-Sep-16
Amper, S.A.	0.8	Other capital increases	30-Sep-16
Amper, S.A.	2.2	Other capital increases	11-Oct-16
Banco Bilbao Vizcaya Argentaria, S.A.	455.4	Bonus issue to meet dividend payment	25-Oct-16
Merlin Properties, SOCIMI, S.A.	1,502.6	Capital increase for non-monetary consideration	27-Oct-16
Abengoa, S.A.	0.1	Capital increase by conversion	08-Nov-16
Banco Santander, S.A.	578.8	Bonus issue to meet dividend payment	08-Nov-16
Liberbank, S.A.	0.2	Capital increase by conversion	15-Nov-16
Edreams Odigeo, S.A.	0.1	Other capital increases	15-Nov-16
Banco de Sabadell, S.A.	42.2	Capital increase by conversion	15-Nov-16
Banco de Sabadell, S.A.	17.7	Capital increase by conversion	15-Nov-16
Miquel y Costas & Miquel, S.A.	0.0	Bonus issue	24-Nov-16
Papeles y Cartones de Europa, S.A.	0.0	Bonus issue	24-Nov-16
Ferrovial, S.A.	169.1	Bonus issue to meet dividend payment	29-Nov-16
Airbus Group SE	0.1	Other capital increases	01-Dec-16
Service Point Solutions, S.A.	15.0	Capital increase by conversion	07-Dec-16
Service Point Solutions, S.A.	13.3	Other capital increases	07-Dec-16
Service Point Solutions, S.A.	2.0	Other capital increases	07-Dec-16
Service Point Solutions, S.A.	1.1	Capital increase by conversion	07-Dec-16
General de Alquiler de Maquinaria, S.A.	0.0	Capital increase by conversion	13-Dec-16
Telefónica, S.A.	1,166.5	Bonus issue to meet dividend payment	13-Dec-16
Iberpapel Gestión, S.A.	0.0	Bonus issue	15-Dec-16
CaixaBank, S.A.	182.3	Bonus issue to meet dividend payment	15-Dec-16
Ayco Grupo Inmobiliario, S.A.	4.6	Capital increase with pre-emptive subscription rights	20-Dec-16

Source: CNMV. (1) Issues of new shares not paid for in cash have been valued at market prices. (2) Subscription offering.

De-listings in 2016[1]

I.3

Company	Market	Reason. Procedure	Date
Enel Green Power, S.A.	SIBE	Other.	01/04/2016
Testa Inmuebles en Renta, SOCIMI	SIBE	Merger by absorption.	13/10/2016
Hullera Vasco-Leonesa	Open outcry	CNMV Board Resolution.	18/03/2016
Inverpyme	Open outcry	Delisted by Regional Government of Catalonia.	18/04/2016
Inverfiatc	Open outcry	Having settled the bid made by the company itself in accordance with Article 7(4) of Royal Decree 1197/1991.	19/10/2016
Compañía de Inversiones Mobiliarias Barcino	Open outcry	Other	01/06/2016

Source: CNMV. (1) Excludes MAB, Latibex and ETFs.

Sector indices in the Madrid and Barcelona stock exchanges

I.4

Yield in the period (%)

	2013	2014	2015	2016	1 Q	2 Q	3 Q	4 Q
Madrid Stock Exchange								
Oil and energy	19.0	11.8	0.6	0.8	-6.7	5.3	0.8	1.7
Commodities, industry and construction	28.9	-1.8	2.1	2.0	-3.5	-5.7	12.6	-0.4
Consumer goods	17.1	-1.5	30.9	0.2	-6.4	0.9	7.0	-0.9
Consumer services	58.9	10.0	10.4	-8.0	-5.4	-10.2	7.3	0.9
Financial and real estate services	19.9	1.4	-24.2	-1.6	-14.3	-14.4	10.4	21.0
Banking	18.8	1.6	-26.0	-1.8	-14.5	-15.0	10.3	22.5
Real estate and others	38.3	36.3	18.4	-2.3	0.1	-3.4	0.1	0.9
Technology and telecommunications	22.8	2.5	-5.2	-9.0	-5.0	-9.7	9.0	-2.8
Madrid Stock Exchange General Index	**22.7**	**3.0**	**-7.4**	**-2.2**	**-8.8**	**-6.7**	**7.7**	**6.7**
Barcelona Stock Exchange								
Electricity	20.8	30.9	15.2	-3.2	-9.0	4.5	-0.2	2.0
Banks	23.1	7.6	-24.4	-3.0	-14.1	-16.0	9.9	22.4
Chemical	27.0	-11.4	-24.7	27.0	-2.9	12.8	5.3	10.1
Cement, construction and real estate	41.1	2.3	-7.7	-5.6	-4.3	-12.9	11.3	1.9
Metallurgy	83.0	-10.0	18.7	47.6	13.0	0.1	22.4	6.5
Food, agriculture and forestry	6.6	-8.7	26.8	-2.2	0.5	-5.4	3.0	-0.1
Textiles and paper	13.7	-1.2	33.8	2.4	-6.9	0.5	10.1	-0.6
Trade and finance	35.9	-11.7	-9.4	3.9	-16.9	8.9	14.3	0.5
Sundry services	25.2	7.1	-8.3	-5.3	-3.3	-8.1	8.4	-1.7
BCN Global 100	**25.6**	**5.9**	**-12.0**	**0.3**	**-7.7**	**-7.4**	**8.6**	**8.1**

Source: Thomson Datastream.

Concentration of capitalisation by sector[1]

I.5

No. of companies required in order to achieve a specific percentage

	2015				2016			
Sector	**25%**	**50%**	**75%**	**100%**	**25%**	**50%**	**75%**	**100%**
Oil	1	1	1	1	1	1	1	1
Energy and water	1	2	3	8	1	2	3	7
Mining & base metals	1	2	2	7	1	2	2	7
Cement and construction materials	1	1	2	4	1	1	2	4
Chemical	1	1	3	7	1	1	3	7
Textile and paper	1	1	1	14	1	1	1	15
Metal-mechanical	1	2	3	14	1	2	4	15
Food	1	2	2	9	1	2	3	11
Construction	1	2	3	7	1	2	3	7
Real estate	1	2	4	19	1	2	4	18
Transport and communications	1	2	3	7	1	2	3	7
Other non-financial	1	3	6	22	1	3	7	27
Banks	1	2	3	9	1	2	3	9
Insurance	1	1	2	2	1	1	2	2
Portfolio companies	1	1	1	6	1	1	1	6
SICAV	1	1	1	1	0	0	0	0
Financial corporations engaged in lending	0	0	0	0	0	0	0	0

Source: CNMV. (1) Only includes capitalisation of companies that were traded at some time during the year. Excludes Latibex, MAB and ETFs.

Concentration of equity stock market trading

I.6

No. of companies required in order to achieve a specific percentage

	2015				2016			
	25%	**50%**	**75%**	**100%**	**25%**	**50%**	**75%**	**100%**
All stock exchanges[1]	2	5	15	146	2	5	15	144
Electronic market	2	5	15	125	2	5	15	127
Spain	2	5	14	117	2	5	15	119
Foreign	1	1	2	8	1	1	1	8
Open outcry	1	1	1	18	1	2	3	12
Second market	1	1	2	3	1	1	1	5
ETFs	1	2	4	68	1	2	4	19
Alternative stock market (MAB)	5	56	255	3,409	7	51	222	3,473
LATIBEX	1	2	5	24	1	2	5	21

Source: CNMV. (1) Excludes Latibex, MAB and ETFs.

Percentage of capitalisation by sector and the largest companies within each sector with respect to the overall market[1]

I.7

Sector	% sector/market[2]	Companies with the largest capitalisation in the sector	% company/market[3]
Oil	3.1	REPSOL YPF	3.1
Energy and water	15.1	IBERDROLA	6.3
Energy and water		ENDESA	3.4
Energy and water		GAS NATURAL SDG	2.8
Mining & base metals	1.1	ACERINOX	0.6
Mining & base metals		CIE AUTOMOTIVE	0.4
Mining & base metals		ARCELOR	0.1
Cement and construction materials	0.4	VIDRALA	0.2
Cement and construction materials		CEMENTOS MOLINS	0.1
Cement and construction materials		CEMENTOS PORTLAND	0.0
Chemical	0.8	ALMIRALL, S.A.	0.4
Chemical		FAES FARMA	0.1
Chemical		LABORATORIOS FARMACÉUTICOS ROVI, S.A.	0.1
Textile and paper	18.4	INDUSTRIA DE DISEÑO TEXTIL (INDITEX)	16.0
Textile and paper		GRIFOLS	1.9
Textile and paper		GRUPO EMPRESARIAL ENCE	0.1
Metal-mechanical	1.6	ZARDOYA OTIS	0.6
Metal-mechanical		TÉCNICAS REUNIDAS, S.A.	0.3
Metal-mechanical		CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.	0.2
Food	1.1	EBRO FOODS, S.A.	0.5
Food		VISCOFAN	0.3
Food		BARÓN DE LEY	0.1
Construction	4.9	FERROVIAL, S.A.	2.0
Construction		ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS	1.5
Construction		ACCIONA, S.A.	0.6
Real estate	1.8	MERLIN PROPERTIES, SOCIMI, S.A.	0.8
Real estate		GRUPO INMOCARAL	0.4
Real estate		HISPANIA ACTIVOS INMOBILIARIOS, SOCIMI, S.A.	0.2
Transport and communications	15.1	TELEFÓNICA	7.0
Transport and communications		AENA, S.A.	3.1
Transport and communications		ABERTIS INFRAESTRUCTURAS	2.1
Other non-financial	8.2	AMADEUS IT GROUP, S.A.	3.0
Other non-financial		GAMESA CORPORACIÓN TECNOLÓGICA	0.9
Other non-financial		GESTEVISIÓN TELECINCO	0.6
Banks	25.9	BANCO SANTANDER CENTRAL HISPANO	11.5
Banks		BANCO BILBAO VIZCAYA ARGENTARIA	6.7
Banks		CAIXABANK, S.A.	3.0
Insurance	2.0	MAPFRE, S.A.	1.4
Insurance		GRUPO CATALANA DE OCCIDENTE	0.6
Portfolio companies	0.4	CORPORACIÓN FINANCIERA ALBA	0.4
Portfolio companies		ALANTRA PARTNERS, S.A.	0.0
Portfolio companies		CARTERA HOTELERA	0.0

Source: CNMV. (1) Capitalisation at year-end. (2) Capitalisation of the sector as a percentage of the overall market. (3) Capitalisation of the companies listed as a percentage of the overall market.

Capitalisation and trading volume of Ibex 35 companies[1]

I.8

Million euros

	Market capitalisation[2]			Trading volume		
Company	2015	2016	% total[3]	2015	2016	% total[3]
Inditex	98,766.70	101,073.02	16.1	62,110.7	46,936.8	7.4
Banco Santander	65,792.42	72,313.83	11.5	161,137.3	104,532.6	16.4
Telefónica	50,921.16	44,433.44	7.1	110,374.3	60,261.9	9.5
Banco Bilbao Vizcaya Argentaria	42,905.06	42,118.27	6.7	101,524.3	72,714.6	11.4
Iberdrola	41,506.50	39,661.20	6.3	49,501.4	41,379.4	6.5
Endesa	19,613.38	21,307.39	3.4	16,500.9	10,793.3	1.7
Repsol	14,171.65	19,668.94	3.1	45,277.0	30,615.8	4.8
AENA	15,810.00	19,447.50	3.1	30,948.9	17,169.4	2.7
Amadeus IT Group	17,853.49	18,943.97	3.0	26,352.5	15,736.9	2.5
Caixabank	18,718.30	18,781.72	3.0	20,814.6	14,717.7	2.3
Gas Natural	18,827.97	17,922.35	2.8	16,075.3	10,821.0	1.7
Abertis Infraestructuras	13,591.80	13,167.12	2.1	19,600.8	12,331.6	1.9
Grupo Ferrovial	15,270.26	12,449.66	2.0	14,767.6	15,294.4	2.4
Grifols	12,993.22	12,020.30	1.9	11,252.5	7,120.6	1.1
Bankia	12,369.61	11,183.33	1.8	10,574.2	6,688.1	1.0
International Airlines Group	16,881.65	10,940.10	1.7	12,882.5	9,161.4	1.4
Red Eléctrica Corporación	10,430.67	9,698.86	1.5	18,537.2	13,432.3	2.1
ACS	8,500.66	9,446.23	1.5	9,851.7	7,746.7	1.2
Corporación Mapfre	7,119.93	8,930.70	1.4	7,314.2	5,211.8	0.8
Banco de Sabadell	8,893.17	7,430.17	1.2	18,314.4	10,726.6	1.7
Bankinter	5,882.18	6,615.65	1.1	8,242.6	4,816.0	0.8
Enagás	6,207.09	5,759.46	0.9	15,096.7	9,829.7	1.5
Gamesa	4,418.03	5,381.51	0.9	9,408.3	11,181.1	1.8
Merlin Properties	3,729.38	4,852.73	0.8	5,674.4	5,356.1	0.8
Acciona	4,528.09	4,004.16	0.6	4,463.9	3,930.4	0.6
Banco Popular Español	6,588.32	3,852.72	0.6	15,907.0	13,253.8	2.1
Mediaset España Comunicación	3,672.74	3,754.40	0.6	5,847.8	4,228.5	0.7
Acerinox	2,511.58	3,479.83	0.6	6,244.1	5,113.8	0.8
Cellnex Telecom	3,994.22	3,165.95	0.5	6,780.4	3,998.7	0.6
Distribuidora Internacional de Alimentación	3,388.65	2,903.76	0.5	10,035.9	6,164.6	1.0
Meliá Hoteles	2,424.47	2,545.08	0.4	2,912.0	2,309.3	0.4
Viscofan	2,593.03	2,183.38	0.3	3,141.9	2,699.1	0.4
Técnicas Reunidas	1,947.98	2,177.99	0.3	4,937.5	3,357.4	0.5
Indra Sistemas	1,422.86	1,708.62	0.3	4,115.9	2,514.4	0.4
Arcelormittal	492.19	910.67	0.1	3,607.0	5,694.9	0.9

Source: CNMV. (1) Companies in the Ibex 35 at 31 December 2016. (2) Capitalisation on the last day of the year. (3) With respect to the market total.

Takeover bids authorised in 2016

I.9

Million euros

Company	Offeror	Purpose	% capital addressed by the bid	Amount paid	Result (%)[1]
Realia Business, S.A.	Inversora Carso, S.A. de C.V.	Mandatory takeover bid as a result of acquisition of control	69.69	0.10	0.03
Fomento de Construcciones y Contratas, S.A.	Control Empresarial de Capitales, S.A. de C.V.	Mandatory takeover bid as a result of acquisition of control	44.54	738.8	25.66
Fersa Energías Renovables, S.A.	Audax Energía, S.A.	Voluntary takeover bid to take control	100.00	49.61	70.86
Inverfiatc, S.A.	Fiatc Mutua de Seguros y Reaseguros a Prima Fija	Delisting bid	18.13	8.52	17.19
Cementos Portland Valderrivas, S.A.	Fomento de Construcciones y Contratas, S.A.	Mandatory takeover bid as a result of acquisition of control, and delisting bid	20.58	56.14	18.07
Total				**853.17**	

Source: CNMV. (1) Percentage of share capital admitted to trading. In the event of pro-rating, the co-efficient is indicated.

Companies listed on Latibex by sector

I.10

Million euros, unless indicated otherwise

	No. of companies		Market capitalisation			Trading volume		
Sector	**2015**	**2016**	**2015**	**2016**	**% change**	**2015**	**2016**	**% change**
Oil	1	1	21.0	44.9	114.02	78.5	35.6	-54.7
Energy and water	2	2	0.4	0.7	73.94	17.0	12.4	-27.0
Mining & base metals	5	5	65.8	159.6	142.68	107.5	76.8	-28.5
Chemical	1	1	1.3	1.4	4.15	1.2	1.7	49.4
Textile and paper	1	0	0.0	0.0	-100.00	0.0	0.0	–
Metal-mechanical	1	1	0.5	0.2	-51.51	0.1	0.0	-78.5
Food	0	0	0.0	0.0	–	0.0	0.0	-100.0
Real estate	2	2	0.1	0.0	-54.56	0.1	0.0	-68.8
Transport and communications	1	1	0.7	0.6	-7.70	0.5	0.1	-84.8
Other non-financial	1	1	0.1	0.1	12.59	4.1	2.3	-43.1
Banks	4	4	20.8	16.8	-19.23	14.8	6.2	-58.3
Portfolio companies	1	1	0.0	0.0	232.44	14.0	5.9	-57.5
Financial corporations engaged in lending	1	1	31.4	18.5	-41.18	21.0	15.6	-25.7
Total	**21**	**20**	**142.0**	**242.8**	**70.96**	**258.7**	**156.7**	**-39.4**

Source: CNMV.

Gross issues by public authorities

I.11

Nominal amount in million euros

	Amount				% year-on-year change		
	2013	2014	2015	2016	14/13	15/14	16/15
Central Government	**252,264**	**241,270**	**237,945**	**220,755**	**-4.4**	**-1.4**	**-7.2**
Short term	109,163	99,396	97,871	100,996	-8.9	-1.5	3.2
Long term	143,101	141,874	140,074	119,759	-0.9	-1.3	-14.5
Autonomous regions	**10,777**	**9,563**	**4,045**	**4,866**	**-11.3**	**-57.7**	**20.3**
Short term	2,502	340	424	482	-86.4	24.8	13.7
Long term	8,274	9,224	3,621	4,384	11.5	-60.7	21.1
Local authorities	**24**	**53**	**0**	**0**	**119.4**	–	–
Short term	0	0	0	0	–	–	–
Long term	24	53	0	0	119.4	–	–
Total public authorities	**263,064**	**250,887**	**241,990**	**225,621**	**-4.6**	**-3.5**	**-6.8**

Source: Bank of Spain and CNMV.

Net issues by public authorities

I.12

Nominal amount in million euros

	Amount				% year-on-year change		
	2013	2014	2015	2016	14/13	15/14	16/15
Central Government	**83,606**	**50,232**	**52,123**	**29,710**	**-39.9**	**3.8**	**-43.0**
Short term	4,561	-11,248	4,509	-73	–	–	–
Long term	79,045	61,480	47,613	29,782	-22.2	-22.6	-37.4
Autonomous regions	**-5,496**	**-2,298**	**-6,788**	**-2,549**	**58.2**	**-195.3**	**62.5**
Short term	-2,494	-1,121	15	70	-	-	382.1
Long term	-3,001	-1,178	-6,803	-2,618	60.8	-477.6	61.5
Local authorities	**-131**	**-240**	**0**	**0**	**-82.5**	–	–
Short term	–	–	–	–	–	–	–
Long term	-131	-240	0	0	-82.5	–	–
Total public authorities	**77,979**	**47,693**	**45,334**	**27,161**	**-38.8**	**-4.9**	**-40.1**

Source: Bank of Spain and CNMV.

Public debt trading between account holders. Outright transactions, repos and sell-buybacks/buy-sellbacks

I.13

Million euros

	Amount				% year-on-year change		
	2013	2014	2015	2016	14/13	15/14	16/15
Treasury Bills	**1,522,409**	**1,032,591**	**921,196**	**1,268,723**	**-32.2**	**-10.8**	**37.7**
Outright	243,841	283,516	338,573	548,069	16.3	19.4	61.9
Spot	239,107	278,152	334,274	545,976	16.3	20.2	63.3
Futures	4,733	5,364	4,299	2,094	13.3	-19.9	-51.3
Repos	0	0	0	0	–	–	–
Sell-buybacks/Buy-sellbacks	1,278,569	749,075	582,623	720,653	-41.4	-22.2	23.7
Government bonds and debentures	**6,468,526**	**7,127,181**	**4,165,026**	**3,135,015**	**10.2**	**-41.6**	**-24.7**
Outright	1,078,083	1,158,897	931,175	996,876	7.5	-19.6	7.1
Spot	1,048,621	1,106,868	900,483	986,048	5.6	-18.6	9.5
Futures	29,462	52,029	30,692	10,828	76.6	-41.0	-64.7
Repos	0	0	0	0	–	–	–
Sell-buybacks/Buy-sellbacks	5,390,443	5,968,284	3,233,851	2,138,139	10.7	-45.8	-33.9
Debt of autonomous regions and other public institutions	**11,089**	**10,287**	**10,450**	**8,094**	**-7.2**	**1.6**	**-22.5**
Outright	7,683	9,543	7,723	6,234	24.2	-19.1	-19.3
Spot	5,912	4,545	4,034	4,219	-23.1	-11.2	4.6
Futures	1,771	4,998	3,689	2,015	182.2	-26.2	-45.4
Repos	0	0	0	0	–	–	–
Sell-buybacks/Buy-sellbacks	3,406	744	2,727	1,860	-78.2	266.5	-31.8
Total	**8,002,024**	**8,170,059**	**5,096,671**	**4,411,832**	**2.1**	**-37.6**	**-13.4**

Source: Bank of Spain and CNMV.

Public debt trading between account holders and third parties. Outright transactions, repos and sell-buybacks/buy-sellbacks

I.14

Million euros

	Amount				% year-on-year change		
	2013	2014	2015	2016	14/13	15/14	16/15
Treasury Bills	**1,258,850**	**1,032,757**	**984,933**	**794,135**	**-18.0**	**-4.6**	**-19.4**
Outright	667,181	460,613	402,139	454,754	-31.0	-12.7	13.1
Spot	652,396	441,275	393,741	452,872	-32.4	-10.8	15.0
Futures	14,784	19,338	8,397	1,882	30.8	-56.6	-77.6
Repos	553,084	553,603	573,665	332,693	0.1	3.6	-42.0
Sell-buybacks/Buy-sellbacks	38,586	18,540	9,130	6,688	-52.0	-50.8	-26.7
Government bonds and debentures	**5,814,850**	**8,021,468**	**6,400,163**	**5,242,860**	**37.9**	**-20.2**	**-18.1**
Outright	3,336,868	4,788,506	4,717,970	4,035,978	43.5	-1.5	-14.5
Spot	3,145,206	4,491,500	4,473,452	3,880,889	42.8	-0.4	-13.2
Futures	191,662	297,007	244,517	155,089	55.0	-17.7	-36.6
Repos	2,268,423	2,835,524	1,302,585	1,006,800	25.0	-54.1	-22.7
Sell-buybacks/Buy-sellbacks	209,558	397,438	379,608	200,082	89.7	-4.5	-47.3
Debt of autonomous regions and other public institutions	**37,387**	**25,498**	**13,780**	**22,119**	**-31.8**	**-46.0**	**60.5**
Outright	21,325	22,896	12,853	11,933	7.4	-43.9	-7.2
Spot	19,994	20,361	11,931	10,782	1.8	-41.4	-9.6
Futures	1,331	2,535	922	1,151	90.5	-63.6	24.8
Repos	13,449	2,570	624	10,167	-80.9	-75.7	1,529.3
Sell-buybacks/Buy-sellbacks	2,613	32	303	19	-98.8	846.9	-93.7
Total	**7,111,087**	**9,079,723**	**7,398,876**	**6,059,114**	**27.7**	**-18.5**	**-18.1**

Source: Bank of Spain and CNMV.

Number of issuers and issues filed with the CNMV: breakdown by instrument

I.15

	Number of issuers[1]		Number of issues	
	2015	2016	2015	2016
Long-term	**41**	**44**	**399**	**384**
Non-convertible bonds and debentures	16	16	318	277
of which, subordinated debt	1	1	1	2
Convertible bonds and debentures	1	0	1	0
Mortgage covered bonds	13	13	34	41
Territorial bonds	3	3	6	4
Securitisation bonds	16	20	40	61
asset-backed (ABS)	16	20	40	61
mortgage-backed (MBS)	0	0	0	0
Preferred shares	0	0	0	0
Other issues	0	1	0	1
Short term[2]	**16**	**14**	**16**	**15**
Commercial paper	16	14	16	15
of which, asset-backed	1	1	1	1
Total	**49**	**51**	**415**	**399**

Source: CNMV. (1) In the case of issuers, the totals do not necessarily coincide with the sum, given that the same issuer may issue various types of instruments. (2) Shelf registrations.

Main fixed-income issuers[1] registered with the CNMV in 2016

I.16

Nominal amount in million euros

	Nominal amount issued		
Name of issuing company	**Total**	**Short term[2]**	**Long term**
Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria	30,803	0	30,803
Bankia, S.A.	17,286	15,000	2,286
Banco de Sabadell, S.A.	14,936	8,500	6,436
Caixabank RMBS1, Fondo de Titulización	14,200	0	14,200
Banco de Santander, S.A.	11,747	0	11,747
Caixabank, S.A.	8,762	3,000	5,762
Banco Popular Español, S.A.	8,500	5,000	3,500
Banco Bilbao Vizcaya Argentaria, S.A.	7,640	0	7,640
Santander Consumer Finance, S.A.	5,500	5,000	500
Bankinter, S.A.	5,041	4,000	1,041
Bankinter Sociedad de Financiación, S.A.	5,000	5,000	0

Source: CNMV. (1) Issuers that registered issues exceeding 4 billion euros in 2016. (2) Nominal amount of shelf registrations.

Main fixed-income issuers[1] registered with the CNMV in 2016 I.17

Nominal amount in million euros

Asset type	Issuer	Amount
Simple bonds and debentures	Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria	30,803
	Banco de Sabadell, S.A.	2,236
	Abertis Infraestructuras, S.A.	1,650
Mortgage covered bonds	Banco de Santander, S.A.	6,407
	Caixabank, S.A.	5,500
	Banco de Sabadell, S.A.	4,200
	Banco Bilbao Vizcaya Argentaria, S.A.	3,750
	Banco Popular Español, S.A.	3,250
	Bankia, S.A.	2,286
	Deutsche Bank, S.A.	2,000
Territorial bonds	Banco de Santander, S.A.	5,000
	Banco Bilbao Vizcaya Argentaria, S.A.	2,000
Commercial paper[2]	Bankia, S.A.	15,000
	Banco de Sabadell, S.A.	8,500
	Santander Consumer Finance	5,000
	Bankinter Sociedad de Financiación, S.A.	5,000
	Banco Popular Español, S.A.	5,000
	Bankinter, S.A.	4,000
	Caixabank, S.A.	3,000
	Kutxabank Empréstitos, S.A.	2,000
ABCP[2]	Fondo de Titulización de Activos Santander 2	3,000

Source: CNMV. (1) Issuers which issued more than 1.5 billion euros in 2016 in the corresponding financial instrument. (2) Nominal amount of shelf registrations.

Commercial paper issuers: largest outstanding balances[1] at 31 December 2016 I.18

Million euros

Issuer	Amount	% of total	% accum.
Banco de Sabadell	5,988	37.08	37.08
Santander Consumer Finance	4,076	25.24	62.32
Bankinter	1,528	9.46	71.78
BANKIA	1,100	6.81	78.59
Fondo de Titulización de Activos Santander II	1,040	6.44	85.03
Banco Popular	674	4.17	89.20

Source: AIAF. (1) Issuers with an outstanding balance greater than 500 million euros.

Main securitisation bond issuers in 2016[1]

I.19

Million euros

Issuer	Amount	Assets securitised
Caixabank RMBS 1, Fondo de Titulización	14,200	Mortgage loans
IM Grupo Banco Popular Empresas VII, Fondo de Titulización	2,500	Corporate loans
Fondo de Titulización del Déficit del Sistema Eléctrico, FTA	2,313	Other
Caixabank PYMES 8, Fondo de Titulización	2,250	SMEs[2]
IM Sabadell PYME 10, Fondo de Titulización	1,750	SMEs[2]
BBVA RMBS 17 Fondo de Titulización	1,584	Mortgage loans

Source: CNMV. (1) Issuers with CNMV-registered issues of more than 1.5 billion euros at year-end. (2) Includes funds whose pools include almost all loans to SMEs

Securitisation bonds, by type of asset securitised

I.20

Nominal amount in million euros

	2012	2013	2014	2015	2016
Mortgage-backed securities (FTH)	**0**	**0**	**0**	**0**	**0**
Asset-backed securities (FTA)	**23,800**	**28,593**	**29,008**	**28,370**	**35,505**
Mortgage-backed FTA	**3,269**	**7,204**	**17,310**	**9,458**	**19,621**
Mortgage loans	2,269	7,204	17,310	9,458	19,621
Mortgage covered bonds	1,000	0	0	0	0
Real estate developer loans	0	0	0	0	0
FTA Companies	**12,549**	**10,660**	**8,750**	**14,124**	**7,500**
SMEs[1]	7,934	6,185	8,750	11,124	5,000
FTPYME[1]	0	0	0	0	0
FTGENCAT[1]	0	0	0	0	0
Loans to companies[2]	4,537	3,325	0	3,000	2,500
Corporate loans[3]	0	0	0	0	0
Finance leases	78	1,150	0	0	0
FTA others	**7,982**	**10,729**	**2,948**	**4,788**	**8,384**
Subordinated debt	0	0	0	0	0
Treasury bonds	0	0	0	0	0
Government loans	0	0	0	0	0
Territorial bonds	0	0	0	0	0
Consumer loans	1,000	0	300	1,450	3,015
Auto loans	1,225	1,167	798	1,039	3,056
Accounts receivable	0	0	0	0	0
Rights to future loans	0	0	0	0	0
Securitisation bonds	0	0	0	0	0
Other loans	5,757	9,562	1,850	2,299	2,313
Total asset-backed bonds	**23,800**	**28,593**	**29,008**	**28,370**	**35,505**
Total asset-backed commercial paper[4]	**1,821**	**1,544**	**620**	**2,420**	**1,880**
Total bonds and commercial paper	**25,621**	**30,137**	**29,628**	**30,790**	**37,385**
***Pro memoria*:**					
Mortgage subtotal	**3,269**	**7,204**	**17,310**	**9,458**	**19,621**

Source: CNMV. (1) Includes funds whose pools include almost all loans to SMEs. (2) Includes funds whose pools include loans to any type of business: self-employed, micro-enterprises, SMEs and larger companies. (3) Includes funds whose pools are only comprised of loans to large companies. (4) Gross issues of asset-back commercial paper programmes registered by the FTAs.

Proprietary trading on AIAF

I.21

Nominal amount in million euros

	2012	2013	2014	2015	2016	% change 16/15
Commercial paper	76,956	51,768	26,728	10,521	9,977	-5.2
Bonds and debentures	1,148,818	723,081	466,010	176,151	21,816	-87.6
Securitisation bonds	1,036,850	473,321	249,268	122,259	10,361	-91.5
Mortgage covered bonds	858,283	268,646	285,925	103,861	17,230	-83.4
Territorial bonds	581,313	81,318	77,721	37,532	3,243	-91.4
Matador bonds	0	0	0	0	0	–
Total private fixed income	**2,665,369**	**1,124,814**	**856,384**	**328,066**	**52,267**	**-84.1**
Treasury Bills	–	1	10	11	0	-99.8
Government bonds and debentures	–	4	42	82	18	-77.6
Total public debt	**–**	**5**	**52**	**93**	**18**	**-80.3**
Total	**2,665,369**	**1,124,819**	**856,436**	**328,159**	**52,285**	**-84.1**

Statistical annexes II: financial entities and investment services

Number, investors, assets and breakdown of changes in assets of securities and real estate mutual funds[1]

II.1

Million euros

	No. of funds		No. of investors		Assets					*Pro memoria*:
					Amount		Change[2]			Distribution net subscriptions mutual funds
Category	2016	Change on Dec-15	2016	Change on Dec-16	2016	Change on Dec-15	Amount	Net subsc.	Net yield	(%)
Fixed income[3]	306	-13	2,347,984	144,137	74,226	8,642	8,244	399	0	60.2
Mixed fixed income[4]	148	16	1,043,798	-86,392	40,066	-4,726	-4,751	25	-1	-34.7
Mixed equity[5]	168	26	448,491	-163,785	16,311	-5,192	-5,195	2	0	-38.0
Euro equity	112	3	395,697	-26,772	8,666	-427	-538	111	0	-3.9
International equity	201	1	1,172,287	130,770	17,679	536	-33	568	0	-0.2
Guaranteed fixed-income	122	-64	307,771	-115,638	8,680	-3,696	-3,700	4	0	-27.0
Guaranteed equity[6]	198	-7	552,445	134,602	15,476	5,509	5,466	43	0	39.9
Global funds	203	25	658,722	277,132	20,917	8,234	7,801	432	0	57.0
Passively managed	220	7	746,233	191,535	23,602	5,871	5,603	282	-14	40.9
Absolute return	106	9	565,325	86,143	12,215	987	944	44	0	6.9
Total mutual funds	**1,805**	**1**	**8,253,611**	**570,664**	**237,862**	**15,717**	**13,823**	**1,910**	**-16**	**101**
Funds of hedge funds	5	-3	1,022	-28	20	-29	-28	-1	0	-0.2
Hedge funds	30	2	2,449	-321	1,562	-46	-110	64	0	-0.8
Total securities funds	**1,840**	**0**	**8,257,082**	**570,315**	**239,444**	**15,642**	**13,685**	**1,973**	**-16**	**100**
Real estate funds	**3**	**0**	**3,927**	**9**	**370**	**-21**	**0**	**-21**	**0**	**–**
Foreign UCITS[7]	**941**	**61**	**1,748,604**	**104,828**	**114,990**	**6,898**	**–**	**–**	**–**	**–**

Source: CNMV. (1) Fund compartments which have sent confidential statements (therefore excludes funds in process of dissolution or liquidation). The data of the special purpose compartments are only included in the totals, not in the breakdowns by category as they do not fall under a specific category. (2) For each category, the variation in assets is due to net subscriptions, including those due to changes in the investor profile, gross profits paid out and net yields on assets. (3) Includes Euro fixed income, Foreign fixed income, Monetary fixed income and Short-term monetary fixed income. (4) Includes Euro mixed fixed income and Foreign mixed fixed income. (5) Includes Euro mixed equity and Foreign mixed equity. (6) Includes Guaranteed variable return and Partial guarantee. (7) The row on foreign UCITS includes both companies and funds registered with the CNMV. Asset data for foreign UCITS refer to the volume of investment, i.e., the product of the number of shares and units marketed in Spain and their year-end value. Does not include the investment volume and number of investors of ETF.

Fund portfolio as a percentage of the outstanding balance of Spanish securities

II.2

%

	2012	2013	2014	2015	2016
Listed equities[1]	**1.4**	**1.7**	**2.0**	**2.3**	**2.3**
Private fixed income	**2.6**	**3.0**	**3.2**	**2.6**	**2.3**
Short term	2.4	9.6	11.7	18.0	24.5
Long term	2.6	2.8	2.9	2.1	1.5
Public sector fixed-income	**5.0**	**7.1**	**7.1**	**4.9**	**5.5**
Short term[2]	11.8	13.3	8.7	6.1	7.7
Long term	4.1	6.3	6.9	4.8	5.3

Source: CNMV and Bank of Spain. (1) Realisation value of the portfolio over the capitalisation of domestic securities in the electronic market, open outcry market and MAB. (2) Does not include temporary asset acquisitions.

Expenses charged to financial mutual funds

II.3

% of average daily assets

	Management fees			Depository fees[1]		
	2014	2015	2016	2014	2015	2016
Total mutual funds[2]	**0.98**	**1.00**	**0.95**	**0.08**	**0.09**	**0.08**
Fixed income	0.70	0.66	0.58	0.08	0.08	0.07
Mixed fixed income	1.19	1.15	1.12	0.09	0.09	0.09
Mixed equity	1.41	1.41	1.40	0.11	0.11	0.11
Euro equity	1.78	1.76	1.75	0.12	0.12	0.12
International equity	1.77	1.71	1.71	0.11	0.12	0.12
Guaranteed fixed-income	0.88	0.84	0.68	0.08	0.06	0.06
Guaranteed equity	1.20	1.05	0.70	0.08	0.08	0.06
Global funds	1.19	1.06	1.26	0.09	0.08	0.10
Passively managed	0.64	0.64	0.56	0.07	0.07	0.06
Absolute return	1.07	0.99	0.96	0.08	0.08	0.08
Funds of hedge funds	**1.59**	**1.47**	**0.96**	**0.10**	**0.10**	**0.07**
Hedge funds[3]	**2.25**	**2.30**	**2.38**	**0.03**	**0.02**	**0.01**

Source: CNMV. (1) Except in hedge funds where they are financing fees. (2) The data of the special purpose compartments are only included in the totals, not in the breakdowns by category as they do not fall under a specific category. (3) Percentage of average monthly assets.

Yields and net subscriptions of mutual funds[1]

Yield (%) and net subscriptions (million euros)

	2012		2013		2014		2015		2016	
	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.
Fixed income[2]	3.54	-7,740	2.28	13,405	2.41	13,821	0.10	-4,816	0.52	8,244
Mixed fixed income[3]	4.95	-19	4.16	2,370	3.67	15,689	0.16	20,903	0.27	-4,751
Mixed equity[4]	7.83	36	10.85	2,673	4.70	6,842	0.15	8,227	1.19	-5,195
Euro equity[5]	12.31	-115	28.06	1,734	2.09	-338	3.44	467	2.61	-538
Foreign equity [6]	13.05	-425	20.30	866	6.61	2,716	7.84	4,110	4.15	-33
Guaranteed fixed-income	4.85	-339	4.96	-6,718	2.54	-11,762	0.27	-8,094	-0.03	-3,700
Guaranteed equity[7]	5.07	-4,226	6.15	-2,689	2.64	-652	1.07	-2,396	0.19	5,466
Global funds	7.44	-1,021	8.71	-177	4.63	2,110	2.45	5,788	1.99	7,801
Passively managed[8]	7.10	824	8.88	12,675	7.74	5,632	0.53	-6,275	1.16	5,603
Absolute return[8]	3.84	-1,572	2.46	-53	1.98	1,736	0.12	4,803	0.38	944
Total mutual funds[9]	**5.50**	**-14,597**	**6.50**	**24,086**	**3.67**	**35,795**	**0.89**	**22,764**	**0.98**	**13,823**
Funds of hedge funds	2.84	-60	5.09	-210	-0.51	-33	-0.86	-47	-0.39	-28
Hedge funds	6.92	135	15.79	36	5.50	162	5.18	321	4.40	-110
Total funds (MF+FHF+HF)	**5.50**	**-14,522**	**6.57**	**23,912**	**3.67**	**35,924**	**0.93**	**23,038**	**1.00**	**13,685**
Real estate funds	**-5.53**	**-42**	**-11.28**	**-36**	**-5.87**	**-3,085**	**-6.66**	**-1**	**-5.35**	**0**
***Pro memoria:* amount marketed by Spanish firms and Spanish-resident foreign firms**										
Foreign UCITS	–	8,313		24,953	–	22,254	–	32,889	–	7,843

Source: CNMV (1) Fund compartments which have sent reserved statements (therefore excludes funds in process of dissolution or liquidation). (2) Until 1Q09 includes: Short-term fixed income, Long-term fixed income, Foreign fixed income and Monetary fixed income. From 2Q09 includes: Euro fixed income, Foreign fixed income and Monetary fixed income. From 3Q11 includes: Euro fixed income, Foreign fixed income, Monetary fixed income and Short-term monetary fixed income. (3) Until 1Q09 includes: Mixed fixed income and Foreign mixed fixed income. From 2Q09 includes: Euro mixed fixed income and Foreign mixed fixed income. (4) Until 1Q09 includes: Mixed equity and Foreign mixed equity. From 2Q09 includes: Euro mixed equity and Foreign mixed equity. (5) Until 1Q09 includes: Spanish equity and Euro equity. From 2Q09 includes: Euro equity (that now includes Spanish equity). (6) Until 1Q09 includes: Foreign equity Europe, Foreign equity Japan, Foreign equity USA, Foreign equity Emerging countries and Foreign equity Others. From 2Q09 includes: Foreign equity. (7) Until 1Q09 includes: Guaranteed equity. From 2Q09 includes: Guaranteed equity and Partial guarantee. (8) New categories from 2Q09. All absolute return funds were previously classified in Global Funds. (9) The data of the special purpose compartments are only included in the totals, not in the breakdowns by category as they do not fall under a specific category.

Foreign UCITS marketed in Spain

II.5

	2015	2016	Change (%)
No. of UCITS	**880**	**941**	**6.9**
No. of investors	**1,643,776**	**1,748,604**	**6.4**
Investment volume (million euros)	**108,092**	**114,990**	**6.4**
Breakdown by country of origin			
Germany	32	32	0.0
Austria	23	23	0.0
Belgium	4	4	0.0
Denmark	1	1	0.0
France	282	286	1.4
Netherlands	2	2	0.0
Ireland	143	160	11.9
Liechtenstein	0	6	–
Luxembourg	362	391	8.0
Finland	0	4	–
United Kingdom	31	32	3.2

Source: CNMV.

UCITS operators (SGIIC): registrations and de-registrations in 2016

II.6

UCITS operators	Controlling group
New registrations	
Alaluz Capital, SGIIC, S.A.	Independent
Attitude Gestión, SGIIC, S.A.	Independent
Altamar Private Equity, SGIIC, S.A.	Independent
Solventis, SGIIC, S.A.	Solventis
KBL España Asset Management, SGIIC, S.A.	KBL European Private Bankers
Varianza Gestión, SGIIC, S.A.	Independent
De-registrations	
Catalunyacaixa Inversió, SGIIC, S.A.	BBVA
Foreign operators with branch	
New registrations	
Notz Stucki Europe, S.A., Sucursal en España	Notz Stucki Europe
Degroof Petercam Asset Management, S.A., Sucursal en España	Degroof Petercam Asset Management

Source: CNMV.

Foreign investment firms with community passport: home Member State[1] II.7

	2015	2016
No. of foreign investment firms operating in Spain		
Free provision of services	2,671	2,796
Branches	42	46
Breakdown by home State		
Free provision of services		
Germany	55	61
Austria	20	20
Belgium	9	9
Bulgaria	7	9
Cyprus	154	166
Denmark	21	22
Slovakia	2	2
Slovenia	1	1
Estonia	1	1
Finland	11	14
France	47	46
Greece	9	10
Netherlands	89	95
Hungary	1	1
Ireland	44	42
Italy	6	7
Latvia	1	2
Liechtenstein	23	23
Lithuania	1	1
Luxembourg	35	34
Malta	22	25
Norway	31	31
Portugal	8	8
United Kingdom	2,056	2,150
Czech Republic	2	2
Romania	2	1
Sweden	13	13
Branches		
Germany	1	1
Belgium	1	1
France	2	2
Greece	0	1
Netherlands	2	2
Luxembourg	3	2
Norway	1	1
Poland	1	1
Portugal	1	1
United Kingdom	30	34

Source: CNMV. (1) Countries stated in the notifications of investment firms from EU Member States and in authorisations of investment firms from non-EU countries.

Registrations and de-registrations of broker-dealers, brokers, portfolio management companies, financial advisory firms and foreign investment firms with branches

II.8

Entity	Controlling group
Broker-dealers and brokers	
New registrations	
Ever Capital Investment, SV, S.A.	Independent
Nmas1 Capital Markets, SV, S.A.	Nmas1 Dinamia
Ibroker Global Markets, SV, S.A.	Independent
Diaphanum Valores, SV, S.A.	Independent
JDS Capital, AV, S.A.	Independent
Gesem Asesoramiento Financiero, AV, S.A.	Independent
Altair Finance, AV, S.A.	Independent
R3 PWM, AV, S.A.	Independent
Envalor Gestión de Patrimonios, AV, S.A.	Independent
Axon Wealth Advisory Digital, AV, S.A.	Independent
Gestión de Patrimonios Mobiliarios, SV, S.A.	Independent
De-registrations	
Interdin Bolsa, SV, S.A.	Independent
Eurodeal, SV, S.A.	Independent
Meef Euroservices, SV, S.A.	Independent
Mercagentes, SV, S.A.	Bankoa, S.A.
Bilbao Plaza Financiera Depositaria, AV, S.A.	Independent
Attitude Asesores, AV, S.A.	Independent
Omel Mercados, AV, S.A.	Independent
Gestión de Patrimonios Mobiliarios, AV, S.A.	Independent
Portfolio management companies	
De-registrations	
Santander Carteras, SGC, S.A.	Banco Santander, S.A.
Financial advisory companies	
New registrations	
Fribourg & Partners, EAFI, S.L.	Independent
Novaster Investments, EAFI, S.L.U.	Independent
Optimal Markets, EAFI, S.L.	Independent
Lift Investment Advisors, EAFI, S.L.	Independent
Juan Domingo Meseguer Martínez	Independent
Veritas Capital, EAFI, S.L.	Independent
Lebris LCP, EAFI, S.L.	Independent
Investkey Advisalia, EAFI, S.L.	Independent
Kuan Capital Asesores, EAFI, S.L.	Independent
Principal Advisors, EAFI, S.A.	Independent
Cobertura Global, EAFI, S.L.	Independent
Batlle & Fernández Partners, EAFI, S.L.	Independent
Miguel Ángel Cicuéndez Luna	Independent
Albatros Activos XXI, EAFI, S.L.	Independent
Pulsar Capital, EAFI, S.L.	Independent

Registrations and de-registrations of broker-dealers, brokers, portfolio management companies, financial advisory firms and foreign investment firms with branches *(continuation)*

II.8

Entity	Controlling group
Arfina Capital, EAFI, S.A.	Independent
Michael Anthony Di Santo Lewis	Independent
De-registrations	
Juan González Herrero	Independent
Angels Roqueta Rodríguez	Independent
Altamar Advisory Partners, EAFI, S.L.	Independent
2013 Fides, EAFI, S.L.	Independent
Gesem Asesoramiento Financiero, EAFI , S.L.	Independent
Altair Finance, EAFI , S.L.	Independent
Hugo Beltrán Martín	Independent
Ricardo Antonio Queralt Sánchez de las Matas	Independent
Aureo Wealth Advice, EAFI, S.L.	Independent
Cluster Investment Advisors, EAFI, S.L.	Independent
Guillermo Ramón Gregori	Independent
Foreign investment firms with branch	
New registrations	
Nuntius Crimatistiriaki Anonimos Etaireia Paroxis Ependutikon Upiresion, Sucursal en España	Nuntius Crimatistiriaki Anonimos Etaireia Paroxis Ependutikon Upiresion
Pictet Asset Management Limited, Sucursal en España	Pictet Asset Management Limited
Jones Lang Lasalle Corporate Finance Limited, Sucursal en España	Jones Lang Lasalle Corporate Finance Limited
F&C Management Limited, Sucursal en España	F&C Management Limited
Admiral Markets UK Ltd., Sucursal en España	Admiral Markets UK Ltd.
Moneycorp Financial Risk Management Limited, Sucursal en España	Moneycorp Financial Risk Management Limited
Jupiter Asset Management Limited, Sucursal en España	Jupiter Asset Management Limited
De-registrations	
Notz Stucki Europe, Sucursal en España	Notz Stucki Europe
Cohen & Company Financial Limited, Sucursal en España	Cohen & Company Financial Limited
Method Investments & Advisory Ltd., Sucursal en España	Method Investments & Advisory Ltd.

Source: CNMV.

Changes of control in broken-dealers, brokers and portfolio management companies

II.9

Entity	Buyer
Acquisitions of control by Spanish financial institutions	
Inverseguros, SV, S.A.	Nmas1 Dinamia
Nmas1 SYZ Valores, AV, S.A.[1]	Independent

Source: CNMV. (1) Currently named Alantra Wealth Management, AV, S.A.

Spanish investment firms with community passport at 31 December 2016: host Member State

II.10

	2015	2016
Number of firms with cross-border activity[1]		
Free provision of services	40	39
Branches	6	6
Breakdown by country of Spanish investment firms providing cross-border services[2, 3]		
Free provision of services		
Germany	21	21
Austria	10	12
Belgium	16	17
Bulgaria	2	2
Cyprus	1	1
Denmark	9	10
Slovakia	2	2
Slovenia	1	1
Estonia	1	1
Finland	8	9
France	21	21
Greece	8	9
Hungary	2	2
Ireland	13	15
Iceland	1	1
Italy	20	20
Latvia	1	1
Liechtenstein	2	2
Lithuania	1	1
Luxembourg	20	20
Malta	4	5
Norway	8	10
Netherlands	15	15
Poland	4	4
Portugal	30	31
United Kingdom	23	23
Czech Republic	2	2
Romania	3	3
Sweden	11	12
Branches		
Italy	1	1
Portugal	1	1
United Kingdom	3	4
Sweden	1	0

Source: CNMV. (1) Does not include cross-border activity of financial advisory firms. (2) Countries stated in the notifications relating to free provision of services and in authorisations of branches. (3) Number of Spanish investment firms providing services in other countries. A single firm may provide services in more than one country.

Cross-border activity of Spanish financial advisory firms II.11

	2015	2016
Number of financial advisory firms with cross-border activity in the EEA		
Free provision of services	21	26
Branches	0	1
Number of financial advisory firms with cross-border activity outside the EEA		
Free provision of services	0	0
Branches	0	0
Breakdown by country. Free provision of services[1, 2]		
Germany	3	4
Belgium	1	2
Denmark	0	1
France	2	4
Ireland	1	1
Italy	2	3
Liechtenstein	0	1
Luxembourg	16	21
Malta	2	2
Norway	0	1
Netherlands	1	2
Poland	0	1
Portugal	3	4
United Kingdom	6	7
Branches		
Portugal	0	1

Source: CNMV. (1) Countries stated in the notifications relating to free provision of services and in authorisations of branches. (2) Number of Spanish financial advisory firms providing services in other countries. A single firm may provide services in more than one country.

Foreign credit institutions authorised to provide investment services in Spain at 31 December 2016: home Member State II.12

	2015	2016
Number of foreign credit institutions providing investment services in Spain		
EU credit institutions		
Free provision of services	399	405
Subsidiaries of EU credit institutions under the free provision of services regime	0	0
Branches	53	55
Non-EU credit institutions		
Free provision of services	3	2
Branches	6	5
Breakdown by home State		
Free provision of services	**402**	**407**
EU credit institutions	**399**	**405**
Germany	54	55

Foreign credit institutions authorised to provide investment services in Spain at 31 December 2016: home Member State *(continuation)* II.12

	2015	2016
Austria	32	32
Belgium	8	7
Cyprus	2	2
Denmark	10	10
Finland	7	8
France	41	41
Greece	1	1
Hungary	6	6
Ireland	30	27
Iceland	2	2
Italy	8	9
Liechtenstein	5	7
Luxembourg	54	54
Malta	10	11
Norway	3	3
Netherlands	26	26
Poland	0	1
Portugal	13	13
United Kingdom	80	81
Sweden	7	9
Non-EU credit institutions	**3**	**2**
Australia	1	1
Canada	1	1
Switzerland	1	0
Subsidiaries of EU credit institutions under the free provision of services regime	**0**	**0**
Branches	**59**	**60**
EU credit institutions	**53**	**55**
Germany	8	7
Austria	1	1
Belgium	1	1
Denmark	1	0
France	8	8
Ireland	2	2
Italy	3	4
Luxembourg	9	9
Netherlands	4	6
Portugal	8	7
United Kingdom	8	10
Non-EU credit institutions	**6**	**5**
Argentina	1	1
United States	3	2
Japan	1	1
Switzerland	1	1

Source: Bank of Spain and CNMV.

Statistical annexes III: regulation and supervision

Number of shareholders of Ibex 35 companies[1] with significant shareholdings

III.1

Entities	Shareholding 3%-5%	5%-10%	10%-25%	25%-50%	50-100%
Abertis	2	–	2	–	–
Acciona	1	–	–	2	–
Acerinox	3	1	2	–	–
ACS	1	3	1	–	–
AENA	1	1	1	–	1
Amadeus	5	–	–	–	–
BBVA	1	–	–	–	–
B. Sabadell	2	–	–	–	–
B. Popular	4	1	–	–	–
B. Santander	–	1	–	–	–
Bankia	–	–	–	–	1
Bankinter	1	2	1	–	–
Caixabank	–	–	–	–	1
Cellnex	2	3	–	1	–
DIA	2	1	–	–	–
Enagás	2	–	–	–	–
Endesa	–	–	–	–	1
Ferrovial	1	2	1	–	–
Gamesa	1	–	1	–	–
Gas Natural	1	–	3	–	–
Grifols	2	4	–	–	–
Iberdrola	4	–	–	–	–
IAG	1	3	1	–	–
Indra	2	1	2	–	–
Inditex	–	1	–	–	1
Mapfre	–	–	–	–	1
Mediaset	1	–	–	–	1
Melia	–	–	–	–	1
Merlin	3	1	1	–	–
REE	2	–	1	–	–
Repsol	2	1	1	–	–
Sacyr	1	3	1[2]	–	–
Técnicas Reunidas	2	–	–	1	–
Telefónica	–	4	–	–	–
Viscofan	1	3	1	–	–
Total	**51**	**36**	**20**	**4**	**8**

Source: CNMV. (1) Composition of the Ibex 35 index at the close of the financial year. (2) Concerted action between Disa and Grupo Satocan.

Related-party transactions. First half of 2016

III.2

Million euros	Significant shareholders		Directors and senior officers		Persons, companies or entities in the group		Other related parties		Total	
	Amount	1HY 16/15 (%)	Amount	1HY 16/15 (%)	Amount	1HY 16/15 (%)	Amount	1HY 16/15 (%)	Amount	1HY 16/15 (%)
Finance costs	304	-6.0	2	-95.4	58	8.8	7	-95.6	371	-35.0
Leases	27	-98.3	4	18.9	17	218.5	9	-77.1	57	-96.5
Services received	176	-30.4	23	-4.8	270	-24.9	332	15.7	801	-13.3
Purchase of goods (finished or in progress)	260	-89.9	6	153.1	1,387	-65.1	232	505.3	1,885	-71.4
Other expenses[1]	309	31.9	24	-72.0	77	19.6	66	86.7	476	13.7
Total expenses	**1,076**	**-78.2**	**58**	**-61.0**	**1,809**	**-59.0**	**646**	**15.0**	**3,589**	**-64.0**
Finance income	270	23.7	0	-62.1	260	8.8	11	-87.0	541	-0.5
Dividends received	8	-70.8	0	n.a.	355	31.5	53	-15.9	417	15.1
Services rendered	405	-39.6	8	-5.6	504	1.5	158	-38.8	1,075	-25.0
Sale of goods (finished or in progress)	455	-58.3	1	118.9	327	-27.2	98	0.1	880	-46.2
Other income[2]	185	-45.0	0	150.4	363	-26.1	17	12.5	565	-33.0
Total revenue	**1,323**	**-43.6**	**10**	**-3.0**	**1,809**	**-7.0**	**337**	**-35.0**	**3,478**	**-28.0**
Credit and capital contributions	9,027	-18.4	159	-59.3	13,117	-6.2	1,774	-45.5	24,078	-16.1
Loans and capital contributions	16,747	-21.9	48	16.8	7,438	-7.9	1,328	-61.2	25,561	-22.5
Sureties and guarantees given	554	82.7	7	-17.1	2,632	-27.8	333	76.4	3,526	-14.9
Sureties and guarantees received	14,054	-22.4	119	-87.4	420	63.7	148	-27.4	14,741	-24.5
Commitments assumed	4,473	33.1	5	-5.2	4,377	-31.7	143	-89.7	8,998	-19.3
Dividends and other profit distributions	1,776	-25.4	50	-79.8	0	13.3	14	-73.3	1,841	-31.4
Other transactions[3]	28,195	-14.7	24	286.4	3,363	-27.5	3,325	9.0	34,906	-14.4
Total other transactions	**74,826**	**-16.6**	**414**	**-75.0**	**31,346**	**-15.0**	**7,065**	**-39.0**	**113,650**	**-19.0**
Total	**77,225**	**-20.4**	**481**	**-73.4**	**34,964**	**-19.5**	**8,048**	**-36.3**	**120,718**	**-22.0**
% of total	**64.0**		**0.4**		**29.0**		**6.7**			

Source: Interim reporting of listed companies (1st half-year). (1) Comprising management contracts, R&D transfers, value correction for uncollectable debts, losses on de-recognition, and other expenses. (2) Comprising management contracts, R&D transfers, leases, gains on de-recognition or disposal of assets, and other income. (3) Comprising the purchase of assets, leases, repayment of credit, sale of tangible assets, depreciation, commitments or guarantees, and other transactions.

Outcome of disciplinary proceedings in 2016

Reference	Resolutions
(1/16)	**Ministerial Order of 13 January 2016**
	Resolution of the disciplinary proceedings brought against an investment firm for the alleged commission of a very serious breach of Article 107 *quáter*, 3c) of the Securities Market Act for performing uncovered short sales. The firm was fined 100,000 euros.
(2/16)	**Resolution of the CNMV Board of 17 February 2016**
	Resolution of the disciplinary proceedings brought against a CIS management company for the alleged commission of four very serious breaches of Article 99 p) of the Securities Market Act for various failures to comply with the obligation to report significant shareholdings in issuers held by CIS managed by said management company. The CIS management company was fined an overall amount of 280,000 euros.
(3/16)	**Resolution of the CNMV Board of 17 February 2016**
	Resolution of the disciplinary proceedings brought against a SICAV and its management company for the alleged commission, by each of them, of a very serious breach of Article 99 p) of the Securities Market Act for failing to report significant shareholdings in an issuer held by the SICAV. The SICAV was fined 9,000 euros (after its infringement was downgraded to a minor breach) and its management company was fined 70,000 euros.
(4/16)	**Resolution of the CNMV Board of 16 March 2016**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of two serious breaches of the Securities Market Act, one of Article 100 w) for market manipulation, and the other of Article 107 *quáter*, 4b) of the Securities Market Act for performing uncovered short sales of shares. The natural person was fined an overall amount of 12,000 euros.
(5/16)	**Resolution of the CNMV Board of 20 April 2016**
	Resolution of the disciplinary proceedings brought against a credit institution and an investment firm for the alleged commission, by each of them, of a serious breach of Article 100 w) of the Securities Market Act for market manipulation. The credit institution was fined 75,000 euros and the investment firm was fined 125,000 euros.
(6/16)	**Resolution of the CNMV Board of 20 April 2016**
	Resolution of the disciplinary proceedings brought against, firstly, an issuer and its chairperson and a legal person and its sole director for the alleged commission, by each of them, of a serious infringement of Article 100 w) of the Securities Market Act for market manipulation; and, secondly, against a credit institution for the alleged commission of a serious breach of Article 100 x) *bis* of the Securities Market Act for failing to report transactions suspected of market abuse. The first four parties were fined an overall amount of 230,000 euros, and the credit institution was fined 50,000 euros.
(7/16)	**Resolution of the CNMV Board of 18 May 2016**
	Resolution of the disciplinary proceedings brought against a natural person, the board member of an issuer, for the alleged commission of a very serious breach of Article 99 p) of the Securities Market Act for failing to report significant shareholdings in the issuer. The board member was fined 100,000 euros.
(8/16)	**Resolution of the CNMV Board of 18 May 2016**
	Resolution of the disciplinary proceedings brought against a non-resident credit institution for the alleged commission of a serious breach of Article 107 *quáter*, 4 b) of the Securities Market Act for performing uncovered short sales of shares. The credit institution was fined 10,000 euros.
(9/16)	**Resolution of the CNMV Board of 18 May 2016**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a very serious breach of Article 99 o) of the Securities Market Act for acquisition of shares in use of inside information. The natural person was fined 30,000 euros.
(10/16)	**Ministerial Order of 20 May 2016**
	Resolution of the disciplinary proceedings brought against an investment firm and its chief executive officer and against another natural person for the alleged commission, by each of them, of a very serious breach of Article 99 o) of the Securities Market Act for various failures to comply with legislation on the use of inside information. Each of the natural persons was fined 100,000 euros and the investment firm was fined 200,000 euros and suspended from its status as a member of the Madrid Stock Exchange for a period of six months.
(11/16)	**Resolution of the CNMV Board of 29 June 2016**
	Resolution of the disciplinary proceedings brought against a non-resident financial institution for the alleged commission of a very serious breach of Article 99 p) of the Securities Market Act for failure to report significant shareholdings in an issuer. The financial institution was fined 200,000 euros.

Outcome of disciplinary proceedings in 2016 *(continuation)*

Reference	Resolutions
(12/16)	**Resolution of the CNMV Board of 15 July 2016**
	Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of a serious breach of Article 100 *quinquies*, z) of the Securities Market Act for poor functioning of its customer service department. The credit institution was fined 750,000 euros.
(13/16)	**Resolution of the CNMV Board of 15 July 2016**
	Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of a very serious breach of Article 99 z) *bis* of the Securities Market Act for failure to comply with conduct of business rules in relation to the receipt of incentives. The credit institution was fined 800,000 euros.
(14/16)	**Resolution of the CNMV Board of 15 July 2016**
	Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of a very serious breach of Article 99 z) *bis* of the Securities Market Act for failure to comply with conduct of business rules in relation to the receipt of incentives. The credit institution was fined 1,000,000 euros.
(15/16)	**Resolution of the CNMV Board of 15 July 2016**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a very serious breach of Article 107 *quáter*, 3 c) of the Securities Market Act for performing uncovered short sales of shares. The natural person was fined 22,000 euros.
(16/16)	**Resolution of the CNMV Board of 27 July 2016**
	Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of a serious breach of Article 100 *quinquies* z) of the Securities Market Act for poor functioning of its customer service department. The credit institution was fined 500,000 euros.
(17/16)	**Resolution of the CNMV Board of 21 September 2016**
	Resolution of the disciplinary proceedings brought against an investment firm for the alleged commission of two very serious breaches of Article 99 l) of the Securities Market Act, both in relation to failures to comply with internal organisation requirements. The investment firm was fined 75,000 euros for each one of the breaches.
(18/16)	**Resolution of the CNMV Board of 26 October 2016**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a very serious breach of Article 282(3) of the recast text of the Securities Market Act for failing to report significant shareholdings in an issuer, in which the administrative liability was declared terminated upon verification of the person's death, and the proceedings were declared closed.
(19/16)	**Resolution of the CNMV Board of 7 December 2016**
	Resolution of the disciplinary proceedings brought against an investment firm, its two joint directors and its general legal representative, for the alleged commission of four very serious breaches, three of them of Article 283(3) of the recast text of the Securities Market Act for various failures to comply with internal organisation measures, and the fourth of Article 284(1) of the recast text of the Securities Market Act for failures to comply with investor information and protection obligations. The investment firm was fined an overall amount of 365,000 euros. The joint directors and the general legal representative were fined an overall amount of 190,000 euros.
(20/16)	**Resolution of the CNMV Board of 7 December 2016**
	Resolution of the disciplinary proceedings brought against a CIS management company for the alleged commission of a serious breach of Article 81 m) of the Collective Investment Scheme Act for significant deficiencies in internal control procedures. The management company was fined 45,000 euros.
(21/16)	**Resolution of the CNMV Board of 7 December 2016**
	Resolution of the disciplinary proceedings brought against an investment firm for the alleged commission of a very serious breach of Article 99 z) *bis* of the Securities Market Act for failing to comply with conduct of business rules in relation to the receipt of incentives. The investment firm was fined 1,000,000 euros.
(22/16)	**Resolution of the CNMV Board of 22 December 2016**
	Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of a very serious breach of Article 99 z) *bis* of the Securities Market Act for failing to comply with conduct of business rules in relation to the receipt of incentives. The credit institution was fined 3,500,000 euros.
(23/16)	**Resolution of the CNMV Board of 22 December 2016**
	Resolution of the disciplinary proceedings brought against a CIS management company for the alleged commission of a serious breach of Article 81 m) of the Collective Investment Scheme Act for significant deficiencies in internal control procedures. The management company was fined 45,000 euros.

List of rulings on contentious-administrative appeals against penalties in 2016

No.	Date	Court	Appeal No.	Ruling appealed
1	05/02/2016	Supreme Court	465/2014	Ruling AN 14/05/2015

Rules against the appeal (for unification of doctrine) lodged against the National High Court Ruling dated 14 May 2015, upholding the penalty imposed by the Ministry of Economic Affairs and Competition Order dated 10 January 2014 on a natural person in relation to a very serious breach of Article 99 p) of the Securities Market Act.

No.	Date	Court	Appeal No.	Ruling appealed
2	09/02/2016	Supreme Court	461/2014	Ruling AN 21/04/2015

Rules against the appeal (for unification of doctrine) lodged against the National High Court Ruling dated 21 April 2015, upholding the penalty imposed by the Ministry of Economic Affairs and Competition Order dated 10 January 2014 on a legal person in relation to a very serious breach of Article 99 p) of the Securities Market Act.

No.	Date	Court	Appeal No.	Ruling appealed
3	22/02/2016	Supreme Court	139/2013	Ruling AN 17/03/2014

Upholds the appeal lodged by the State Administration against the National High Court Ruling dated 17 March 2014, reducing the amount of the fines imposed by the Ministry of Economic Affairs and Competition Order dated 28 December 2012 on a company and its sole director for the provision of investment services without the company holding the required authorisation, a very serious breach of Article 99 q) of the Securities Market Act. The ruling upholds the amount of the penalty imposed by the Administration on the company, but declares the inadmissibility of the appeal, as a result of the amount, with regard to the penalty imposed on the natural person, which is therefore maintained at the amount set by the appealed National High Court Ruling.

No.	Date	Court	Appeal No.	Ruling appealed
4	07/04/2016	National High Court	1856/2013	Order MECC 13/09/2013

Upholds the penalties imposed by the Ministry of Economic Affairs and Competition Order dated 13 September 2013 for three very serious breaches of Article 99 i) of the Securities Market Act.

No.	Date	Court	Appeal No.	Ruling appealed
5	15/04/2016	National High Court	463/2014	Order MECC 10/01/2014

Upholds the penalty imposed by the Ministry of Economic Affairs and Competition Order dated 10 January 2014 for a very serious breach of Article 99 p) of the Securities Market Act.

No.	Date	Court	Appeal No.	Ruling appealed
6	27/04/2016	Central Judicial Review Court No. 10	17/2016	Ruling MECC 03/07/2015

Upholds the penalty imposed – in relation to a very serious breach of Article 100 e) of the Securities Market Act – by the Resolution of the CNMV Board dated 25 November 2014, upheld on appeal by the Ministry of Economic Affairs and Competition Resolution dated 3 July 2015.

No.	Date	Court	Appeal No.	Ruling appealed
7	28/04/2016	National High Court	2050/2013	Ruling MECC 04/10/2013

Upholds the penalty imposed – in relation to a very serious breach of Article 100 t) of the Securities Market Act – by the CNMV Resolution dated 18 April 2013, upheld on appeal by the Ministry of Economic Affairs and Competition Resolution dated 4 October 2013.

No.	Date	Court	Appeal No.	Ruling appealed
8	03/05/2016	National High Court	2046/2013	Ruling MECC 04/10/2013

Upholds the penalty imposed – in relation to a very serious breach of Article 99 i) of the Securities Market Act – by the Ministry of Economic Affairs and Competition Order dated 16 May 2013, upheld by a Ruling of the same Ministry dated 4 October 2013.

No.	Date	Court	Appeal No.	Ruling appealed
9	11/05/2016	National High Court	1921/2014	Ruling MECC 03/07/2014

Partially upholds the appeal brought against the Ruling of the Ministry of Economic Affairs and Competition dated 3 July 2014, upholding on appeal the penalties imposed – in relation to two serious breaches of Article 100 x) *bis* and c) of the Securities Market Act – by the Resolution of the CNMV Board dated 18 December 2013 and cancelling the penalty imposed for one of the breaches (serious breach of Article 100 x) *bis* of the Securities Market Act.

No.	Date	Court	Appeal No.	Ruling appealed
10	02/06/2016	National High Court	527/2013	Ruling MECC 13/09/2013

Upholds the penalty imposed – in relation to a very serious breach of Article 100 w) of the Securities Market Act – by the Resolution of the CNMV Board dated 18 April 2013, upheld on appeal by the Ministry of Economic Affairs and Competition Resolution dated 13 September 2013.

No.	Date	Court	Appeal No.	Ruling appealed
11	30/06/2016	National High Court	27/2015	Ruling MECC 24/11/2014

Upholds the penalties imposed – in relation to four very serious breaches of Article 99 z) *bis*, e) *bis*, q) and l) *bis* of the Securities Market Act – by the Ministry of Economic Affairs and Competition Order dated 30 April 2014, upheld by a Ruling of the same Ministry dated 24 November 2014.

No.	Date	Court	Appeal No.	Ruling appealed
12	05/07/2016	National High Court	743/2014	Order MECC 24/01/2014

Upholds the penalty imposed by the Ministry of Economic Affairs and Competition Order dated 24 January 2014 for a very serious breach of Article 99 p) of the Securities Market Act.

No.	Date	Court	Appeal No.	Ruling appealed
13	20/07/2016	National High Court	431/2013	Ruling MECC 21/06/2013

Upholds the penalty imposed – in relation to a very serious breach of Article 99 z) *bis* of the Securities Market Act – by the Ministry of Economic Affairs and Competition Order dated 23 January 2013, upheld by a Ruling of the same Ministry dated 21 June 2013.

List of rulings on contentious-administrative appeals against penalties in 2016 *(continuation)*

No.	Date	Court	Appeal No.	Ruling appealed
14	**29/09/2016**	**National High Court**	**347/2015**	**Ruling MECC 18/06/2015**
Upholds the penalty imposed – in relation to a very serious breach of Article 99 z) *bis* of the Securities Market Act – by the Ministry of Economic Affairs and Competition Order dated 13 June 2014, upheld by a Ruling of the same Ministry dated 18 June 2015.				
15	**29/09/2016**	**National High Court**	**367/2015**	**Order MECC 02/07/2015**
Upholds the penalty imposed by the Ministry of Economic Affairs and Competition Order dated 2 July 2015 for a very serious breach of Article 99 z) *bis* of the Securities Market Act.				
16	**29/09/2016**	**National High Court**	**417/2015**	**Ruling MECC 16/10/2015**
Upholds the penalty imposed – in relation to a very serious breach of Article 100 t) of the Securities Market Act – by the Resolution of the CNMV board dated 21 May 2014, upheld on appeal by the Ministry of Economic Affairs and Competition Ruling dated 16 October 2015.				
17	**29/09/2016**	**Central Judicial Review Court No. 5**	**57/2016**	**Ruling MECC 28/09/2015**
Upholds the penalty imposed – in relation to a very serious breach of Article 99 p) of the Securities Market Act – by the Ministry of Economic Affairs and Competition Order dated 11 November 2014, upheld by a Ruling of the same Ministry dated 28 September 2015.				
18	**11/11/2016**	**National High Court**	**530/2013**	**Ruling MECC 04/10/2013**
Upholds the penalty imposed – in relation to a serious breach of Article 100 t) of the Securities Market Act – by the Resolution of the CNMV board dated 18 April 2013, upheld on appeal by the Ministry of Economic Affairs and Competition Ruling dated 4 October 2013.				
19	**13/12/2016**	**Supreme Court**	**DF 1/2015**	**National Court Order 29/04/2015**
Rules against the appeal on fundamental rights filed against the National High Court Order dated 29 April 2015 that declared inadmissible the appeal brought against the Resolution of the CNMV Board dated 12 April 2015 initiating disciplinary proceedings.				
20	**14/12/2016**	**National High Court**	**531/2013**	**Ruling MECC 04/10/2013**
Upholds the penalty imposed – in relation to a very serious breach of Article 100 x) *bis* of the Securities Market Act – by the Resolution of the CNMV Board dated 18 April 2013, upheld on appeal by the Ministry of Economic Affairs and Competition Resolution dated 4 October 2013.				

Public warnings in respect of non-registered entities

Date	Company to which the warning relates	Type	Regulator	Comments
Warnings from the CNMV regarding non-authorised entities				
18/01/2016	HTTP://WWW.TRADERFXCAPITAL.COM/ MANUEL CABANILLAS JURADO	Unauthorised entities	CNMV	
18/01/2016	HTTPS://WWW.CITRADES.COM/	Unauthorised entities	CNMV	
01/02/2016	O.S.B. CONSULTORES ASOCIADOS EN LA MISMA DIRECCIÓN, S.L. ALEJANDRO REGUERAS PIÑEIRO	Unauthorised entities	CNMV	
08/02/2016	GREEN INVESTMENT HOUSE CORP. (FXMARKER) WWW.FXMARKER.COM	Unauthorised entities	CNMV	
08/02/2016	LANDMARK TRADE LTD. (IMPERIAL OPTIONS) WWW.IMPERIALOPTIONS.COM	Unauthorised entities	CNMV	
15/02/2016	HTTP://WWW.FINANCIKA.COM/HOME	Unauthorised entities	CNMV	
15/02/2016	FIRST BUSINESS ORIENTATION, S.L. NUBER EDGARDO DI MATTEO	Unauthorised entities	CNMV	
15/02/2016	HTTPS://WWW.BKTRADING.COM/ES/	Unauthorised entities	CNMV	
15/02/2016	HTTP://WWW.SAFEKLIK.COM/ES/	Unauthorised entities	CNMV	
29/02/2016	WWW.EMPIREOPTION.COM	Unauthorised entities	CNMV	
04/04/2016	HTTPS://WWW.BELFORFX.COM/ES HTTP://WWW.ISOCIALFX.COM/ES	Unauthorised entities	CNMV	
04/04/2016	WWW.ESCUELADETRADERS.ORG WWW.ESCUELADETRADERS.ES	Unauthorised entities	CNMV	
11/04/2016	UNITED INVESTMENT FEDERATION, S.L. ANTONIUS JOSEF SUNDERMANN ULRICH	Unauthorised entities	CNMV	
11/04/2016	HTTPS://WWW.IBAMARKETS.COM/	Unauthorised entities	CNMV	
18/04/2016	VELASCO & ASOCIADOS WWW.VELASCOYASOCIADOS.ES	Unauthorised entities	CNMV	
17/05/2016	TIGER ASSET MANAGEMENT WWW.TIGERASSETMANAGEMENT.NET	Unauthorised entities	CNMV	
30/05/2016	HTTP://TRADINGFOREX.ES/	Unauthorised entities	CNMV	
27/062016	TDB-OPTIONS LIMITED HTTP://WWW.BANCO-BINARIO.COM/ES/ HTTP://BANCO-BINARIO.NET/ HTTP://OPCIONESBINARIAS-BANCOBINARIO.NET/ HTTP://BANCOBINARIO-FINANZAS.NET/ HTTP://INVESTINGBINARIO.COM/ HTTP://BOLSALP-BANCO-BINARIO.COM/ HTTP://WWW.TRADESOPCIONESBINARIAS.COM/	Unauthorised entities	CNMV	
27/06/2016	SFKK TRADING SOLUTIONS HTTPS://WWW.STCAPITALS.COM	Unauthorised entities	CNMV	
04/07/2016	IT- GROUP SUCURSAL EN ESPAÑA WWW.IT-GROUP.ES	Unauthorised entities	CNMV	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
18/07/2016	YOUR TRADE CHOICE HTTP://YOURTRADECHOICE.NET HTTP://YOURTRADECHOICE.COM	Unauthorised entities	CNMV	
05/09/2016	JORGE BLANCO DOVAL JOSÉ LUIS MARTÍN CÓRDOBA	Unauthorised entities	CNMV	
05/09/2016	GRUPO GARINTIA 2015, S.L. RUBÉN SÁNCHEZ MONROY	Unauthorised entities	CNMV	
24/10/2016	FINANCIAL MARKETS LIMITED HTTPS://FINMARKFX.COM	Unauthorised entities	CNMV	
24/10/2016	MAXI SERVICES LTD. WWW.UMARKETS.COM	Unauthorised entities	CNMV	
28/11/2016	BANCO CFD HTTP://BANCOCFD.COM	Unauthorised entities	CNMV	
05/12/2016	WWW.FB-ONE.COM	Unauthorised entities	CNMV	
05/12/2016	WWW.CLICKBANCA.ES/	Unauthorised entities	CNMV	
05/12/2016	WWW.STOCKSCALL.COM	Unauthorised entities	CNMV	
05/12/2016	SOLIDARY MARKETS FX ("SMFX") HTTP://SOLIDARYMARKETS.COM/	Unauthorised entities	CNMV	
19/12/2016	PEDRO VICENTE GARRIDO GARRIDO	Unauthorised entities	CNMV	
19/12/2016	RIDGE CAPITAL MARKETS HTTPS://WWW.RDGCM.COM	Unauthorised entities	CNMV	
27/12/2016	MARIO FRÍAS MARINA	Unauthorised entities	CNMV	
27/12/2016	JOSE MIGUEL VARET TORRES	Unauthorised entities	CNMV	
27/12/2016	FX-GOLD FXGOLDSYSTEM HTTP://FXGOLDSYSTEM.COM/	Unauthorised entities	CNMV	
Public warnings forwarded to the CNMV by foreign regulators				
13/01/2016	PETERSON GROUP WWW.THEPETERSONGROUP.COM	Unauthorised entities	FCA (United Kingdom)	
13/01/2016	BRIDGEWATER ASSET MANAGEMENT WWW.BWATERMGM.COM	Unauthorised entities	FCA (United Kingdom)	
13/01/2016	GCM MARKETING LTD.	Unauthorised entities	SSMA (Slovenia)	
13/01/2016	GLOBAL MARKETING SOLUTIONS DOO	Unauthorised entities	SSMA (Slovenia)	
13/01/2016	LYXOR LTD.	Unauthorised entities	SSMA (Slovenia)	
13/01/2016	KANSAI & PARTNERS WWW.KANSAIPARTNERS.COM	Unauthorised entities	FCA (United Kingdom)	
13/01/2016	DGX SYSTEM LTD. / CRLINK LIMITED WWW.OPTIONCM.COM	Unauthorised entities	CONSOB (Italy)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
13/01/2016	IFX4U LTD. / OKLYCAPITAL LIMITED WWW.IFX4U.COM	Unauthorised entities	CONSOB (Italy)	
13/01/2016	KRAMER AND ASSOCIATES MANAGEMENT GROUP LLC WWW.KRAMERAMG.COM	Unauthorised entities	FCA (United Kingdom)	
13/01/2016	PRUSIK (CLONE) PRUSIKPLC.CO.UK	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
13/01/2016	ZAR FOREX CAPITAL MARKETS LTD. / RGV MEDIA LTD. / RGV HOLDINGS LTD. WWW.ZARFOREX.COM	Unauthorised entities	CONSOB (Italy)	
13/01/2016	MARKETIER HOLDINGS LTD. / PROFITIER LIMITED WWW.STOXMARKET.COM	Unauthorised entities	CONSOB (Italy)	
20/01/2016	JJ BAUER ASSET MANAGEMENT HTTPS://WWW.JJ-BAUER.COM	Unauthorised entities	CSSF (Luxembourg)	
20/01/2016	KMJ LIMITED WWW.KMJLTD.COM	Unauthorised entities	AFM (Netherlands - Holland)	
20/01/2016	WINTON (CLONE) WINTON-INVESTMENTS.CO.UK	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
20/01/2016	SHERMAN CONSULTANCY GROUP WWW.SHERMANCONSULTANCYGROUP.COM	Unauthorised entities	FCA (United Kingdom)	
20/01/2016	RIGHT CAPITAL SERVICES WWW.RIGHTCAPITALSERVICES.COM	Unauthorised entities	FCA (United Kingdom)	
20/01/2016	KIRKWOOD GLOBAL WWW.KIRKWOODGLOBAL.COM	Unauthorised entities	AFM (Netherlands - Holland)	
27/01/2016	SAMSON CAPITAL GROUP WWW.SAMSONCAPITALGROUP.COM	Unauthorised entities	FCA (United Kingdom)	
27/01/2016	MANNEX GLOBAL CORP LLC WWW.MANNEXGLOBAL.NET	Unauthorised entities	FCA (United Kingdom)	
27/01/2016	PROFITSAMLER WWW.PROFIT-SAMLER.COM	Unauthorised entities	DFSA (Denmark)	
10/02/2016	TIGER ASSET MANAGEMENT LLC, BULGARIA (CLONE) TIGER ASSET MANAGEMENT GMBH, AUSTRIA (CLONE) WWW.TIGERASSETMANAGEMENT.NET	Unauthorised entities	BFSC (Bulgaria)	Unrelated to the duly registered entities with similar names
10/02/2016	ACTIVMARKETS WWW.ACTIVMARKETS.COM	Unauthorised entities	AMF (France)	
10/02/2016	MARKET CITY INTER. SRL WWW.BROKERS500.COM	Unauthorised entities	AMF (France)	
10/02/2016	CVC LTD. WWW.CVCGROUPS.COM	Unauthorised entities	AMF (France)	
10/02/2016	INTERNATIONAL CAPITAL MARKETS PTY LTD. WWW.ICMARKETS.COM	Unauthorised entities	AMF (France)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
10/02/2016	RGV MEDIA LTD. WWW.ZARFOREX.COM	Unauthorised entities	AMF (France)	
10/02/2016	MITSUI CREDIT GLOBAL WWW.MITSUICREDIT.COM	Unauthorised entities	AFM (Netherlands - Holland)	
10/02/2016	MILLENNIUM CAPITAL PARTNERS (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
10/02/2016	MALCOLM CONSULTANCY LTD. WWW.MALCOLMLTD.COM	Unauthorised entities	FCA (United Kingdom)	
24/02/2016	OSAKA FINANCIAL WWW.OSAKAFINANCIAL.COM	Unauthorised entities	AFM (Netherlands - Holland)	
24/02/2016	FX-CI LTD. WWW.FX-CI.COM	Unauthorised entities	AFM (Netherlands - Holland)	
24/02/2016	REEF CAPITAL ADVISORS WWW.REEFCAPITALADVISORS.COM	Unauthorised entities	SFSA (Sweden)	
24/02/2016	WHITEHALL CAPITAL GROUP	Unauthorised entities	SFSA (Sweden)	
24/02/2016	GEMINI ACQUISITIONS WWW.GEMINI-ACQUISITIONS.COM	Unauthorised entities	SFSA (Sweden)	
24/02/2016	ESCROW SERVICE GROUP WWW.ESCROWSERVICEGROUP.COM	Unauthorised entities	SFSA (Sweden)	
24/02/2016	QMI FINANCIAL WWW.QMIFINANCIAL.COM	Unauthorised entities	SFSA (Sweden)	
02/03/2016	ROLAND PUCHTA (CLONE) WWW.ROLANDPUCHTA.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
02/03/2016	RESOLUTION INVESTMENTS PLC (CLONE) WWW.RESOLUTION-PLC.CO.UK	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
09/03/2016	FERRIER GROUP	Unauthorised entities	CBICBI (Ireland)	
16/03/2016	EVERCORE (CLONE) WWW.EVERCORE.CO.UK	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
16/03/2016	FRANS TERNIER (CLONE) WWW.FRANSTERNIER.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
23/03/2016	THOMPSON ADVISORS WWW.THOMPSONADVISORS.COM	Unauthorised entities	FCA (United Kingdom)	
23/03/2016	ASPECT FUND MANAGERS PLC (CLONE) WWW.ASPECTFUNDMANAGERS.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
23/03/2016	EDWARD COLLINS ASSOCIATES WWW.EDWARDCOLLINSASSOCIATES.COM	Unauthorised entities	FCA (United Kingdom)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
23/03/2016	RESOLUTION FUND INTERNATIONAL (CLONE) WWW.RESOLUTIONFUNDINTERNATIONAL.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
23/03/2016	FERRIER GROUP WWW.FERRIERGRP.COM	Unauthorised entities	FCA (United Kingdom)	
23/03/2016	WINTON FUND MANAGERS (CLONE) WWW.WINTONFUNDMANAGERS.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
23/03/2016	CROWN CORPORATE CONSULTANTS WWW.CROWNCORPORATECONSULTANTS.COM	Unauthorised entities	FCA (United Kingdom)	
30/03/2016	ASIA PACIFIC LIMITED WWW.ASIAPACIFICLTD.COM	Unauthorised entities	FCA (United Kingdom)	
30/03/2016	DIFFERENT CHOICE FBC INC. HTTPS://DCFXBROKER.COM/	Unauthorised entities	MNB (Hungary)	
30/03/2016	FOREX CLUB INC.	Unauthorised entities	MNB (Hungary)	
30/03/2016	LAUNTON WEALTH WWW.LAUNTONWEALTH.COM	Unauthorised entities	FCA (United Kingdom)	Uses the reference number of a duly registered entity
30/03/2016	WWW.ABBEYSTOCKBROKER.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.ANGELS-INVESTORS.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.ATTRACTIVETRADE.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.BESTEPARGNE.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.BFM-CAPITALS.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.BROKERSOPTIONS-MARKETS.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.BROOKS-PARTNERS.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.CAPITAL-EPARGNE.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.CFEBOURSE.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.ETRADE-SECURITIES.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.FINANCES-CAPITAL.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.INSTA-TRADING.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.INVESTMENTSWISS.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.INVEST-OPTION.COM	Unauthorised entities	AMF (France)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
30/03/2016	WWW.MARKETS-CENTRAL-INVESTMENT.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.OPTION-CAPITALMARKET.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.RBSBOURSE.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.SOLUTION-INVEST.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.SWISS-BANQUE.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.TOTAL-OPTIONS.COM	Unauthorised entities	AMF (France)	
30/03/2016	WWW.TRADECAPITAL.NET	Unauthorised entities	AMF (France)	
06/04/2016	MR JON PAUL HACKWOOD	Unauthorised entities	JFSC (Jersey)	
13/04/2016	W PARKER CONSULTANTS LLC WWW.WPARKERCONSULTANTS.COM	Unauthorised entities	FCA (United Kingdom)	
13/04/2016	GFS MANAGEMENT LIMITED (CLONE) WWW.GFSMANAGEMENTLIMITED.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
13/04/2016	GS LOANS (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
13/04/2016	BEST LOANS LIMITED	Unauthorised entities	FCA (United Kingdom)	
13/04/2016	RUSSELL AND PARTNERS TRUST FINANCIAL MANAGEMENT	Unauthorised entities	AFM (Netherlands - Holland)	
13/04/2016	LOANS TODAY (CLONE) WWW.LOANS-TODAY.ME.UK	Unauthorised entities	FCA (United Kingdom)	
13/04/2016	EXO CAPITAL MARKETS LTD. / GLOBAL FIN SERVICE LTD. WWW.TRADE12.COM	Unauthorised entities	CONSOB (Italy)	
13/04/2016	TITAN TRADE CAPITAL LIMITED / DOM TECHNOLOGY SERVICES LTD. / TITAN TRADE SOLUTIONS LTD. WWW.TITANTRADE.COM	Unauthorised entities	CONSOB (Italy)	
13/04/2016	LIBERUM CAPITAL LIMITED (CLONE) WWW.LIBERUMCAPITALLIMITED.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
20/04/2016	CJR INVESTMENTS WWW.CJRINVESTMENTS.COM	Unauthorised entities	FCA (United Kingdom)	
20/04/2016	BRADLEY & ROGERS / BRADLEY ROGERS LLC WWW.BRADLEYROGERS.COM	Unauthorised entities	FCA (United Kingdom)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
20/04/2016	RUSHMOOR ASSOCIATES WWW.RUSHMOOR-ASSOCIATES.COM	Unauthorised entities	FCA (United Kingdom)	
20/04/2016	I CASH ADVANCE (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
20/04/2016	MTL INDEX HTTP://MTLINDEX.COM/FR/	Unauthorised entities	AMF (France)	
20/04/2016	BANQUE INVESTISSEMENT	Unauthorised entities	FSMA (Belgium)	
20/04/2016	CAPITALCOURTAGE / EICH INVEST LTD. / 10 SPHERES MEDIA LTD. / FIRST CONSULTING SCS	Unauthorised entities	FSMA (Belgium)	
20/04/2016	CEDIE	Unauthorised entities	FSMA (Belgium)	
20/04/2016	E TRADE SECURITIES (CLONE)	Unauthorised entities	FSMA (Belgium)	
20/04/2016	FXSEP / SEP GLOBAL / HEDGE FUNDS LIEGE 2015 / FONDS D´INVESTISSEMENT LIEGE 2015	Unauthorised entities	FSMA (Belgium)	
20/04/2016	G.M. MARKETING GROUP LIMITED / TRADESOLID / G.M. SOFTWARE SOLUTIONS LIMITED	Unauthorised entities	FSMA (Belgium)	
20/04/2016	GCI FINANCIAL LLC / GCI	Unauthorised entities	FSMA (Belgium)	
20/04/2016	LAU GLOBAL SERVICES CORPORATION / MXTRADE / TARIS FINANCIAL CORP.	Unauthorised entities	FSMA (Belgium)	
20/04/2016	NG-BANK / ARIAN FINANCIAL / ALBORG TRADING INC. / KALAHOUSE LIMITED	Unauthorised entities	FSMA (Belgium)	
20/04/2016	OPTION500 / OPTION SOLUTION GROUP LIMITED / OPTION SOLUTION ONLINE LIMITED	Unauthorised entities	FSMA (Belgium)	
20/04/2016	SERVICE QUALITE DES PLATEFORMES BOURSIERES (SQPB)	Unauthorised entities	FSMA (Belgium)	
20/04/2016	STOCK BINARY (CLONE) / STB	Unauthorised entities	FSMA (Belgium)	
20/04/2016	SWISS INVESTMENT (CLONE) / GLOBAL CAPITAL LTD. / T.T.F. / SWISSPARTNERS AG	Unauthorised entities	FSMA (Belgium)	
20/04/2016	TRADING TECHNOLOGIES LTD. / CONSORFX	Unauthorised entities	FSMA (Belgium)	
20/04/2016	ZULUTOYS LTD. / RBOPTIONS / RB SECURED PROCESSING LTD.	Unauthorised entities	FSMA (Belgium)	
27/04/2016	NORBERT MACH (CLONE) WWW.NORBERTMACH.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
27/04/2016	RAYMUND SERVAIS (CLONE) WWW.RAYMUNDSERVAIS.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
27/04/2016	CARLSON & CLARKE MANAGEMENT GROUP WWW.CARLSONANDCLARKE.COM	Unauthorised entities	FCA (United Kingdom)	
27/04/2016	GERARD & ALTERMAN / GERARD AND ALTERMAN (CLONE) WWW.GERARDALTERMAN.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
27/04/2016	FORT GLOBAL FUND MANAGERS (CLONE) WWW.FORTGLOBALFUNDMANAGERS.CO.UK	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
27/04/2016	YAMAZAKI ACQUISITION GROUP	Unauthorised entities	CBI (Ireland)	
27/04/2016	CARLSSON AND CAPEHART GROUP LTD.	Unauthorised entities	CBI (Ireland)	
27/04/2016	CAPITAL TRUST VENTURES WWW.CTVENT.COM	Unauthorised entities	FCA (United Kingdom)	
27/04/2016	INTERNATIONAL MERGERS LLP / INTERNATIONAL MERGERS & ACQUISITIONS LLP WWW.INTERNATIONAL-MERGERS.COM	Unauthorised entities	FCA (United Kingdom)	
04/05/2016	BALMORAL INTERNATIONAL GROUP SA	Unauthorised entities	CONSOB (Italy)	
04/05/2016	VENICE FOREX INVESTMENT DOO WWW.VENICEFOREXINVESTMENT.COM	Unauthorised entities	CONSOB (Italy)	
04/05/2016	CHINA BEIJING MERGERS & ACQUISITIONS CORPORATION WWW.CHINABEIJINGMA.CN.COM	Unauthorised entities	FCA (United Kingdom)	
04/05/2016	GSH SOLUTIONS WWW.FINDWHATINEED.CO.UK WWW.FUTURE-FINANCE.CO.UK WWW.PREMIERLEADS.CO.UK	Unauthorised entities	FCA (United Kingdom)	
04/05/2016	CVC LTD. WWW.CVCGROUPS.COM	Unauthorised entities	CONSOB (Italy)	Unrelated to the duly registered entity with a similar name
11/05/2016	HANS BERNAUER (CLONE) WWW.HANSBERNAUER.COM	Unauthorised entities	CBI (Ireland)	Unrelated to the duly registered entity with the same name
11/05/2016	SCORPION LOANS WWW.SCORPIONLOANS.CO.UK	Unauthorised entities	FCA (United Kingdom)	
11/05/2016	IPC CAPITAL WWW.IPCCAPITAL.COM	Unauthorised entities	SFSA (Sweden)	
11/05/2016	NANKAI GROUP WWW.NANKAIGROUP.COM	Unauthorised entities	SFSA (Sweden)	
11/05/2016	YAMAMOTO INTERNATIONAL WWW.YAMAMOTOINTERNATIONAL.COM	Unauthorised entities	SFSA (Sweden)	
11/05/2016	SHAW, EDWARDS, EMMERSON & KNIGHT LTD. LLP (SEEK LTD. LLC/LLP) WWW.SEEK-LLC.NET	Unauthorised entities	SFSA (Sweden)	
11/05/2016	FALCON ASSET MANAGEMENT WWW.FALCONASSETMGT.COM	Unauthorised entities	FCA (United Kingdom)	
11/05/2016	FINANCIAL SERVICES NET LTD. (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
18/05/2016	HTTP://ALPHACMARKETS.COM/	Unauthorised entities	MFSA (Malta)	

Date	Company to which the warning relates	Type	Regulator	Comments
18/05/2016	SURE MONEY UK (CLONE)	Unauthorised entities	FCA (United Kingdom)	
18/05/2016	MARTIN PRANZ (CLONE) WWW.MARTINPRANZ.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
25/05/2016	NIPPON HOLDINGS (OR NIPPON CAPITAL ASSET MANAGEMENT) OSAKA FINANCIAL FRANKLIN TRANSFER SERVICES ABLE CENTURY LIMITED GLORY JET LIMITED	Unauthorised entities	FSMA (Belgium)	
25/05/2016	MITSUI CREDIT GLOBAL (OR MITSUI CREDITS) RESONA CORPORATE PARTNERS FRANKLIN TRANSFER SERVICES MING FU (HK) INDUSTRIAL LIMITED EKL INTERNATIONAL CO. LIMITED HADID RAVAN CO. LIMITED BAUWAY TECHNOLOGY LIMITED	Unauthorised entities	FSMA (Belgium)	
25/05/2016	HOOVER BRIGHT INDEPENDENT FINANCE ADVISOR AND CC MANUEL TRADING	Unauthorised entities	FSMA (Belgium)	
25/05/2016	GERARD & ALTERMAN (CLONE)	Unauthorised entities	FSMA (Belgium)	Unrelated to the duly registered entity with the same name
25/05/2016	ASIA PACIFIC BROKERAGE SERVICES LIMITED	Unauthorised entities	FSMA (Belgium)	
25/05/2016	SOLAR COURTAGE	Unauthorised entities	FSMA (Belgium)	
25/05/2016	ISLAND FINANCE	Unauthorised entities	FSMA (Belgium)	
25/05/2016	ATLANTIC FINANCE	Unauthorised entities	FSMA (Belgium)	
25/05/2016	GEMINI ACQUISITIONS AND ESCROW SERVICE GROUP	Unauthorised entities	FSMA (Belgium)	
25/05/2016	FUJI CREDIT ASSET MANAGEMENT (OR FUJI CREDIT J-LLC)	Unauthorised entities	FSMA (Belgium)	
25/05/2016	EARNEST & MEDWELL INTERNATIONAL	Unauthorised entities	FSMA (Belgium)	
25/05/2016	BOW FINANCIAL	Unauthorised entities	FSMA (Belgium)	
25/05/2016	APEX EQUITIES, SOUTH-EAST ASIA TRADERS AND SOUTH-EAST ASIA REGISTRAR	Unauthorised entities	FSMA (Belgium)	
25/05/2016	ALFA ONE CORPORATION, THE SOUTHWOOD GROUP AND MICRON ASSOCIATES	Unauthorised entities	FSMA (Belgium)	
25/05/2016	GROSVENOR CAPITAL / GCR CAPITAL WWW.GCRCAPMANAGEMENT.COM	Unauthorised entities	FCA (United Kingdom)	
25/05/2016	SAMEDAY LOANS WWW.SAMEDAY-LOANS.ORG.UK	Unauthorised entities	FCA (United Kingdom)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
25/05/2016	QUICK FINANCERS WWW.QUICKFINANCER.COM WWW.QUICK-FINANCERS.COM	Unauthorised entities	FCA (United Kingdom)	
25/05/2016	UNSECURED LOAN FOR ALL / UNSECURED LOAN 4 ALL (CLONE) WWW.UNSECUREDLOANFORALL.COM WWW.UNSECUREDLOAN4ALL.ORG WWW.UNSECUREDLOANFORALL.NET HTTP://UNSECUREDLOAN4ALL.CO.UK	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
25/05/2016	UNSECURED LOAN CALL ME (CLONE) WWW.UNSECUREDLOANCALLME.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
25/05/2016	CAPSTONE FINANCIAL DEVELOPMENT	Unauthorised entities	CBI (Ireland)	
25/05/2016	WATTERS & PARTNERS LTD. WWW.WATTERSANDPARTNERS.COM	Unauthorised entities	FCA (United Kingdom)	
01/06/2016	ARCHIPEL FUND (CLONE) WWW.ARCHIPELFUND.COM	Unauthorised entities	CBI (Ireland)	Unrelated to the duly registered entity with a similar name
01/06/2016	SCHULZ AND PARTNER (CLONE) WWW.SCHULZANDPARTNER.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
01/06/2016	NIPPON CAPITAL ASSET MANAGEMENT WWW.NIPPONHOLDINGS.COM OSAKA FINANCIAL WWW.OSAKAFINANCIAL.COM	Unauthorised entities	DFSA (Denmark)	
01/06/2016	SEP GLOBAL LIMITED WWW.FXSEP.COM	Unauthorised entities	AMF (France)	
01/06/2016	WWW.MARKETCT.COM	Unauthorised entities	AMF (France)	
01/06/2016	VALTECHFX GLOBAL SOLUTIONS LTD. WWW.VALTECHFX.COM	Unauthorised entities	AMF (France)	
01/06/2016	CITY BANK CFD WWW.CITYBANKCFD.COM	Unauthorised entities	AMF (France)	
08/06/2016	MFG INVESTMENTS (CLONE) WWW.MFGINVESTMENTS.CO.UK	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
08/06/2016	BAUER SCHMIDT & GUENTER (CLONE) WWW.BAUERSCHMIDT-GUENTER.COM	Unauthorised entities	FCA (United Kingdom)	
08/06/2016	CAPITA CONSULT (CLONE) WWW.CAPITACONSULT.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
08/06/2016	TRADITIONAL FUNDS PLC (CLONE) WWW.TRADITIONAL-FUNDSPLC.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
15/06/2016	STANFORD LAW WWW.STANFORDLAWFIRM.COM	Unauthorised entities	FCA (United Kingdom)	

Date	Company to which the warning relates	Type	Regulator	Comments
15/06/2016	COHEN & PARTNERS WWW.COHENANDPARTNERS.COM	Unauthorised entities	FCA (United Kingdom)	
15/06/2016	FUJI CREDIT ASSET MANAGEMENT WWW.FUJICREDIT.COM	Unauthorised entities	AFM (Netherlands - Holland)	
15/06/2016	FAST LOANS NOW (CLONE)	Unauthorised entities	FCA (United Kingdom)	
15/06/2016	LOCKER CAPITAL MANAGEMENT LOCKER GLOBAL MANAGEMENT HTTP://WWW.LOCKER-CM.COM HTTP://LOCKER-CM.COM	Unauthorised entities	CSSF (Luxembourg)	
15/06/2016	SOREN MOLLER HTTP://SOREN-MOLLER.COM	Unauthorised entities	CSSF (Luxembourg)	
22/06/2016	EPIC LOANS (CLONE)	Unauthorised entities	FCA (United Kingdom)	
22/06/2016	WWW.ABROPTION.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.ALLIANZ-BROKERS.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.BANQUE-INVESTISSEMENT.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.BARCLAYSTRADERS.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.CONNECTING-TRADE.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.COLLINSGESTION.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.F-GENERALSECURITIES.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.FINPARI.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.GOINTRADING.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.IBL-MARKETS.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.MICROPTION.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.MYTRADEOPTION.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.SOLUTION-CAPITAL.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.STOCK-BINARY.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.SWITZERLAND-CAPITAL.COM	Unauthorised entities	AMF (France)	
22/06/2016	WWW.SWISSPARTNERS-AG.COM	Unauthorised entities	AMF (France)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
22/06/2016	NOMURA LEVY MERGERS & ACQUISITIONS (CLONE) WWW.NOMURALEVY.COM	Unauthorised entities	FCA (United Kingdom)	
22/06/2016	TFX TRADERS WWW.TFXTRADERS.COM	Unauthorised entities	FCA (United Kingdom)	
22/06/2016	ATHOS INTERNATIONAL MANAGEMENT SPRL EAGLE CREST INSURANCE EAGLE CREST UNDERWRITER	Unauthorised entities	FSMA (Belgium)	
22/06/2016	FINANSOV CONSULT LLC (PREVIOUSLY, TELETRADE SOFIA LLC)	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	BROKERAGE – HRISTO IVANOV SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	24 TRADE SOJSC (PREVIOUSLY, EXUS MARKETS SOJSC)	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	DEALERWEB LLC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	INVESTORS SOJSC (PREVIOUSLY, ASTON MARKETS SOJSC)	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	TRADERXP (TRADERXP LLC)	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	TELETRADE BULGARIA SOJSC, SOFIA	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	INSTAFOREX, RUSSIA	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	HOTFOREX, MAURITIUS	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	CITYCAPITAL LLC, SOFIA	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	BULGARIAN TRADING GROUP, SOFIA	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	KFM CAPITAL INVESTMENTS SOJSC, SOFIA	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	INSTA SOFIA LLC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	ISLANDBAY SERVICES LLC (TRADE NAME BROKER CAPITAL)	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	BROKERS STAR LLC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	BELFOR CAPITAL LLC, SOFIA	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	FX GLORY LLC, PLOVDIV	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	B.M. INVESTMENTS SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	TRADEPLUS SOLUTIONS LLC, MARSHALL ISLANDS	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	TVOY MILLION	Unauthorised entities	BFSC (Bulgaria)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
22/06/2016	PLUSOPTION	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	INTERACTIVE COMPANY SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	ALPHA BROKING SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	TIGER ASSET MANAGEMENT SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	NEW CAPITAL TRUST SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	ATLANTIC CAPITAL SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	ERIDA ASSET MANAGEMENT SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	ROYAL CAPITAL MANAGEMENT SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	PROMETEOS ASSET MANAGEMENT SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	RIGYFIELD CAPITAL MANAGEMENT SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	TIGER ASSET MANAGEMENT LLC, AUSTRIA	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	NEMESIS CAPITAL BG SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	PROSPER GESIT SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	GDMFX EUROPE SOJSC	Unauthorised entities	BFSC (Bulgaria)	
22/06/2016	MIZUHO CORPORATE GLOBAL WWW.MIZUHOGLOBAL.COM	Unauthorised entities	SFSA (Sweden)	
22/06/2016	SHELDEN ASSOCIATES WWW.SHELDENASSOCIATES.COM	Unauthorised entities	SFSA (Sweden)	
22/06/2016	EPHRAIM GLOBAL WWW.EPHRAIMGLOBAL.COM	Unauthorised entities	SFSA (Sweden)	
29/06/2016	CANNON CORPORATE CONSULTANTS WWW.CANNONCORPORATECONSULTANTS.COM	Unauthorised entities	FCA (United Kingdom)	
29/06/2016	SIMPLE FINANCE (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
29/06/2016	STERLING CONSULTANCY OPTIONS (CLONE)	Unauthorised entities	FCA (United Kingdom)	
29/06/2016	BANCO FX WWW.BANCOFX.COM	Unauthorised entities	FCA (United Kingdom)	
29/06/2016	GRUBER & TAYLOR CO	Unauthorised entities	CBI (Ireland)	

Date	Company to which the warning relates	Type	Regulator	Comments
29/06/2016	NOVUS CAPITAL MANAGEMENT (CLONE) WWW.NOVUSCAPITALMARKETS.COM	Unauthorised entities	FCA (United Kingdom)	
06/07/2016	CHESHIRE CAPITAL LTD. WWW.BOSSCAPITAL.COM	Unauthorised entities	CONSOB (Italy)	
06/07/2016	ICLICK LOANS (CLONE) HTTP://WWW.ICLICK-LOANS.COM/INDEX.HTML	Unauthorised entities	FCA (United Kingdom)	
13/07/2016	WESTGATE CONSULTING GROUP WWW.WESTGATECONSULTINGGRP.COM	Unauthorised entities	FCA (United Kingdom)	
13/07/2016	LARSE CAPITAL LTD. WWW.LARSE.COM	Unauthorised entities	SFSA (Sweden)	
13/07/2016	ROYALTON CAPITAL GROUP WWW.ROYALTONCAPITALGROUP.COM	Unauthorised entities	FCA (United Kingdom)	
13/07/2016	RITZCOIN TECHNOLOGIES INC.	Unauthorised entities	CSSF (Luxembourg)	
13/07/2016	THORNTON & TRESK / TT FINANCIAL WWW.TT-FINANCIAL.COM	Unauthorised entities	FCA (United Kingdom)	
13/07/2016	TRADITIONAL FUNDS PLC (CLONE) WWW.TRADITIONAL-FUNDSPLC.COM	Unauthorised entities	CBI (Ireland)	Unrelated to the duly registered entity with the same name
20/07/2016	GO MARKETS (CLONE)	Unauthorised entities	FCA (United Kingdom)	
20/07/2016	5GULDEN CORPORATION LIMITED HTTP://5GULDEN.COM/	Unauthorised entities	MNB (Hungary)	
20/07/2016	5GULDEN CORPORATION LTD. HTTP://5GULDEN.COM/	Unauthorised entities	MNB (Hungary)	
20/07/2016	PORTSEA ASSET MANAGEMENT LLP (CLONE) WWW.PASSETMGT.COM WWW.PORTMNGT.COM WWW.PORTSEAASSET.COM	Unauthorised entities	FCA (United Kingdom)	
27/07/2016	ELLIS & REID INVESTMENTS	Unauthorised entities	CBI (Ireland)	
27/07/2016	CAPITA GROUP (USA)	Unauthorised entities	CBI (Ireland)	
27/07/2016	FARNHAMS CONSULTING GROUP (USA)	Unauthorised entities	CBI (Ireland)	
03/08/2016	HOMEOWNER LOANS / ADVANTAGE LEADS (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
03/08/2016	BIT MANAGEMENT LTD. WWW.BIT-INVEST.COM	Unauthorised entities	FCA (United Kingdom)	
03/08/2016	UNEMPLOYED LOANS WWW.UNEMPLOYEDLOANS.CO.UK	Unauthorised entities	FCA (United Kingdom)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
03/08/2016	COSTELLO & RUBIN LLP WWW.CANDR-LAWYERS.COM	Unauthorised entities	FCA (United Kingdom)	
03/08/2016	UBS GLOBAL INVESTMENT MANAGEMENT LTD. (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
03/08/2016	KAUFMAN FRANZ WEALTH MANAGEMENT (CLONE) WWW.KAUFMANFRANZ.COM U-NEX SOLUTIONS SRL WWW.FOREXBLVD.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with a similar name
03/08/2016	BAUMER MANSOOR FINANCIAL ADVISORY (CLONE) WWW.BAUMERMANSOOR.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
24/08/2016	NATIX BANK WWW.NATIX-LU.COM/1WW/PRIVATE/	Unauthorised entities	CSSF (Luxembourg)	
24/08/2016	PHILIPPE TORRES HTTP://PHILIPPETORRES.COM	Unauthorised entities	CSSF (Luxembourg)	
24/08/2016	BPJ SERVICES WWW.ATTRACTIVETRADE.COM	Unauthorised entities	CONSOB (Italy)	
24/08/2016	WWW.INVESTIREINAZIONI.COM WWW.SEGNALIDITRADING.COM	Unauthorised entities	CONSOB (Italy)	
24/08/2016	DEN DANSKE METODE WWW.DANISHMETHOD.COM	Unauthorised entities	DFSA (Denmark)	
24/08/2016	PAN ASIA PACIFIC MERGERS & ACQUISITIONS (JAPAN)	Unauthorised entities	CBI (Ireland)	
24/08/2016	DFM SERVICES LIMITED WWW.ENTERPRISEINSURANCECLAIM.COM	Unauthorised entities	GFSC (Gibraltar)	This publication does not imply a modification to the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
24/08/2016	CF INVESTMENT FUNDS (CLONE) WWW.CFINVESTMENTFUNDS.CO.UK	Unauthorised entities	FCA (United Kingdom)	
24/08/2016	INTER GLOBAL LIMITED WWW.FX-INTER.COM	Unauthorised entities	FCA (United Kingdom)	
24/08/2016	PIPER JAFFRAY (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
24/08/2016	WHEATON CAPITAL LIMITED (CLONE) WWW.WHEATONCAPITAL.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
24/08/2016	JB TRADE FINANCE (CLONE) WWW.JBTRADEFINANCE.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
24/08/2016	UNITED TRADING MARKETS (UT MARKETS)	Unauthorised entities	BFSC (Bulgaria)	
24/08/2016	CFD GLOBAL LTD.	Unauthorised entities	BFSC (Bulgaria)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
24/08/2016	STP MARKETS	Unauthorised entities	BFSC (Bulgaria)	
24/08/2016	GROVE CAPITAL ADVISORS LTD. WWW.GROVELTD.COM	Unauthorised entities	FCA (United Kingdom)	
24/08/2016	NATIX BANK (CLONE) WWW.NATIX-LU.COM/1WW/PRIVATE/ WWW.NATIX-LU.COM	Unauthorised entities	FCA (United Kingdom)	
24/08/2016	BROKER FINANCIAL LTD. / INVEST-OPTION	Unauthorised entities	FSMA (Belgium)	
24/08/2016	CENTRAL PROVIDER LTD. / CENTRAL OPTION	Unauthorised entities	FSMA (Belgium)	
24/08/2016	GN CAPITAL LTD. / PWRTRADE	Unauthorised entities	FSMA (Belgium)	
24/08/2016	GRAHAM INTERNATIONAL LTD. / BINAT LTD. / PROINVEST	Unauthorised entities	FSMA (Belgium)	
24/08/2016	STERLING CONSULTANCY OPTIONS LTD. (CLONE) / SC-OPTIONS	Unauthorised entities	FSMA (Belgium)	
31/08/2016	CLAYTON & OAKLEY INVESTMENTS (IRELAND)	Unauthorised entities	CBI (Ireland)	
31/08/2016	IBL MARKETS (CLONE) WWW.IBL-MARKETS.COM	Unauthorised entities	FCA (United Kingdom)	
07/09/2016	COSTELLO & RUBIN ATTORNEYS AT LAW (USA)	Unauthorised entities	CBI (Ireland)	
07/09/2016	I.S. SIGNAL TRADER LIMITED WWW.SIGNALTRADER.COM	Unauthorised entities	CONSOB (Italy)	
07/09/2016	ROYAL PRIVATE BANK OF LUXEMBOURG HTTPS://RPBL.LU/	Unauthorised entities	CSSF (Luxembourg)	
07/09/2016	FXMARKETLIVE PTY LTD. HTTP://WWW.FX-MARKETLIVE.COM	Unauthorised entities	CSSF (Luxembourg)	
14/09/2016	LOAN IN A FLASH (CLONE)	Unauthorised entities	FCA (United Kingdom)	
14/09/2016	CREDIT POOR (CLONE)	Unauthorised entities	FCA (United Kingdom)	
14/09/2016	CHIBA & ASSOCIATES WWW.CHIBAASSOC.COM	Unauthorised entities	FCA (United Kingdom)	
14/09/2016	PURPLE LOANS (CLONE)	Unauthorised entities	FCA (United Kingdom)	
14/09/2016	HARGREAVES LANSDOWN (CLONE)	Unauthorised entities	FCA (United Kingdom)	
14/09/2016	THOMAS & JOHNSON CONSULTANCY WWW.THOMASANDJOHNSON.COM	Unauthorised entities	FCA (United Kingdom)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
14/09/2016	DEBT VANISH DEBT RID WWW.DEBTVANISH.CO.UK WWW.NODEBTSNOW.CO.UK WWW.THEDEBTCRUNCHER.CO.UK WWW.DEBTLEAVE.CO.UK WWW.DEBTRID.CO.UK	Unauthorised entities	FCA (United Kingdom)	
14/09/2016	ARBORETIX TRADING LIMITED	Unauthorised entities	CONSOB (Italy)	
14/09/2016	TOUCH TRADES LIMITED	Unauthorised entities	CONSOB (Italy)	
21/09/2016	WWW.B4TRADE.COM	Unauthorised entities	AMF (France)	
21/09/2016	WWW.BOSSCAPITAL.COM	Unauthorised entities	AMF (France)	
21/09/2016	WWW.BREVAN-INVEST.COM	Unauthorised entities	AMF (France)	
21/09/2016	WWW.LIMITED-BINARY.COM	Unauthorised entities	AMF (France)	
21/09/2016	WWW.LOYALBINARY.COM	Unauthorised entities	AMF (France)	
21/09/2016	WWW.SC-OPTIONS.COM	Unauthorised entities	AMF (France)	
21/09/2016	WWW.SWISS-CAPITALINVEST.COM	Unauthorised entities	AMF (France)	
21/09/2016	3G EQUITY PARTNERS	Unauthorised entities	CBI (Ireland)	
21/09/2016	INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE), S.A. (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
21/09/2016	ASHWOOD FINANCE WWW.ASHWOODFINANCE.COM	Unauthorised entities	SFSA (Sweden)	
21/09/2016	ARAI, ENDO AND ASSOCIATES WWW.ARAIENDO.COM	Unauthorised entities	SFSA (Sweden)	
21/09/2016	OSHIRO ASSOCIATES WWW.OSHIROASSOCIATES.COM	Unauthorised entities	SFSA (Sweden)	
21/09/2016	ASASHI MERGERS & ACQUISITION GROUP WWW.ASASHIMA.COM	Unauthorised entities	SFSA (Sweden)	
21/09/2016	INTEGRITY RESEARCH GROUP WWW.INTEGRITYRESEARCHGROUP.COM	Unauthorised entities	SFSA (Sweden)	
21/09/2016	TIX GROUP LTD. / JEDI MARKETING LTD. WWW.TIXFX.COM	Unauthorised entities	CONSOB (Italy)	
21/09/2016	GETTOPTION WWW.GETTOPTION.COM	Unauthorised entities	CONSOB (Italy)	
21/09/2016	GLOBAL REACH LTD. WWW.PROFIT4TRADE.COM	Unauthorised entities	CONSOB (Italy)	
28/09/2016	53OPTION WWW.53OPTION.COM	Unauthorised entities	FSAN (Norway)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
28/09/2016	ALL UK LENDERS (CLONE) ALLUKLENDERS.CO.UK	Unauthorised entities	FCA (United Kingdom)	
28/09/2016	LOAN.CO.UK (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
28/09/2016	SPRING EMPIRE SOLUTIONS LTD. SPRING STRATEGIES LTD. WWW.SUNBIRDFX.COM	Unauthorised entities	CONSOB (Italy)	
28/09/2016	WWW.DODSON-NORWOOD.COM	Unauthorised entities	CONSOB (Italy)	
28/09/2016	EDGEDALE FINANCE WWW.EDGEDALEFINANCE.COM	Unauthorised entities	CONSOB (Italy)	
28/09/2016	EMEXPAY HTTP://WWW.EMEXPAY.COM	Unauthorised entities	MFSA (Malta)	
28/09/2016	QUESTRA HOLDINGS	Unauthorised entities	FSMA (Belgium)	Possible pyramid or Ponzi system. Recommendations of the supervisor in this regard
05/10/2016	CORPORATE LOAN CAPITAL WWW.CORPORATELOANCAPITAL.COM	Unauthorised entities	CSSF (Luxembourg)	
05/10/2016	ASHWOOD FINANCE WWW.ASHWOODFINANCE.COM	Unauthorised entities	AFM (Netherlands - Holland)	
05/10/2016	KENJE GROUP WWW.KENJEGROUP.COM	Unauthorised entities	AFM (Netherlands - Holland)	
05/10/2016	JACOB L. CALLAN WWW.JLCALLAN.COM	Unauthorised entities	AFM (Netherlands - Holland)	
13/10/2016	AMBERFIELD GROUP	Unauthorised entities	FSAN (Norway)	
13/10/2016	DODSON NORWOOD WWW.DODSON-NPRWOOD.COM	Unauthorised entities	FSAN (Norway)	
13/10/2016	INTEGRA OPTION WWW.INTEGRAOPTION.COM	Unauthorised entities	FSAN (Norway)	
13/10/2016	WHEATON CAPITAL WWW.WHEATONCAPITAL.COM	Unauthorised entities	FSAN (Norway)	
13/10/2016	ALFRED LETTNER (CLONE) WWW.ALFREDLETTNER.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
13/10/2016	DMS INVESTMENT MANAGEMENT SERVICES WWW.DMSMANAGEMENT.EU	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
13/10/2016	UTILITY BILL SOLUTIONS	Unauthorised entities	FCA (United Kingdom)	
13/10/2016	MORGAN STANLEY / MORGAN STANLEY & CO. LTD. (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
13/10/2016	FXGLORY LTD. WWW.FXGLORY.COM	Unauthorised entities	CONSOB (Italy)	
13/10/2016	CFI HOLDING GROUP WWW.SYSTYS.NET	Unauthorised entities	CONSOB (Italy)	
13/10/2016	FLEXY FINANCE (CLONE)	Unauthorised entities	FCA (United Kingdom)	
13/10/2016	KNIGHT COVER WWW.KNIGHTCOVER.COM	Unauthorised entities	FCA (United Kingdom)	
13/10/2016	APEX UK LOAN WWW.APEXUKLOAN.COM	Unauthorised entities	FCA (United Kingdom)	
13/10/2016	SOUTH FINANCE(CLONE)	Unauthorised entities	FCA (United Kingdom)	
19/10/2016	LOANFACTORY (CLONE)	Unauthorised entities	FCA (United Kingdom)	
19/10/2016	CARLEASE LTD. (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
19/10/2016	FEDERATED MUTUAL INSURANCE UK WWW.FEDMIC.COM	Unauthorised entities	FCA (United Kingdom)	
19/10/2016	BRITS FINANCE (CLONE) WWW.BRITSFINANCE.COM	Unauthorised entities	FCA (United Kingdom)	
19/10/2016	KNIGHT CAPITAL MARKETS WWW.KNIGHTCAPITALMARKETS.COM	Unauthorised entities	FCA (United Kingdom)	
19/10/2016	PRUDENTIAL CONSULTANTS / PRUDENTIAL GROUP WWW.PRUDENTIALCONSULTANTS.COM	Unauthorised entities	FCA (United Kingdom)	
19/10/2016	SHAKS SPECIALIST CARS (CLONE)	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
19/10/2016	DEBT FRIENDLY (CLONE)	Unauthorised entities	FCA (United Kingdom)	
19/10/2016	ORIGINAL MARKETS LTD. WWW.BLOOMCAPITALMARKETS.COM	Unauthorised entities	AMF (France)	
19/10/2016	MARSHALL ADVANCED INNOVATION LTD. / JOSHUA CONSULTING LTD. WWW.KSFTRADE.COM	Unauthorised entities	AMF (France)	
19/10/2016	UTC INVEST WWW.UTCINVEST.COM	Unauthorised entities	AMF (France)	
19/10/2016	ARBORETIX TRADING LIMITED / VORTEX ASSETS CORPORATION WWW.VORTEXASSETS.COM	Unauthorised entities	CONSOB (Italy)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
19/10/2016	ZIDEX FINANCIALS HTTP://WWW.ZIDEXFINANCIALS.COM	Unauthorised entities	CSSF (Luxembourg)	
26/10/2016	CORPSERV (CLONE) WWW.CORPSERVGMBH.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
26/10/2016	TITANIUM WEALTH MANAGEMENT WWW.TITANIUM-WEALTH.COM	Unauthorised entities	FCA (United Kingdom)	
26/10/2016	MILLIONET INVESTMENT MANAGEMENT LIMITED HTTP://WWW.MILLIONETASIA.COM	Unauthorised entities	CSSF (Luxembourg)	
26/10/2016	TELFORD AND BERNSTEIN WWW.TELFORDANDBERNSTEIN.COM	Unauthorised entities	FCA (United Kingdom)	
26/10/2016	ADEXEC LOANS & FINANCIAL SOLUTIONS (CLONE) HTTP://WWW.ADEXECONLINELOANFINANCE.ORG.UK/	Unauthorised entities	FCA (United Kingdom)	
26/10/2016	TREASURY ADVISORY GROUP	Unauthorised entities	FCA (United Kingdom)	
26/10/2016	PAN ASIA PACIFIC MERGERS AND ACQUISITIONS HTTP://WWW.PANASIABROKERS.COM	Unauthorised entities	FCA (United Kingdom)	
26/10/2016	FARNHAMS CONSULTING GROUP WWW.FARNHAMSGROUP.COM	Unauthorised entities	FCA (United Kingdom)	
26/10/2016	SLS TRADE WWW.SLSTRADE.COM	Unauthorised entities	FCA (United Kingdom)	
26/10/2016	BRADLEY & NOWELL LLC WWW.BRADLEYNOWELL.COM	Unauthorised entities	FCA (United Kingdom)	
26/10/2016	PROVIDENT CAPITAL MANAGEMENT HTTP://WWW.PROVIDENT-TRADING.COM/	Unauthorised entities	MFSA (Malta)	
02/11/2016	CLAYTON & FISHER ADVISORS WWW.CLAYTONFISHERADVISORS.COM	Unauthorised entities	FCA (United Kingdom)	
02/11/2016	ALGEBRA INVESTMENTS S.A. WWW.ALGEBRAINVEST.COM	Unauthorised entities	CSSF (Luxembourg)	
02/11/2016	TRADINGBANKS - GRIZZLY LIMITED WWW.TRADINGBANKS.COM	Unauthorised entities	MFSA (Malta)	
02/11/2016	MXTRADE - GRIZZLY LIMITED HTTP://WWW.MXTRADE.COM/	Unauthorised entities	MFSA (Malta)	
02/11/2016	MY MONEY SOLUTIONS WWW.MYMONEYSOLUTIONS.CO.UK	Unauthorised entities	FCA (United Kingdom)	
10/11/2016	ONO VENTURES (JAPAN)	Unauthorised entities	CBI (Ireland)	
10/11/2016	MONEX BMO SECURITIES WWW.MONEXFINANCIAL.COM	Unauthorised entities	AFM (Netherlands - Holland)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
10/11/2016	WWW.THEPROFITSALGORITHM.COM	Unauthorised entities	CONSOB (Italy)	
10/11/2016	WWW.ITALIANMETHOD.COM WWW.DIAMONEO.COM WWW.DIAMONDTHRUST.COM WWW.BOURSODIAMANTS.COM WWW.GEMONEO.COM WWW.INVESTISSEMENTDIAMANT.COM WWW.DIAMONING.COM WWW.RUEDUDIAMANT.COM WWW.DIAMONDSEXCHANGES.COM	Unauthorised entities	CONSOB (Italy)	
10/11/2016	CARMANN, REED, EDWARDS ASSOCIATES LAWYERS / TUNNER GRANT & ASSOCIATES / CARMANN CONSULTANCY SERVICES	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
10/11/2016	DODSON NORWOOD / KIMBALL GROUP INTERNATIONAL LIMITED / PVSS HOLDINGS LIMITED	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
10/11/2016	EPHRAIM GLOBAL / BOLTIN LIMITED / HAMBERG LIMITED	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
10/11/2016	FRANK BOSSUYT & PARTNERS (CLONE)	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
10/11/2016	HASEGAWA FINANCIAL HOLDINGS / ELANTRA LIMITED / JEC INVESTMENT LIMITED / UNITED EQUITY CLEARING LTD.	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
10/11/2016	ICSID (INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES)	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
10/11/2016	NEWTON INVEST / JH TRADING / RT TRADING / GS INFO	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
10/11/2016	OSHIRO ASSOCIATES	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
10/11/2016	PARKWELL & COMPANY INC.	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
10/11/2016	SHAW, EDWARDS, EMMERSON & KNIGHT	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
10/11/2016	WALDMANN ASSET MANAGEMENT / CARDAN LIMITED / CEDAN LIMITED / GRANDWIC LIMITED / LESTON LIMITED / MANRICH LIMITED / MUTUAL HOPE LIMITED / OXRED LIMITED / TRICORP LIMITED	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
10/11/2016	WALLACE ASSOCIATED INC.	Unauthorised entities	FSMA (Belgium)	Warning against unauthorised entities that offer investment services (boiler rooms) and entities that offer their help to victims of fraud to recover their investment (recovery rooms)
16/11/2016	PIORTELLO LTD.	Unauthorised entities	CONSOB (Italy)	
16/11/2016	GO24INVEST	Unauthorised entities	CONSOB (Italy)	
23/11/2016	M J ANSEN (CLONE) WWW.MJ-ANSEN.COM	Unauthorised entities	FCA (United Kingdom)	
23/11/2016	WATKINS CONSULTANCY LTD. WWW.WATKINSCONSULTANCYLTD.COM	Unauthorised entities	FCA (United Kingdom)	
23/11/2016	NEMESIS CAPITAL LIMITED NEMESIS CAPITAL BG LIMITED WWW.ALFATRADE.COM	Unauthorised entities	CONSOB (Italy)	
23/11/2016	LAWSON MANAGEMENT GROUP LLC (USA)	Unauthorised entities	CBI (Ireland)	
30/11/2016	SSW MARKET MAKING GMBH WWW.SSWMARKETMAKINGGMBH.COM	Unauthorised entities	FCA (United Kingdom)	
30/11/2016	PEARSON GLOBAL MARKETS / PEARSON PRIVATE CLIENTS WWW.PEARSONPRIVATECLIENTS.COM	Unauthorised entities	FCA (United Kingdom)	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
30/11/2016	SEARCH LOANS LTD. HTTP://SEARCHLOANSLTD.CO.UK/	Unauthorised entities	FCA (United Kingdom)	
30/11/2016	THE LOAN LENDERS WWW.THELOANLENDERS.CO.UK	Unauthorised entities	FCA (United Kingdom)	
07/12/2016	AVALON CONSULTANCY WWW.AVALONCONSULTANCY.COM	Unauthorised entities	FCA (United Kingdom)	
07/12/2016	ALGO CAPITALS (CLONE) WWW.ALGOCAPITALS.COM	Unauthorised entities	FCA (United Kingdom)	
07/12/2016	RHODIUM FOREX / WR TRADE WWW.RHODIUM-FOREX.COM	Unauthorised entities	FCA (United Kingdom)	
07/12/2016	KOJIMA VENTURES WWW.KOJIMAVT.COM WWW.KOJIMAVENTURES.COM	Unauthorised entities	FCA (United Kingdom)	
07/12/2016	MIYAKE GOULD MERGERS AND ACQUISITIONS WWW.MIYAKEGOULD.COM	Unauthorised entities	FCA (United Kingdom)	
07/12/2016	DVP CONSULTING GMBH (CLONE) WWW.DVPCONSULTING.CO.UK	Unauthorised entities	FCA (United Kingdom)	
07/12/2016	ZIMMERMANN GLOBAL (CLONE) WWW.ZIMMERMANNGLOBAL.COM	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name
07/12/2016	TOTALLY MONEY (CLONE)	Unauthorised entities	FCA (United Kingdom)	
07/12/2016	WESTBURN FINANCE (CLONE)	Unauthorised entities	FCA (United Kingdom)	
07/12/2016	ORIX CAPITAL TRADING WWW.ORIXTRADING.COM	Unauthorised entities	AFM (Netherlands - Holland)	
14/12/2016	ERNST HOFSETTER ASSET MANAGEMENT (CLONE) WWW.ERNSTHOFSETTER.COM	Unauthorised entities	FCA (United Kingdom)	
14/12/2016	REINHARD HOFER INTERNATIONAL / REINHARD HOFER VENTURE PARTNERS (CLONE) WWW.REINHARDHOFER.COM	Unauthorised entities	FCA (United Kingdom)	
14/12/2016	NOVOSTAR FINANCE CO LTD. HTTP://WWW.NOVOSTARFIN.N.NU/	Unauthorised entities	FCA (United Kingdom)	
14/12/2016	LAWSON MANAGEMENT GROUP LLC WWW.LAWSONMANAGEMENTGRP.COM	Unauthorised entities	FCA (United Kingdom)	
14/12/2016	ALPHA INNOVATIVE STRATEGIES LTD. HTTP://WWW.IA-PATRIMOINE.COM	Unauthorised entities	CSSF (Luxembourg)	Unrelated to the duly registered entity with a similar name

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
14/12/2016	PEL LTD. / KAKAO LTD. WWW.EASYINVESTMENT500.COM	Unauthorised entities	CONSOB (Italy)	
14/12/2016	LM SWISS GROUP LTD. (OPERATING UNDER THE SWISSFXTRADING BRAND) WWW.SWISSFXTRADING.COM	Unauthorised entities	CONSOB (Italy)	
14/12/2016	LM SWISS DIRECT LTD. (OPERATING UNDER THE SWISSFXTRADING, SWISSFXPRO AND LM SWISS BRANDS) WWW.SWISSFXTRADING.COM WWW.SWISSFXPRO.COM WWW.LMSWISS.COM	Unauthorised entities	CONSOB (Italy)	
21/12/2016	GVQ INVESTMENT FUNDS (DUBLIN) PLC (CLONE) WWW.GVQINVESTMENTFUNDS.COM	Unauthorised entities	CBI (Ireland)	Unrelated to the duly registered entity with the same name
28/12/2016	COINSPACE LTD. HTTP://WWW.COINSPACE.EU/	Unauthorised entities	MFSA (Malta)	
28/12/2016	SFILBANK WWW.SFILBANK.COM	Unauthorised entities	CSSF (Luxembourg)	
28/12/2016	TOKACHI GROUP WWW.TOKACHIGROUP.COM	Unauthorised entities	SFSA (Sweden)	
28/12/2016	LEXUS GROUP WWW.LEXUSGROUP.COM	Unauthorised entities	SFSA (Sweden)	
28/12/2016	NIKKO-DESJARDINS ASSET MANAGEMENT WWW.NIKKOHOLDINGS.COM	Unauthorised entities	SFSA (Sweden)	
28/12/2016	WWW.PROFITMAXIMIZER.COM	Unauthorised entities	CONSOB (Italy)	
28/12/2016	DSMG LTD. / EUROPE RIDGE EOOD WWW.BINARYBROKERZ.COM	Unauthorised entities	CONSOB (Italy)	
28/12/2016	EVOLUTION TRADE LP / REVOLUTION MARKETS LP WWW.EXXONFX.COM	Unauthorised entities	CONSOB (Italy)	
28/12/2016	INTERNATIONAL PARTNERS	Unauthorised entities	CONSOB (Italy)	
28/12/2016	GMI BQ LTD. WWW.GMIBANQUE.COM	Unauthorised entities	CONSOB (Italy)	
28/12/2016	MONEY MATCHER LTD. WWW.MONEYMATCHERCLAIMS.CO.UK	Unauthorised entities	FCA (United Kingdom)	
28/12/2016	IBA MARKETS / INTERNATIONAL BROKERS ASSOCIATION MARKET WWW.IBAMARKETS.COM	Unauthorised entities	FCA (United Kingdom)	
28/12/2016	CAMPTON CAPITAL PARTNERS WWW.CAMPTONCAPITALPARTNERS.COM	Unauthorised entities	FCA (United Kingdom)	
28/12/2016	GRACEFUL MOTORS LTD. WWW.GRACEFULMOTORS.CO.UK	Unauthorised entities	FCA (United Kingdom)	
28/12/2016	EINSTEIN TRANSFER LTD. WWW.EINSTEINTRANSFER.COM	Unauthorised entities	FCA (United Kingdom)	
28/12/2016	PENFLOW LTD. (CLONE) WWW.PENFLOW.NET	Unauthorised entities	FCA (United Kingdom)	Unrelated to the duly registered entity with the same name

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
28/12/2016	FINANCE 2ALL (CLONE) WWW.FINANCE2ALL.COM	Unauthorised entities	FCA (United Kingdom)	
28/12/2016	CAPITAL BRIDGING FINANCE NO.1 LIMITED (CLONE) WWW.CAPITALFINANCENO1.COM	Unauthorised entities	FCA (United Kingdom)	
02/03/2016	SUNDRY LUXEMBOURG	Other warnings	CSSF (Luxembourg)	Warning in relation to an issue performed by Oil & Gas Invest Ag
09/03/2016	SUNDRY FRANCE	Other warnings	AMF (France)	Warning on unauthorised binary options platforms. They copy information from duly registered entities
13/04/2016	SUNDRY BELGIUM	Other warnings	FSMA (Belgium)	Warning against entities that offer their help to victims of fraud to recover their investment (recovery rooms)
20/04/2016	SUNDRY ITALY	Other warnings	CONSOB (Italy)	Unauthorised issues
01/06/2016	SUNDRY FRANCE	Other warnings	AMF (France)	Warning in relation to the "Preditrend" advertising campaign and binary options
13/07/2016	SUNDRY ITALY	Other warnings	CONSOB (Italy)	Unauthorised issues
03/08/2016	SUNDRY ITALY	Other warnings	CONSOB (Italy)	Unauthorised issues
03/08/2016	U-NEX GLOBAL LTD.	Other warnings	CONSOB (Italy)	
24/08/2016	SUNDRY ITALY	Other warnings	CONSOB (Italy)	Unauthorised issues
21/09/2016	SUNDRY ITALY	Other warnings	CONSOB (Italy)	
28/09/2016	SUNDRY ITALY	Other warnings	CONSOB (Italy)	
19/10/2016	SUNDRY ITALY	Other warnings	CONSOB (Italy)	
10/11/2016	SUNDRY ITALY	Other warnings	CONSOB (Italy)	
10/11/2016	BLUE STONE LTD.	Other warnings	AMF (France)	Warning about offer of investment in diamonds
23/11/2016	SUNDRY DENMARK	Other warnings	DFSA (Denmark)	Warning against the confusion/copy of the website of the authorised entity BLS Capital Fondsmæglerselskab A/S
14/12/2016	SUNDRY ITALY	Other warnings	CONSOB (Italy)	
28/12/2016	SUNDRY ITALY	Other warnings	CONSOB (Italy)	

Legislative annexes

A Spanish legislation

A.1 Spanish Securities Market Commission

CNMV Board Resolution, of 20 April 2016, amending the CNMV's Internal Regulation.

The recent economic crisis revealed the close link between the stability of the financial system and capital markets. In this regard, the CNMV's Internal Regulation is amended so as to explicitly assign to the Directorate-General of Strategic Policy and International Affairs the functions of analysis and monitoring of financial stability relating to capital markets and coordination of the macro-prudential activities that the CNMV has already been performing in practice.

It also amends the Internal Regulation in relation to the powers of the Resolution Unit under the Directorate-General of Strategic Policy and International Affairs, extending its functions to all the CNMV's powers with regard to resolution.

It also adds greater detail in the Internal Regulation on certain tasks that are currently being performed by the different directorates. The Internal Regulation is also amended so as to entrust the exercise of the functions of supervision and inspection of persons and entities that breach reservations of names or activities in current legislation to the Investor Department, which forms part of the Directorate-General of Legal Affairs. Similarly, the National Securities Numbering Agency now falls under the Directorate-General of Markets.

Finally, the references made in this Internal Regulation to the Securities Market Act are replaced by the corresponding provisions of the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, and any material error detected in the previous version is corrected.

CNMV Resolution, of 23 September 2016, amending Annex I of the Resolution of 16 November 2011, creating and regulating the CNMV's Electronic Register.

By means of this Resolution, the following processes are added to the list of Annex I of the CNMV Resolution of 16 November 2011 (amended by the CNMV Resolutions of 28 February 2012, 31 October 2012, 4 October 2013 and 12 March 2014):

– EEA: issue and admission proceedings.
– EXD: entity proceedings documentation.
– FIA: Information on alternative investment funds.

This Resolution will enter into force on the day of its publication in the *BOE* (Official State Gazette).

CNMV Agreement, of 22 December 2016, on delegation of powers.

In accordance with the provisions of Article 25(1)(g), Article 25(2)(d) and Article 26(2)(e) of the Securities Market Act, whose recast text was approved by Royal Legislative Decree 4/2015, of 23 October, and of Article 9 of Law 40/2015, of 1 October, on the Legal Regime of the Public Sector, the CNMV Board, in its meeting held on 22 December 2016, decided to delegate certain powers in favour of the Chairperson, Vice-Chairperson and the Executive Committee.

This delegation of powers is given within the scope of the Directorate-General of Markets, in the scope of the Directorate-General of Strategic Policy and International Affairs, in the scope of the Directorate-General of Entities, and in the scope of the Directorate-General of the Legal Service and Secretariat of the Board. It also provides for other general delegations of powers.

A.2 Market infrastructures

CNMV Circular 1/2016, of 16 March, establishing the requirements for exempting certain issuers of shares exclusively traded on a multilateral trading facility from requesting their admission to trading on a regulated market.

This Circular, which entered into force on 7 April, aims to determine the exceptions to what is known as the "Lift Act", i.e., to establish the requirements in order to exempt certain issuers of shares traded exclusively on a multilateral trading facility (MTF) - for example the MAB (alternative stock market) - from the obligation to request admission to an official market when they have a capitalisation greater than 500 million euros over a continuous period in excess of six months.

The Circular introduces two exceptions:

– General exception.

  i) For companies of a strictly financial or investment nature (CIS regulated by Law 35/2003, venture capital undertakings and other firms regulated by Law 22/2014 and SOCIMIs (Spanish real estate investment trusts).

  ii) For companies with a capitalisation greater than 500 million euros over a continuous period in excess of six months.

  iii) For companies with a threshold and distribution among the public of less than 25% of the share capital. Treasury stock, shares held by directors and holdings less than 3% are excluded from the calculation used for this threshold.

  This exemption will be maintained while this last requirement is met.

– Additional exception for CIS when most trading is carried out at the net asset value.

Depending on how the shares are traded on the MTF, CIS regulated by Law 35/2003 may benefit from an additional exception. The basis for this exception is that when most of the trading is carried out at net asset value (where the price is determined by legislation), the guarantees that may result from listing of the CIS on stock markets become unnecessary.

Companies may benefit from this exception if during the six-month period in which capitalisation exceeded the threshold, either:

i) Trading in which the price was fixed by matching orders is less than 50% of the total traded volume and the rest of the trading was carried out at net asset value; or

ii) The transactions in which the price was fixed by matching orders have been executed within a weighted average range no more than 3% above or below the net asset value of the CIS on the trade day and on no more than 50% of the sessions in which there has been trading through this system.

The governing entity of the multilateral trading facility is responsible for verifying that the requirements are met for applying the general exception or the additional exception.

Regulation of the Sociedad de Sistemas

This Regulation was published in the *BOE* (Official State Gazette) on 3 May 2016. It replaces the Regulation on Organisation and Operation which, based on an Internal Regulation of the Securities Clearing and Settlement Service, approved by the General Meeting on 28 April 1992, was subsequently amended and transformed into the Regulation of the Sociedad de Sistemas by means of Ministerial Order ECO/689/2003, of 27 March, Ministerial Order EHA/2054/2010, of 26 May, and Ministerial Order ECC/680/2013, of 8 April.

The new Regulation is framed within the context of the reform of the Spanish clearing and settlement system, which was promoted by Law 32/2011, of 4 October, and which culminated with the first final provision of Law 11/2015, of 18 June, with the aim of achieving certain standardisation of post-trading activities in Spain with the structures of our main European partners. In addition, within the context of the European Union, the Regulation incorporates the adaptations resulting from Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (Central Securities Depositories Regulation).

The content of this Regulation is defined by the provisions of Article 101 of the Securities Market Act. In addition, in compliance with the requirements of Article 3 c) of Law 41/1999, of 12 November, on Securities Payment and Settlement Systems, this Regulation contains the rules for joining and for operation of the ARCO Securities Settlement System.

It also led to an amendment of the Regulation of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U., approved on 3 May 2016 and included in the *CNMV Bulletin* covering the first four months of the year, which introduces amendments to the articles relating to the special and optional procedure of financial intermediaries (published in the *BOE* (Official State Gazette) on 18 August).

CNMV Circular 5/2016, of 27 July, which amends Circular 9/2008, of 10 December, on accounting standards, confidential and public financial statements and annual accounts of governing companies of official secondary markets, excluding the Bank of Spain, of the governing bodies of multilateral trading facilities, of the Sociedad de Sistemas, of central counterparties, of the Sociedad de Bolsas, of companies which hold all the shares in governing bodies of official secondary markets and multilateral trading facilities, and of other clearing and settlement systems of markets which are created pursuant to the provisions of the Securities Market Act.

This Circular aims to adapt accounting and financial reporting standards in Spain to the criteria established by the European Union, which has defined new obligations for national market infrastructures with the aim of making post-trade services more efficient and standardised.

The reform of the Spanish securities clearing, settlement and registry system, which has made it possible to achieve greater competitiveness and to bring Spanish post-trade activities in line with the structures of other European countries, introduces a series of new aspects that directly affect operations and, therefore, the accounting of transactions by entities subject to compliance with this Circular. The new aspects include the following:

– Mandatory involvement of a central counterparty in multilateral transactions on official secondary markets and multilateral trading facilities for the securities determined by regulations.

– The replacement of the system of guarantees managed by the central securities depository by a margin system managed by the central counterparty.

– The management of settlement fails when a central counterparty is involved.

The main aim of the amendment of this Circular is thus to adapt the financial accounting and reporting framework for national market infrastructures to certain requirements resulting from European legislation and to the new structure defined by the reform of post-trade services. Based on the above, this Circular brings together the amendments set out below:

– The specific accounting criteria are adapted to the reality of the new securities clearing, settlement and registry system.

– It establishes, for the first time, a model quarterly form for the confidential statement of minimum requirements of own funds for central counterparties and for central securities depositories, in compliance with the EMIR and CSDR Regulations, respectively.

  Furthermore, for the purposes of exercising the CNMV's supervisory functions, in accordance with the provisions of Article 233 of the Securities Market Act, with regard to governing companies of official secondary markets and multilateral trading facilities maintaining sufficient financial resources to facilitate their orderly functioning, bearing in mind the nature and scope of the operations performed in those trading venues and the type and level of risk to which they are exposed, the Circular incorporates a new own funds statement, which will be drawn up following best international practices, without this requiring the maintenance of a certain level of own funds.

– Some models of financial statements are updated in order to include a greater breakdown of components or to adapt them to the new operations that entities will perform. Noteworthy in this regard is the inclusion of a new heading in the profit and loss account entitled "Direct variable costs of the transactions" placed below, and subtracted from, the revenue headings, such that a "net revenue" sub-total is obtained that better reflects the trading of market infrastructures. This heading will include the directly incremental costs attributable to the provision of a service, such as costs that depend on the volumes of trading or settlement or those from revenue sharing arrangements.

– The administrative burden of the formalities of certification and filing of financial statements with the CNMV is simplified through the amendment of aspects relating to the validation of the information. In addition, the Circular specifies that public financial statements must be approved by the company's board of directors.

This Circular entered into force on 1 October 2016.

The Circular consists of one single rule amending CNMV Circular 9/2008, of 9 December, and one final provision.

A.3 Investment firms and credit institutions

Bank of Spain Circular 2/2016, of 2 February, to credit institutions on supervision and solvency, which completes the adaptation of Directive 2013/36/EU and Regulation (EU) No. 575/2013 to Spanish law.

The Circular represents another of the steps taken in Spain to adapt domestic law to the most pressing issues provided for in Directive 2013/36/EU, following: i) Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union legislation on supervision and solvency of financial institutions; ii) Circular 2/2014, of 31 January, on the exercise of various regulatory options contained in Regulation (EU) No. 575/2013, amended in relation to the treatment of the deduction of intangible assets over the transitional period given by Bank of Spain Circular 3/2014, of 30 July; iii) Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions; and iv) Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions.

The Circular consolidates and organises disperse legislation into one single text, which enhances the quality of Spanish banking regulation and adapts it to all of the requirements resulting from implementation, through Council Regulation (EU) No. 1024/2013, of 15 October 2013, on the Single Supervisory Mechanism (SSM), currently comprising the European Central Bank (ECB) and the competent national authorities, including the Bank of Spain, and which forms one of the three pillars of the Banking Union, together with the recently created "Single Resolution Mechanism" and the harmonised deposit insurance system, which is currently being developed.

This Circular entered into force on the day following that of its publication in the *BOE* (Official State Gazette).

CNMV Circular 3/2016, of 20 April, amending Circular 7/2011, of 12 December, on the fee prospectus and content of standard contracts.

Circular 3/2016 amends Circular 7/2011, of 12 December, on the fee prospectus and content of standard contracts, which came into force on the following day.

Circular 3/2016 aims to amend Circular 7/2011 as in some cases the fees set by entities for security transfers were considered high, which harms the principle of proportionality with the quality of the service provided and may in some cases hinder competition (the transfer fee must never act as a penalty or deterrent and its purpose, as with the other items included in the fee prospectus, may only be to provide remuneration in proportion to the service provided by the entity).

It was therefore deemed necessary to amend Circular 7/2011 in two basic aspects: i) amending the calculation base in order to guarantee reasonable application of the principle of proportionality and ii) including the possibility of passing on the charges and fees for transfers collected by settlement and registry systems.

Bank of Spain Circular 4/2016, of 27 April, amending Circular 4/2004, of 22 December, to credit institutions on standards of public and confidential financial reporting and standard forms of the financial statements, and Circular 1/2013, of 24 May, on the Risk Information Centre.

This Circular "is adapted to the accounting framework established by the International Financial Reporting Standards adopted by EU regulations (IFRS)". As indicated in the Circular: "the aim of this Circular is to update Circular 4/2004, mainly Annex IX, in order to adapt it to the latest developments in banking regulation, maintaining its full compatibility with the accounting framework established by the IFRS". The update is an appropriate and reasonable response to several amendments to banking regulation, such as the amendment to Article 39.4 of the Code of Commerce, the approval of Royal Decree 878/2015, of 2 October, or "the 2015 update of the Basel Committee on Banking Supervision Guidance on credit risk and accounting for expected credit losses".

Amendment of Circular 1/2013 is necessary in order to "adapt its reporting requirements to the changes introduced to Circular 4/2004 by this Circular".

Finally, the body of the Circular contains the following rules: Rule One, "which introduces amendments to several rules of Circular 4/2004"; Rule Two, with "amendments to Annexes I, III, IV, V and IX of the aforementioned Circular 4/2004"; Rule Three, which "amends the body of Circular 1/2013"; and Rule Four, aimed at "amending Annexes 1 and 2 of Circular 1/2013". It also has two transitional provisions relating to "the first application of the new accounting criteria and the submission of individual confidential statements up to 31 December 2016, respectively", a final provision relating to its entry into force and three annexes.

Bank of Spain Circular 6/2016, of 30 June, to credit institutions and financial credit establishments, determining the content and format of the "Financial Reporting-SME" document and specifying the risk rating methodology provided for in Law 5/2015, of 27 April, on promoting business financing.

One of the reasons making it difficult to promote and encourage the financing of small and medium-sized enterprises (hereinafter SMEs) - an objective established in Law 5/2015, of 27 April, on promoting business financing - is the information asymmetry faced by credit institutions when they grant financing to SMEs, which makes the necessary work of assessing their risk more complicated and expensive.

With the aim of making the information comparable and reliable, Law 5/2015, of 27 April, entrusts the Bank of Spain both to specify the content and the format of the aforementioned document and to draw up a standardised methodology for assessing the credit quality of SMEs and freelance workers in order to obtain a risk rating.

This Circular entered into force on 11 October 2016.

A.4 Collective investment schemes, securitisation funds and venture capital undertakings

CNMV Circular 2/2016, of 20 April, on accounting standards, annual accounts, public financial statements and confidential statements of statistical information on securitisation funds.

This Circular aims to regulate specific accounting standards, annual accounts, public financial statements and confidential statements of statistical information of securitisation funds.

Circular 2/2016 repeals:

- Circular 2/2009 on accounting standards, annual accounts, public financial statements and confidential statements of statistical information on securitisation funds.

- Circular 4/2010, amending Circular 2/2009 on accounting standards, annual accounts, public financial statements and confidential statements of statistical information on securitisation funds.

- Circular 6/2014, partially amending Circular 2/2009 on accounting standards, annual accounts, public financial statements and confidential statements of statistical information on securitisation funds.

This Circular came into force on the day following that of its publication in the *BOE* (Official State Gazette). All the information under the scope of this Circular provided to the CNMV with reference to periods ending after 1 October 2016 shall comply with the content, form and system for submission established in this Circular.

Circular 4/2016, of 29 June, on the functions of depositories of collective investment schemes and entities regulated by Law 22/2014, of 12 November, regulating venture capital entities, other closed-end collective investment schemes and their management companies, and amending Law 35/2003, of 4 November, on Collective Investment Schemes (CIS).

This Circular aims to complete the regulation of CIS depositories by integrating certain technical aspects.

To this end, Section 1 of the Circular establishes the scope, which covers both CIS depositories and the depositories of entities regulated by Law 22/2014.

Section 2 regulates the custody and administration and cash control functions, as well as specific aspects and exceptions in the performance of these functions, applicable to the depository of entities regulated under Law 22/2014 on hedge funds.

Section 3 specifies technical aspects relating to the general regime applicable to the supervision and oversight function of the depository, once again taking into account the features specific to the performance of this function in entities regulated under Law 22/2014. In addition, with the aim of simplifying and unifying the legislation on depositories, this Section includes the requirements and model forms that were included in CNMV Circular 3/2009, of 25 March.

Finally, it determines the procedure for calculating the minimum liquidity ratio of 1% of total assets that must be held by CIS, as well as the qualifying categories of liquid assets.

CNMV Circular 4/2016, of 29 June, amends Rule 7 and replaces Annex 8 of CNMV Circular 4/2008, of 11 September, on the content of the quarterly, half-yearly and annual reports of collective investment schemes and their position statements.

It also adds Rule 6 *bis* to CNMV Circular 6/2008, of 26 November, on determining net asset value and operational aspects of collective investment schemes.

Lastly, it repeals CNMV Circular 3/2009, of 25 March, on the content of the half-yearly report on compliance with the supervision and oversight function of the depositories of collective investment schemes.

This Circular entered into force on 13 October 2016.

A.5 Other legislation

Resolution of 19 April 2016, of the Tax Collection Department of the State Tax Administration Agency, publishing the Agreement with the CNMV for enforced recovery of CNMV fees.

Royal Decree-Law 3/2016, of 2 December, adopting tax measures aimed at consolidating public finances and other urgent social measures.

This Royal Decree-Law is structured into two chapters (tax measures and social measures), ten articles, one single additional provision, one single transitional provision and three final provisions, and entered into force on 3 December 2016, the same date as its publication in the *BOE* (Official State Gazette), except for Article 6, which establishes stricter rules for deferrals and payments in instalments of debts with the tax authorities.

Royal Decree-Law 4/2016, of 2 December, on urgent financial measures.

This Royal Decree-Law consists of three articles and aims to regulate aspects associated with the Single Resolution Fund, the specific accounting regime of the SAREB (Asset Management Company for Assets Arising from Bank Restructuring) and the time period for disinvestment of the Fund for Orderly Banking Restructuring (Spanish Acronym: FROB) in the entities in which it has a stake. This resolution will enter into force on the day of its publication in the *BOE* (Official State Gazette).

B European Legislation

B.1 Markets in financial instruments

Regulation (EU) 2016/1011 of the European Parliament and of the Council, of 8 June 2016, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014.

The subject matter of this Regulation is to introduce a common regulatory framework for benchmarks used in financial instruments and financial contracts or those used to measure the performance of investment funds in the European Union.

The Regulation thus applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark in the European Union as from 1 January 2018, with the exceptions expressly indicated in Article 59.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union* and shall apply as from 1 January 2018.

Council Directive (EU) 2016/1065, of 27 June 2016, amending Directive 2006/112/EC as regards the treatment of vouchers.

This Directive amends EU legislation on Value Added Tax (VAT) in order to regularise the accounting treatment of VAT on vouchers depending on whether the voucher is classified as single-purpose or multi-purpose.

This Directive entered into force on the day following that of its publication in the *Official Journal of the European Union.*

Commission regulatory technical standards and implementing technical standards:

Commission Delegated Regulation (EU) 2016/908, of 26 February 2016, supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council, laying down regulatory technical standards on the criteria, the procedure and the requirements for establishing an accepted market practice and the requirements for maintaining it, terminating it or modifying the conditions for its acceptance.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union*, applying from 3 July 2016.

Commission Delegated Regulation (EU) 2016/909, of 1 March 2016, supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council, with regard to regulatory technical standards for the content of notifications to be submitted to competent authorities and the compilation, publication and maintenance of the list of notifications.

This Regulation refers to the content of the notifications that must be made by trading venues with regard to the financial instruments traded thereon.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union*, applying from 3 July 2016.

Commission Delegated Regulation (EU) 2016/822, of 21 April 2016, amending Delegated Regulation (EU) No. 153/2013 as regards the time horizons for the liquidation period to be considered for the different classes of financial instruments. It is necessary to keep those regulatory technical standards up-to-date with relevant regulatory developments.

By approving this Regulation, the Commission aims to update the requirements to be met by central counterparties as regards time horizons for the liquidation period for financial products other than over-the-counter derivatives where certain conditions are met. These rules better protect clients and mitigate systemic risks.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Implementing Regulation (EU) 2016/959, of 17 May 2016, laying down implementing technical standards for market soundings with regard to the systems and notification templates to be used by disclosing market participants and the format of the records in accordance with Regulation (EU) No. 596/2014, of the European Parliament and of the Council.

Regulation (EU) No. 596/2014 on market abuse authorises the Commission to adopt delegated acts. In use of those powers, the European Commission has enacted this Regulation, which entered into force on the day following that of its publication in the *Official Journal of the European Union*, applying from 3 July 2016.

Commission Implementing Regulation (EU) 2016/824, of 25 May 2016, laying down implementing technical standards with regard to the content and format of the description of the functioning of multilateral trading facilities and organised trading facilities and the notification to the European Securities and Markets Authority according to Directive 2014/65/EU of the European Parliament and of the Council, on markets in financial instruments.

Having regard to Directive 2014/65/EU, of 15 May 2014, on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II), this Regulation implements the information that multilateral trading facilities (MTFs) and organised trading facilities (OTFs) must submit to the competent authorities with regard to their structure and organisation. This information should build upon the information an investment firm or market operator would be required to provide under MiFID II.

OTFs, as they have discretionary rules during the trading process, unlike MTFs, should provide additional information to the competent authorities. The Regulation is based on the draft implementing technical standards submitted by the European Securities Markets Authority, which are all unified in an Annex to be submitted to the competent State authorities.

In addition, the Regulation establishes that competent authorities shall notify authorisations approved for MTFs or OTFs.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union* and shall apply from the date appearing in Article 93(1)(2) of Directive 2014/65/EU.

Commission Delegated Regulation (EU) 2016/1178, of 10 June 2016, supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, with regard to regulatory technical standards on the clearing obligation.

The European Securities and Markets Authority (ESMA) has determined the classes of interest-rate for over-the-counter (OTC) derivatives that should be subject to the clearing obligation in accordance with the procedure set out in Regulation (EU) No. 648/2012. Different counterparties need different periods of time to put in place the necessary arrangements to clear the interest rate OTC derivatives subject to the clearing obligation. Consequently, counterparties are classified into categories (there are four categories) in which sufficiently similar counterparties become subject to the clearing obligation from the same date.

The Regulation sets out various rules relating to how Member States should determine the effective date of entry into force of the clearing obligation, depending on the category.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Implementing Regulation (EU) 2016/1368, of 11 August 2016, establishing a list of critical benchmarks used in financial markets pursuant to Regulation (EU) 2016/1011 of the European Parliament and of the Council.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/2020, of 26 May 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council, on markets in financial instruments with regard to regulatory technical standards on criteria for determining whether derivatives subject to the clearing obligation should be subject to the trading obligation.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/2021, of 2 June 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council, on markets in financial instruments with regard to regulatory technical standards on access in respect of benchmarks.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/2251, of 4 October 2016, supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the

Council, on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Regulation (EU) 2016/2340 of the European Parliament and of the Council, of 14 December 2016, amending Regulation (EU) No. 1286/2014 on key information documents for packaged retail and insurance-based investment products as regards the date of its application.

This Regulation establishes a deferral of 12 months to give additional time for those concerned to adhere to the new requirements of the key information documents.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union*.

B.2 Issuers and listed companies

Commission regulatory technical standards and implementing technical standards:

Commission Implementing Regulation (EU) 2016/1055, of 29 June 2016, laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union*, applying from 3 July 2016.

Commission Regulation (EU) 2016/2067, of 22 November 2016, 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 Financial Reporting Standard 9.

This Regulation aims to improve the financial information on financial instruments by addressing concerns that arose in this area during the financial crisis.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

B.3 Investment services firms and credit institutions

Commission regulatory technical standards and implementing technical standards:

Commission Delegated Regulation (EU) 2016/860, of 4 February 2016, specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under Article 44(3) of Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms.

This Delegated Regulation states that the general principle governing resolution is that shareholders and creditors should absorb losses in resolution in accordance with the order of priority of their claims under normal insolvency proceedings, and that creditors of the same class should be treated in an equitable manner. In accordance with Directive 2014/59/EU, liabilities that are not expressly excluded under Article 44(2) are bail-inable. However, resolution authorities have the power to fully or partially exclude certain liabilities from bail-in and pass the losses onto other creditors or, where necessary, to the resolution funds. The decision to use this power should be taken to achieve the objectives contained in Article 31(2) of the Directive.

This Regulation recognises certain flexibility for the authorities and provides them with a framework when exercising their power to exclude a liability or class of liabilities from bail-in. However, it is limited by the fact that losses which are not fully absorbed by creditors may be covered by the resolution-financing arrangement only when shareholders and creditors have contributed an amount equal to at least 8% of the institution's total liabilities, including own funds.

Assessment of the exclusion may be based on the risk of contagion: direct, for instance, where the direct losses to be suffered by counterparts of the institution under resolution lead to default or severe solvency issues; or indirect, for instance when, due to the loss of confidence of certain market participants, this may lead to the drying up of supply, higher margin requirements, fire sales of assets by institutions with liquidity shortfalls, etc. Consequently, the Regulation establishes that for the resolution authority to exclude a liability or a class of liabilities from bail-in, the value preserved would need to be sufficient to (potentially) improve the situation of non-excluded creditors.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/861, of 18 February 2016, correcting Commission Delegated Regulation (EU) No. 528/2014, supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council, with regard to regulatory technical standards for the non-delta risk of options in the standardised market risk approach and correcting Commission Delegated Regulation (EU) No. 604/2014, supplementing Directive 2013/36/EU of the European Parliament and of the Council, with regard to regulatory technical standards on qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/1401, of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms with regard to regulatory technical standards for methodologies and principles on the valuation of liabilities arising from derivatives.

This Regulation supplements Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms with regard to regulatory technical standards for methodologies and principles on the valuation of liabilities arising from derivatives.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/1712, of 7 June 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms with regard to regulatory technical standards specifying a minimum set of information on financial contracts that should be contained in the detailed records and the circumstances in which the requirement should be imposed.

In order to ensure that competent authorities and resolution authorities may easily access data on financial contracts, as defined in Directive 2014/59/EU, those authorities should require institutions or entities to maintain a minimum set of information on such contracts on an on-going basis. This Regulation establishes a minimum set of information on financial contracts to be maintained by institutions and entities.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Regulation (EU) 2016/1014 of the European Parliament and of the Council, of 8 June 2016, amending Regulation (EU) No. 575/2013 as regards exemptions for commodity dealers.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council exempts investment firms whose main business consists exclusively of the provision of investment services or activities in relation to the financial instruments set out in points 5, 6, 7, 9 and 10 of Section C of Annex I to Directive 2004/39/EC of the European Parliament and of the Council, and to whom Council Directive 93/22/EEC did not apply on 31 December 2006 ("commodity dealers") from the requirements for large exposures and from own funds requirements.

Regulation 2016/1014 establishes a new date until which the exemptions for the aforementioned entities shall apply, therefore amending Regulation (EU) 575/2013.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Implementing Regulation (EU) 2016/911, of 9 June 2016, laying down implementing technical standards with regard to the form and the content of the description of group financial support agreements in accordance with Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms.

This Regulation aims to harmonise the system of group financial support arrangements through the disclosure mechanism, i.e., to set out in a regulation what information is to be provided by the entities subject to a group financial support arrangement and to establish the adoption of agreements based on effective trust and transparency, thus achieving appropriate and suitable group restructuring and the transfer of funds, and establishing an arrangement format that is easily accessible to the public.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Implementing Regulation (EU) 2016/1066, of 17 June 2016, laying down implementing technical standards with regard to procedures, standard forms and templates for the provision of information for the purpose of resolution plans for credit institutions and investment firms pursuant to Directive 2014/59/EU, of the European Parliament and of the Council.

Resolution authorities have been conferred the task of drawing up resolution plans for credit institutions and investment firms in accordance with the requirements and procedure provided for in Directive 2014/59/EU and for that purpose they have been empowered to request the necessary information from institutions. The procedure and a minimum set of templates to request the necessary information should be designed in a way to enable the resolution authorities to collect that information in a consistent manner throughout the European Union. This Regulation establishes a minimum set of templates to collect the basic information on the entity that must be provided to the resolution authority such that the provision of information necessary to draw up and implement resolution plans shall be carried out following the established procedure and making use, where applicable, of the templates included in the text of the Regulation.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/1434, of 14 December 2015, correcting Delegated Regulation (EU) 2015/63, supplementing Directive 2014/59/EU of the European Parliament and of the Council, with regard to *ex ante* contributions to resolution financing arrangements.

This Regulation corrects errors in Delegated Regulation (EU) 2015/63 with the aim of guaranteeing consistency within the single market and within European Union law.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/1450, of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council, with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities.

This Regulation establishes the appropriate amount of losses and capital to guarantee effective resolution, which will only be feasible if an entity has adequate internal financial resources to absorb losses for the purposes of recapitalisation without affecting certain liabilities, particularly those excluded from bail-in.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Implementing Regulation (EU) 2016/1646, of 13 September 2016, laying down implementing technical standards with regard to main indices and recognised exchanges in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council, on prudential requirements for credit institutions and investment firms.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/1712, of 7 June 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms with regard to regulatory technical standards specifying a minimum set of information on financial contracts that should be contained in the detailed records and the circumstances in which the requirement should be imposed.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/2022, of 14 July 2016, with regard to regulatory technical standards concerning the information for registration of third-country firms and the format of information to be provided to clients.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

B.4 Market infrastructures

Commission regulatory technical standards and implementing technical standards:

Commission Delegated Regulation (EU) 2016/592, of 1 March 2016, supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council, with regard to regulatory technical standards on the clearing obligation.

This Regulation establishes the categories of OTC derivatives subject to the clearing obligation and the date of application of said clearing obligation. It entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Delegated Regulation (EU) 2016/822, of 21 April 2016, amending Delegated Regulation (EU) No. 153/2013 as regards the time horizons for the liquidation period to be considered for the different classes of financial instruments. It is necessary to keep those regulatory technical standards up-to-date with relevant regulatory developments.

By approving this Regulation, the Commission aims to update the requirements to be met by central counterparties as regards time horizons for the liquidation period for financial products other than over-the-counter derivatives where certain conditions are met. These rules better protect clients and mitigate systemic risks.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Regulation (EU) 2016/1033 of the European Parliament and of the Council, of 23 June 2016, amending Regulation (EU) No. 600/2014 on markets in financial instruments, Regulation (EU) No. 596/2014 on market abuse and Regulation (EU) No. 909/2014 on improving securities settlement in the European Union and on central securities depositories.

This Regulation includes amendments and specifications to the provisions set out in the title given the complexity of the legal framework established by such provisions in order to ensure legal certainty and their correct application.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union.*

Commission Implementing Regulation (EU) 2016/892, of 7 June 2016, on the extension of the transitional periods related to own funds requirements for exposures to central counterparties set out in Regulation (EU) No. 575/2013 and Regulation (EU) No. 648/2012, of the European Parliament and of the Council.

This Regulation entered into force on the third day following that of its publication in the *Official Journal of the European Union.*

B.5 European System of Financial Supervision

Commission regulatory technical standards and implementing technical standards:

Commission Delegated Regulation (EU) 2016/1437, of 19 May 2016, supplementing Directive 2004/109/EC of the European Parliament and of the Council, with regard to regulatory technical standards on access to regulated information at an EU level.

In order to ensure fast access to regulated information on a non-discriminatory basis and make that information available to end users, the European Securities and Markets Authority (ESMA) has an obligation to develop and operate a European Electronic Access Point (EEAP), which is regulated and implemented through this Regulation.

The Regulation entered into force following its publication, with the exception of Article 9 (common list and classification of regulated information) and Article 7 (on unique identifiers), whose entry into force was delayed until 1 January 2017.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union.*

Commission Implementing Regulation (EU) 2016/962, of 16 June 2016, laying down implementing technical standards with regard to uniform formats, templates and definitions for the identification and transmission of information by competent authorities and resolution authorities to the European Banking Authority according to Directive 2014/59/EU of the European Parliament and of the Council.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union.*

Commission Implementing Regulation (EU) 2016/1702, of 18 August 2016, amending Implementing Regulation (EU) No. 680/2014 as regards templates and instructions.

This Regulation provides further precision with regard to the templates and instructions contained in Implementing Regulation (EU) No. 680/2014, including definitions, for the purposes of clarifying the supervisory reporting of credit institutions and investment firms. It also updates said Regulation to correct typos.

This Regulation is applicable as from 1 December 2016.

Commission Implementing Regulation (EU) 2016/1868, of 20 October 2016, 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 according to Directive 2009/138/EC of the European Parliament and of the Council.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

B.6 Other

Commission regulatory technical standards and implementing technical standards:

Commission Implementing Regulation (EU) 2016/818, of 17 May 2016, amending Implementing Regulation (EU) No. 1030/2014, laying down implementing technical standards with regard to uniform formats and the date for the disclosure of the values used to identify global systemically-important institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

The main aim of this Regulation is to promote global consistency in disclosure and transparency in the process of identifying global systemically important institutions.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union.*

Commission Delegated Regulation (EU) 2016/1608, of 17 May 2016, amending Delegated Regulation (EU) No. 1222/2014, with regard to regulatory technical standards for the specification of the methodology for the identification of global systemically-important institutions and for the definition of sub-categories of global systemically-important institutions.

This Regulation aligns the European criteria for identifying global systemically-important institutions with the recent contributions from the Basel Committee on Banking Supervision in this regard.

The text itself indicates that further updates are expected in the future as it becomes necessary to complete the consistency of the European system with that of the Basel Committee.

This Regulation entered into force on the day following that of its publication in the *Official Journal of the European Union.*

Commission Delegated Regulation (EU) 2016/1450, of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council, with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities.

Directive 2014/59/EU provides that institutions should meet a minimum requirement for own funds and eligible liabilities to avoid institutions excessively relying on forms of funding excluded from bail-in. A failure to meet this minimum requirement would negatively impact institutions' loss absorption and recapitalisation capacity and, ultimately, the overall effectiveness of resolution.

This Regulation establishes that the assessment of the necessary capacity to absorb losses should be closely linked to the institution's current capital requirements, and the assessment of the necessary capacity to restore capital should be closely linked to likely capital requirements after the application of the resolution strategy, unless there are clear reasons why losses in resolution should be assessed differently from those in a going concern.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Regulation (EU) 2016/1703, of 22 September 2016, 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 Financial Reporting Standards 10 and 12 and International Accounting Standard 28**.**

On 18 December 2014, the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 10: Consolidated Financial Statements, and IFRS 12: Disclosure of Interests in Other Entities, as well as International Accounting Standard (IAS) 28: Investments in Associates and Joint Ventures, entitled *Investment Entities: Applying the Consolidation Exception*. The amendments aim to clarify the requirements when accounting for investment entities and provide relief in particular circumstances.

The amendments to IFRS 10 contain some references to IFRS 9 that at present cannot be applied as IFRS 9 has not been adopted by the European Union. Therefore, any reference to IFRS 9 as laid down in the Annex to this Regulation should be read as a reference to IAS 39 - Financial Instruments Recognition and measurement.

The amendments shall enter into force on the third day following that of their publication in the *Official Journal of the European Union* and each company shall apply the aforementioned amendments, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2016.

Commission Implementing Regulation (EU) 2016/1799, of 7 October 2016, laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for credit risk in accordance with Articles 136(1) and 136(3) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Implementing Regulation (EU) 2016/1800, of 11 October 2016, laying down implementing technical standards with regard to the allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Commission Implementing Regulation (EU) 2016/1801, of 11 October 2016, on laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

This Regulation entered into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

B.7 ESMA/EBA guidelines and recommendations

ESMA- Guidelines and complex debt instruments and structured deposits (04/02/2016).

The aim of these Guidelines is to specify the rules for assessing: i) debt instruments incorporating a structure that makes it difficult for the client to understand the risk involved, and ii) structured deposits incorporating a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term.

ESMA- Guidelines on cross-selling practices (11/07/2016).

The primary purpose of these Guidelines is to establish a coherent and effective approach in the supervision of firms by competent authorities, which will contribute to the enhancement of investor protection throughout Member States. The Guidelines will therefore help to clarify the expected standard of conduct and organisational arrangements for those firms engaged in cross-selling practices in order to mitigate any associated investor detriment. These Guidelines shall apply as from 3 January 2018.

ESMA- Guidelines on sound remuneration policies under the UCITS Directive (14/10/2016).

The purpose of these Guidelines is to ensure common, uniform and consistent application of the provisions on remuneration in Articles 14 *bis* and 14 *ter* of the UCITS Directive (Directive 2009/65/EC of the European Parliament and of the Council, of 13 July 2009, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities).

ESMA- MAR Guidelines: delay in the disclosure of inside information (20/10/2016).

The purpose of these Guidelines is to provide guidance by giving examples to assist the issuers in their decision to delay public disclosure of inside information.

ESMA- MAR Guidelines: Persons receiving market soundings (10/11/2016).

The purpose of these Guidelines is to ensure a common, uniform and consistent approach in relation to the requirements that persons receiving market soundings (MSRs) are subject to. These Guidelines are aimed at reducing the overall risk of spreading the inside information communicated in the course of the market sounding and at providing tools for the competent authorities to effectively conduct investigations on suspected market abuse cases.

EBA- Guidelines on the provision of information in summary collective form for the purposes of Article 84(3) of Directive 2014/59/EU (19/07/2016).

EBA- Guidelines on the minimum criteria to be fulfilled by a business reorganisation plan (19/05/2016).

B.8 CNMV technical guides

Technical guide and good practices for the application of the "comply or explain" principle.

This Guide aims to promote a change in the way in which listed companies and their boards address their corporate governance practices. It should be widely accepted that it is inadequate to address the degree of compliance with recommendations by means of a mechanical *ex post* exercise, i.e., when filling out section G of the corporate governance statement, considering only at that time the question of how to justify – in the absence of an *ex ante* assessment – the fact that certain company practices depart from one or more specific recommendations.

Annexes on CNMV Organisation

Composition of the CNMV Board as at 30 April 2017

Chairperson	Mr Sebastián Albella Amigo
Vice-Chairperson	Ms Ana María Martínez-Pina García
Board Members	Mr Juan Manuel Santos-Suárez Márquez
	Ms Beatriz Gloria Viana Miguel
	Ms Emma Navarro Aguilera (Secretary General of the Treasury and Financial Policy)
	Mr Javier Alonso Ruiz-Ojeda (Bank of Spain Deputy Governor)
	Mr Ángel Benito Benito
Secretary	Mr Miguel Martínez Gimeno

Composition of the CNMV Executive Committee as at 30 April 2017[1]

Chairperson	Mr Sebastián Albella Amigo
Vice-President	Ms Ana María Martínez-Pina García
Board Members	Mr Juan Manuel Santos-Suárez Márquez
	Ms Beatriz Gloria Viana Miguel
	Mr Ángel Benito Benito
Secretary	Mr Miguel Martínez Gimeno

1 The creation, constitution and functions of the Executive Committee are regulated by Article 26 of the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, as written in Law 44/2002, of 22 November, on Measures to Reform the Financial System.

Composition of the CNMV Advisory Committee as at 30 April 2017[2]

Chairperson	Ms Ana María Martínez-Pina García
Secretary	Mr Miguel Martínez Gimeno
Technical Secretary	Mr Víctor Rodríguez Quejido
Members	
Representatives of market infrastructures	
Member	Mr Jaime Aguilar Fernández-Hontoria
Alternate	Mr Ignacio Olivares Blanco
Member	Mr Jorge Yzaguirre Scharfhausen
Alternate	Mr Gonzalo Gómez Retuerto
Member	Ms Ana Ibáñez Díaz-Bustamante
Alternate	Mr Ignacio Solloa Mendoza
Representatives of issuers	
Member	Ms María Luz Medrano Aranguren
Alternate	Mr Íñigo Elorriaga Fernández de Arroyabe
Member	Mr Francisco Javier Zapata Cirugeda
Alternate	Mr Rafael Piqueras Bautista
Representatives of investors	
Member	Mr Ángel Martínez-Aldama Hervás
Alternate	Ms Virginia Arizmendi Ortega
Member	Ms Elisa Ricón Holgueras
Alternate	Ms Pilar Lluesma Rodrigo
Member	Mr Manuel Pardos Vicente
Alternate	Ms Ana María Solanas Forcada
Member	Mr Fernando Herrero Sáez de Eguilaza
Alternate	Mr Santiago Pérez Beltrán
Representatives of credit institutions and insurance companies	
Member	Mr Javier Rodríguez Pellitero
Alternate	Ms Patricia Rodríguez Fernández de Castro
Member	Mr José María Méndez Álvarez-Cedrón
Alternate	Mr Antonio Jesús Romero Mora
Member	Ms Cristina Freijanes Presmanes
Alternate	Ms Zorione Arregui Elkorobarrutia
Member	Ms Pilar González de Frutos
Alternate	Ms María Aránzazu del Valle Schaan

2 Royal Decree 303/2012, of 3 February, regulating the CNMV Advisory Commitee.

Representatives of professional associations

Member	Mr Rafael Antonio Sanmartín Argos
Alternate	Mr Valentín Pich Rosell
Member	Mr Carlos Tusquets Trías de Bes
Alternate	Mr Santiago Satrústegui Pérez de Vilaamil
Member	Mr Fernando Vives Ruiz
Alternate	Mr Javier García de Enterría y Lorenzo-Velázquez

Representatives of the Investment Guarantee Fund

Member	Mr Ignacio Santillán Fraile
Alternate	Mr José Ignacio García-Junceda Fernández

Representatives of the Autonomous Regions with an official secondary market

Basque Country	
Member	Mr Juan Miguel Bilbao Garay
Alternate	Ms Zuriñe Embid Zubiría
Catalonia	
Member	Mr Josep María Sánchez i Pascual
Alternate	Ms Alba Currià Reynal
Valencia	
Member	Mr Manuel Illueca Muñoz
Alternate	Mr Roberto Esteve Carbonell

CNMV organisational chart