



# CNMV Strategic areas 2021-2022

## 2021 Activity Plan





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2021-2022**

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Comisión Nacional del Mercado de Valores  
Edison, 4  
28006 Madrid

Passeig de Gràcia, 19  
08007 Barcelona

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ISSN (digital edition): 1989-8711

Layout and printing: Cálamo y Cran

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# 1 Introduction

The National Securities Market Commission (CNMV), following its annual practice of publishing a document setting out the institution's strategy for the following year since 2007, presents its 2021 Activity Plan detailed in this document, with the aim of improving its effectiveness, enhancing transparency and encouraging the sharing of information with the market, investors and supervised entities.

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

On the occasion of the preparation of the Activity Plan for 2017, it was decided to address the definition of the CNMV's strategic lines using a two-yearly approach (for 2017 and 2018). Following this same approach, this Plan includes the strategic lines that will guide the institution's activity in 2021 and 2022.

Likewise, the degree of compliance with the 2020 Activity Plan is detailed. This Plan had to be reviewed in May 2020 due to the situation caused by COVID-19 and it was decided to maintain 33 of the 44 objectives initially set for that year, postponing the remaining 11 until the following year. Two new objectives were also added.

Lastly, the CNMV's Annual Regulatory Plan is included as an annex to this document. The inclusion of this plan responds to the provision of Article 132 of Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Administrations, from which Article 38 of the CNMV's Internal Regulation (IR) is derived. This article establishes that the CNMV will issue an annual regulatory plan containing the regulatory initiatives to be submitted for approval in the following year and that will be published on the CNMV's Transparency Portal.

## Economic and financial environment

### Events in 2020

The **coronavirus pandemic** shaped economic activity and the performance of the financial markets in 2020. The worst moments of the year were in March and April, when the general lockdown measures raised uncertainty among intermediaries to very high levels. This uncertainty, coupled with the dramatic worsening of the

economic outlook, led to sharp falls in equity prices, historical spikes in volatility, liquidity losses and valuation problems in some segments of the debt markets.

The rapid implementation of different types of measures by governments, central banks and other financial supervisors<sup>1</sup> helped cut short the negative spiral that the financial markets had entered, especially the debt markets, where the substantial new central bank asset purchase programmes helped to keep yields and risk premiums at very low levels.

This crisis, which, unlike previous events, was not caused by a financial imbalance, has led to a very significant decline in output on an international scale and is testing the resilience of the financial system as a whole and especially that of the more vulnerable segments. According to the latest information published by the International Monetary Fund (IMF), world GDP would have fallen by 3.5% in 2020 (4.9% in advanced economies and 2.4% in emerging and developing markets).

In this context, the **international equity markets** began the year with heavy losses, which were concentrated in March and later tended to recover, albeit unevenly across the different regions. First quarter losses ranged from 14.2% on the US Nasdaq index to 28.9% for the Spanish Ibex 35, and volatility indicators exceeded 80% in many indices – marking levels unseen since the global financial crisis. Following on from these losses, the stock markets embarked on a fairly strong but somewhat erratic recovery marked by uncertainty and by alternating favourable and unfavourable newsflow relating to the fight against the virus and the impact of the crisis on economic activity. In the final part of the year, the easing of some uncertainties, most notably the start of vaccination programmes in several countries, the agreement avoiding a hard Brexit and confirmation of the victory of the Democratic party in the US elections, led to stronger growth in the equity markets. In some cases, such as the United States and Japan, the stock markets made gains throughout the year, partly due to the heavier weight of technology companies – which have benefited from the crisis –, while in Europe the indices ended the year with losses (with some exceptions such as the German DAX 30).

The international debt markets also came under pressure in the first weeks of the crisis and showed significant increases in yields and risk premiums – especially in high-yield debt assets – as well as liquidity reductions and valuation difficulties in certain segments of these markets. However, the prompt and far-reaching action of the main central banks, which maintained or further reduced interest rates and, above all, boosted bank financing and launched ambitious asset purchase programmes, radically broke this trend and ushered in a new phase of ultra-low interest rates, which is especially significant in Europe. In this area, a high proportion of long-term debt benchmarks ended the year in negative territory.

In **Spain**, as in the rest of the world economies, activity was marked by the COVID-19 pandemic, presenting a greater deterioration compared to neighbouring countries. Thus, Spanish GDP contracted by 11.0% in 2020, compared to 7.2% in the euro area as a whole. Jobs were also negatively affected, causing the unemployment rate to rise to 16.1% at the end of the year, 2.3 percentage points higher than the previous

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<sup>1</sup> For instance, several European securities supervisors, including the CNMV, banned the creation or increasing of net short positions on certain securities for several weeks.



year.<sup>2</sup> Inflation fell sharply over the first 5 months, entering negative ground as of April, and ended the year at -0.5%. The underlying rate, which discounts the most volatile elements and which has remained very stable – at around 1% – since mid-2019, began to decline from July and ended the year at 0.2%. In regard to public accounts, the increase in spending triggered by the aid provided due to the crisis, together with the decrease in tax revenues associated with the deterioration of economic activity, led to a significant increase in the public deficit, which, according to the latest forecasts, may have stood at over 11% of GDP at year-end 2020 (2.9% in 2019). In parallel, public debt would have increased to just under 120% of GDP (95.5% in 2019).

The **Spanish financial markets** followed a similar path to the rest of the international markets in 2020 except in regard to the performance of **equity** prices, which was more unfavourable. The composition of the Ibex 35, with a higher weighting of the sectors most affected by the crisis – banking, tourism, leisure, hotels, transport, etc. – was a determining factor in this worse relative performance. The decline in quoted prices reversed strongly in the final part of the year (with a gain of over 20% in the last quarter) but was not sufficient to offset the losses of the previous months. Thus, the Ibex 35 lost 15.5% of its value in 2020, the most negative performance recorded by any of the European benchmark indices, whose performances ranged from a loss of 7.1% for the French CAC 40 to a gain of 3.5% for the German DAX 30. Market liquidity conditions, which deteriorated significantly in the first weeks of the pandemic, improved significantly thereafter, although they did not recover to pre-crisis levels. Volatility, which rose above 80% in the worst moments, ended the year at rates close to 20%, which are normal values at times when there is no turbulence.

**Trading in Spanish shares** increased temporarily in March and April and subsequently declined. For the year as a whole, €778 billion were traded, 3.4% less than in 2019 (and the lowest figure since 2013). This trend contrasted with the performance of other trading venues, where volumes remained high or increased, partly due to the more volatile environment, which encourages some forms of trading such as algorithmic and high-frequency trading. Of the total amount traded, €416 billion (-9.6%) corresponded to trades made through Bolsas y Mercados Españoles (BME) and €362 billion (+4.7%) corresponded to other trading venues. Therefore, the relative importance of the latter for trading in Spanish securities continues to increase, standing at 46.1% of the total (42.6% in 2019). It is also worth noting the relative stability of trading carried out through systematic internalisers, in a range of 15% to 18%.<sup>3</sup>

In the **Spanish debt markets**, yields and risk premiums came under pressure in March and April, in line with other European benchmarks and, following the measures adopted by the European Central Bank (ECB), a reversal of this trend was observed in most assets. In the case of sovereign debt, at the end of 2020 negative yields had extended to ever longer terms (up to the 10-year tranche on some days in December) and in corporate fixed income yields were negative up to five years. Risk premiums for both public sector and private sector entities ended the year at very low levels. Thus, the sovereign risk premium stood at 63 basis points (bp), a level

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2 In this sense, it should also be noted that workers affected by temporary lay-off measures (ERTEs) are not included in these statistics, since they are considered to be employed. At the end of 2020, just over 750,000 people were in this situation, a figure that peaked at almost 3.6 million at the end of April.

3 Percentages exclude Over-The-Counter (OTC) trading.

lower than the high reached in April (156 bp) and that registered at the end of 2019 (66 bp). However, it is advisable to continue to periodically assess the credit risk of companies, given that higher leverage is being observed in some of them and their growing difficulty to maintain business development due to the existing restrictions. Thus, the credit ratings of Spanish issuers, which fell slightly early on in the crisis, showed much more stable behaviour in the second half of 2020.

In the **primary debt markets**, there was a significant increase in fixed income issues registered with the CNMV in 2020 (+47%), to €132 billion.

This performance, which contrasts with the falls seen in previous years, largely responded to the issues made by financial institutions, providing them with easily available liquidity to deal with the situation caused by COVID-19, and which enjoy good financing conditions in the markets. Therefore, securitisation bond issues marked the greatest increase, with the amount issued practically doubling to reach €36.28 billion, in addition to issues of specific types of instruments such as regional covered bonds, which grew sixfold to €9.15 billion. Issues of commercial paper also rose significantly (+48%), to €22.29 billion. Fixed income issues carried out by Spanish issuers abroad were also sizeable (€90.20 billion in 2020), but lower than the figure for the previous year and the amount registered with the CNMV.

**Trading, settlement and clearing infrastructures** remained stable throughout the episode of volatility that began in March. Trading systems functioned normally and, in terms of settlement, the slight rise in inefficiency observed at the start of the period was reversed as market tensions diminished.

The **collective investment industry** was also significantly affected by the COVID-19 crisis in the most turbulent periods on the markets, but growth in its main figures was subsequently resumed. Thus, investment funds, which experienced significant asset falls in the first quarter of the year due to the rise in redemptions and, above all, to the loss of value of their portfolios, were able to end 2020 with assets close to €280 billion, just above the year-end figure for 2019.

The number of participants increased progressively to exceed 12.48 million, 741,000 more than a year earlier. The equity of foreign collective investment schemes (CISs) marketed in Spain was also affected in the first quarter of the year but subsequently bounced back to over €190 billion<sup>4</sup> (€178.80 billion in 2019). This amount represents almost 40% of total CIS assets that are marketed. In this context, the work of the CNMV has focused, among other issues, on assessing these funds' exposure to assets with lower liquidity and higher credit risk, as well as on ensuring that management companies correctly value the assets in their portfolios. In this regard, the CNMV gave indications on the appropriateness in certain cases of valuing assets at the bid price or applying swing pricing schemes, techniques that have been adopted by a significant number of entities. It is also worth mentioning the incorporation, through the corresponding regulatory provision, of a new liquidity management tool for these institutions, related to establishing notice periods for redemptions.

IMF forecasts published in January 2021 put **world GDP** growth at 5.5% for this year and 4.2% in 2022. These forecasts take into account the impact of a rapid and effective vaccination of the population and expect that the gradual immunisation process will significantly reduce restrictions and lead to a rebound in economic activity. Thus, increases are forecast for the leading advanced and emerging market economies. In the former, GDP growth would stand at 4.3% this year and 3.1% in 2022 (compared to a 4.9% drop in 2020) and in the latter the advance would be 6.3% and 5.0% respectively in the same periods. For the **Spanish economy**, the IMF forecasts growth of 5.9% this year and 4.7% in 2022, which are higher than the rates expected for the euro area as a whole.

There are **numerous sources of risk** affecting these baseline forecasts, which are subject to a high degree of uncertainty. The first set of risk factors relate to the duration of the pandemic itself, conditioned by the waves and strains of the virus, as well as the vaccination process. Different measures and restrictions on mobility and the development of certain businesses will be required for the duration of the pandemic, which could further deteriorate economic activity. In fact, there is some risk of a further decline in output in Europe (recovery in W).

Other significant risk factors to be taken into account are new and originate from the pandemic itself in some cases, in addition to the uneven effects of other existing factors, which have at times been accentuated in the context of the crisis. The former include the sharp increase in the **indebtedness** of agents, in particular public administrations, potential sustainability problems in the medium term and the foreseeable rise in **insolvency** in many companies, especially small firms and those that have been most affected by the restrictions associated with the pandemic and the shift in consumption patterns towards non-contact settings. In relation to this last risk, the potential rise in long-term unemployment should be noted. In regard to those that existed before the pandemic, the positive development of risks of a political nature stand out, in particular those deriving from decisions taken by the previous US Administration and the resolution of Brexit, while other risks, such as those related to the prolongation of the **context of ultra-low interest rates**, have become more serious. Among the latter, the incentives for agents to increase their indebtedness and the promotion of search for yield strategies stand out.

Logically, the **financial markets** will be affected by movements in economic activity and the materialisation or otherwise of the above risks. If the baseline forecasts prove to be accurate, stock market indices would be expected to recover and favourable debt market conditions would be maintained. However, regardless of the eventual outcome, the behavioural patterns of agents are expected to factor in the changes that have occurred during the crisis resulting from the pandemic. In some cases, these changes imply a sharpening of previous trends (such as digitisation), but in others they are new phenomena (such as the greater propensity of retail investors to purchase securities and other financial products in a more direct manner). A study should therefore be made of these changes in order to ensure that the supervisory work is carried out properly.

Lastly, we would mention the intensification of the work to monitor and, where appropriate, mitigate the risks relating to entities and activities that are included in **non-bank financial intermediation** and are under the supervision of the CNMV. Here, the work carried out in the investment fund sector to assess the liquidity and

leverage risk of these institutions stands out. The studies do not currently signal any significant risk in the area of investment funds, a perception that is also supported by the absence of any significant problems in the most turbulent market periods during 2020.

In the international context, now that the transition period is over and Brexit has taken place, its effects on financial markets will be more clearly visible in 2021. In addition to the process, which started in 2020, of reorganising and transferring trading from UK venues to different locations in the European Union, the consolidation of the European stock exchanges following the acquisition by the Swiss group SIX of the market infrastructures in Spain and the possible acquisition of the Italian stock exchange by Euronext must also be considered.

Lastly, the boom in crypto-assets and the FinTech phenomenon in general should be noted. In 2021, in the context of the European Commission's Digital Finance Plan, various measures will be put forward to establish a regulatory framework to identify and mitigate risks in this area.

### Regulatory context

In regard to the securities markets, the regulatory context was marked last year by the raft of measures implemented at both national and international level to alleviate the effects of the crisis caused by the pandemic. In this environment, the transposition of certain European rules that were pending adaptation to the Spanish legal system and were expected to be transposed in 2020 have been subject to delay.

In **Spain**, the **Law for the digital transformation of the financial system**<sup>5</sup> was approved in 2020, which includes a regulatory sandbox to allow entities and supervisors to work together in a controlled testing environment to develop innovative projects.

Likewise, in line with other European countries, a **tax on financial transactions has been established**.<sup>6</sup>

There has been a great deal of legislative activity in regard to **the measures implemented to mitigate the effects of the pandemic in Spain**, starting with Royal Decree 463/2020, of 14 March, declaring the state of alarm, in order to manage the health crisis caused by COVID-19. Since then, various initiatives have been carried out in relation to the capital markets that have resulted in the periods for complying with different obligations for market participants being extended (for example, for the approval of the annual financial statements or the submission of certain financial information). Other measures have been established to guarantee the orderly functioning of the market and increase the resilience of the Spanish financial system to unexpected movements, such as temporary restrictions on short-selling or the possibility of establishing notice periods for fund redemptions. Measures have also been approved to exercise greater control over foreign investment.

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5 Law 7/2020 of 13 November for the digital transformation of the financial system.

6 Law 5/2020 of 15 October on the Financial Transactions Tax.

The modifications resulting from some European regulations such as the **Directive as regards the encouragement of long-term shareholder engagement** are pending incorporation in Spain.<sup>7</sup> This Directive, whose transposition period expired in 2019, includes measures aimed at encouraging the effective long-term engagement of shareholders to contribute to the more sustainable development of companies. The CNMV has collaborated with the Ministry of Economic Affairs and Digital Transformation on the work that has given rise to the bill that amends, among other regulations, the recast text of the Spanish Corporate Enterprises Act. This project is currently being processed by parliament and is expected to enter into force in 2021.

The transposition of certain directives, such as the **Directive on the prudential supervision of investment firms**,<sup>8</sup> the **Directive on the issue of covered bonds and covered bond public supervision**,<sup>9</sup> the **Directive on the cross-border distribution of collective investment schemes**,<sup>10</sup> the **bank recovery and resolution Directive (BRRD II)**<sup>11</sup> and the **capital requirements Directive (CRD V)**<sup>12</sup> could also take place in 2021.

In 2020, several European standards also entered into force, including the **EMIR 2.2 Regulation**<sup>13</sup> and certain obligations of the **EMIR Refit Regulation**<sup>14</sup> and the **Securities Financing Transaction Regulation (SFTR)**.<sup>15</sup>

Additionally, work began on the review of the regulatory framework for investment firms and market operators. In February 2020, the European Commission launched

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

8 Directive (EU) 2019/2034 of the European Parliament and of the Council, of 27 November, 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

9 Directive 2019/2162 EU of the European Parliament and of the Council, of 27 November 2019, on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU.

10 Directive (EU) 2019/1160 of the European Parliament and of the Council, of 20 June 2019, amending Directives 2009/65/EC and 2011/61/EU with regard to the cross-border distribution of collective investment schemes.

11 Directive (EU) 2019/879 of the European Parliament and of the Council, of 20 May 2019, amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, and Directive 98/26/EC.

12 Directive (EU) 2019/878 of the European Parliament and of the Council, of 20 May 2019, amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

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

14 Regulation (EU) No. 2019/834 of the European Parliament, of 20 May 2019, amending Regulation (EU) No. 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories.

15 Regulation (EU) 2015/2365 of the European Parliament and of the Council, of 25 November 2015, on transparency of securities financing transactions and of reuse and amending Regulation (EU) 648/2012.

a public consultation, which expired in May, to submit the **MiFID II**<sup>16</sup>/**MiFIR**<sup>17</sup> for review, which seeks to collect the experience built up by market participants after two years of application. However, and as a consequence of the pandemic, a decision was taken to postpone the review until the end of 2021.

Further, in September 2020, the European Commission published a **new Action Plan for Capital Markets Union** in the coming years. The top priority of the European Union is to ensure that Europe recovers from the economic crisis caused by the coronavirus, for which it considers that developing the Union's capital markets and ensuring access to market financing will be essential.

Likewise, to boost recovery from the economic crisis caused by COVID-19, facilitating access to financing for European companies – particularly small and medium-sized enterprises – the **Capital Markets Recovery Package** has been developed, which amends the Directive on markets in financial instruments (MiFID II),<sup>18</sup> the Prospectus Regulation<sup>19</sup> and the European securitisation framework.<sup>20</sup> In addition, it includes an amendment of the Transparency Directive to allow Member States to opt to delay by one year the obligation for issuers with securities that have been admitted to trading on regulated markets in the European Union to submit their financial statements in the European single electronic format.

As part of the **EU Plan on Sustainable Finance**, the **Taxonomy Regulation entered into force in 2020**<sup>21</sup> and from 2021 the development of its technical standards and the application of the **Disclosure Regulation** (March 2021) will take place, as well as the amendments to the implementing rules of MiFID II and the Insurance Distribution Directive<sup>22</sup> (for entities to take ESG factors<sup>23</sup> into account when assessing suitability), the adaptations to the implementing regulations of the UCITS Directive and the Directive on alternative investment fund management companies, and the review of the non-financial disclosures Directive.

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16 Directive 2014/65 EU of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

17 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.

18 Directive (EU) 2021/338 of the European Parliament and of the Council, of 16 February 2021, amending Directive 2014/65/EU as regards information requirements, product governance and position limits, and Directives 2013/36/EU and (EU) 2019/878 as regards their application to investment firms, to help the recovery from the COVID-19 crisis.

19 Regulation (EU) 2021/337 of the European Parliament and of the Council, of 16 February 2021, amending Regulation (EU) 2017/1129 as regards the EU Recovery prospectus and targeted adjustments for financial intermediaries and Directive 2004/109/EC as regards the use of the single electronic reporting format for annual financial reports, to support the recovery from the COVID-19 crisis.

20 Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020, amending Regulations (EU) No. 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic.

21 Regulation (EU) 2020/852 of the European Parliament and of the Council, of 18 June 2020, on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

22 Directive (EU) 2016/97 of the European Parliament and of the Council, of 20 January 2016, on insurance distribution.

23 Environmental, social and governance.

Lastly, in September 2020, the European Commission's **Digital Finance Plan** was approved, which aims to make it easier for the financial sector as a whole to harness the potential of digital transformation, while identifying and mitigating any associated risks. The package of measures consists of a digital finance strategy, a retail payments strategy, a draft regulation to establish a regulatory framework for crypto-assets, and a proposal to create a regulatory framework for digital operational resilience.





## 2 Implementation of the 2020 Activity Plan

In its 2020 Activity Plan, the CNMV formulated 44 actions or objectives aimed at developing the strategic areas of the institution. However, given the new circumstances caused by COVID-19 and following the corresponding analysis, in May 2020 the CNMV published an update of this Plan, in which 33 of the 44 initial objectives were maintained and two new objectives were added.

Of the 35 objectives set, up to the date of publication of the 2021 Activity Plan, **30 (86%) had been completed**. Therefore, in 2020, a degree of completion of the Activity Plan was achieved in line with that of the previous years: 84% in 2019, 78% in 2018, 86% in 2017 and 82% in 2016.

The follow-up of the objectives set in the 2020 Plan is detailed below according to its different sections: i) the CNMV's operational improvements, ii) market supervision, iii) supervision of financial intermediaries and iv) relations with investors and other stakeholders.

With regard to the section on the **CNMV's operational improvements**, two of the four planned objectives (50%) were fully met during 2020 and significant progress was made in relation to the other two (50%), which will be completed in the coming months.

Regarding each of the objectives completed:

- The CNMV has **adapted its contingency plan to a model based on teleworking**, taking into account the experience acquired following the declaration of the state of alarm, when its entire workforce started to work from home.
- In 2020, the actions planned for the implementation of the **CNMV's Digital Transformation Plan** were carried out. Specifically, the Digital Transformation Committee and Office were set up and various seminars on this subject were held for the institution's managers and employees.

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

- Although a **review and promotion of the teleworking policy** had been planned, this was delayed in order to incorporate the legislative changes that had been announced, which were approved in the past few months.
- The necessary actions have been carried out to **establish a formal whistle-blowing channel** and are only pending approval by the CNMV's governing bodies.

100% of the nine objectives included under the **market supervision** heading have been completed:

- In 2020, a **horizontal review of the degree of compliance with IFRS 16 (Leases)** was carried out. The result of the analysis, together with recommendations to improve the application of the standard, are set down in the *Report on the CNMV's review of the annual financial reports and main enforcement priorities for the following year. 2019*, which was published in February 2021.
- **The horizontal review of the degree of compliance with the Law on non-financial information** has also been completed and the result of this analysis is included in the annual report mentioned above.
- In June 2020, **the amendment of certain recommendations of the Good Governance Code for Listed Companies** was published.
- In October 2020, the CNMV published **criteria on the dissemination of inside information or information of interest to investors through social media**, in the event that listed companies – and other issuers of securities or traded financial instruments – use these channels to disseminate such information.
- Prior to its launch in February 2020, **the market was notified of the adaptation to the CNMV's procedures for the reception, publication, disclosure and consultation of inside information and other relevant information**. The main changes and their implications were explained to the issuing companies involved through lectures and practical workshops. A press release was also sent out on this subject.
- **The procedures for sending electronic messages to the European Securities and Markets Authority (ESMA) containing prospectuses and other required documents** have been updated, as the new ESMA notification portal, to which the information provided for in the regulations must be sent, has been operational since November 2020 (Prospectus Register). Likewise, the corresponding procedure in the electronic office (EEA) has been adapted so that issuers can submit the necessary information.
- In January 2021, **the review and update of the "FAQ" section of the CNMV website on the primary securities market system** was published.
- The **Central securities depository supervisory plan** has been completed. Specifically, various aspects related to risk and user monitoring committees have been analysed, insolvency tests for participants have been developed, the analysis and publication of the legal implications of the different types of accounts have been carried out, plans for adaptation to the settlement discipline system have been implemented and the services shared with the BME Group and the new business plan have been assessed.
- **The review of the central securities depository information system (PTI)** has been completed.

In regard to the **supervision of financial intermediaries**, 83% of the 12 objectives included in the 2020 Activity Plan have been met.

A brief summary of each of the objectives achieved is presented below:

- **Supervisory action in coordination with ESMA on the liquidity management of UCITS** has been carried out. The CNMV took part in this exercise, the completion of which was delayed because it was considered particularly important to also analyse the impact of the COVID-19 crisis on UCITS liquidity. Now that the action has been completed, ESMA is drawing up its conclusions.
- In relation to the development of technical guides and circulars, the CNMV has completed two of the initiatives planned for 2020:
  - **Technical guide on the designation of unregistered advisers in CISs**, which was published in December 2020. This guide contains the criteria that the CNMV considers should be applied in the appointment of advisers who are not qualified professionals (that is, who are not entities, such as investment firms, set up especially to provide investment advisory services).
  - In December 2020, the **amendment to Technical guide 4/2017 for the evaluation of the knowledge and competences of the personnel who inform and advise** was published. This amendment envisages the possibility, already temporarily accepted in the context of the situation created by COVID-19, that the examinations to obtain the qualifications to provide these services can be permanently carried out using remote means, provided that the reliability of the tests is ensured.
- **Adaptation to the new solvency regulations for investment firm (IFs)** The CNMV also worked with the Ministry of Economic Affairs and Digital Transformation in the transposition and adaptation of these regulations to the Spanish legal system. Additionally, the necessary IT developments have been started to receive and supervise the new reserved financial statements submitted by entities.
- **Amendment of Circular 7/2008 on the accounting of IFs and CISMCS.** The draft Circular on accounting standards, annual accounts and financial statements of investment firms and their consolidated groups, CIS management companies and closed-ended collective investment companies, which repeals Circular 7/2008,<sup>24</sup> was submitted to a public consultation process which ended on 15 February 2021. The CNMV Advisory Committee has also issued its mandatory report on this project and the Circular will be approved in March.
- The four horizontal reviews planned for 2020 have been completed:
  - **Review of the annual obligation to provide cost information.**
  - **Review, in coordination with ESMA, of the suitability assessment.**
  - **Horizontal review of CIS advertising and information.**

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24 CNMV Circular X/2020, of XX XX, on accounting standards, annual accounts and financial statements of investment firms and their consolidated groups, collective investment scheme management companies and management companies of closed-end companies.

- **Review of the advertising activity of the main entities that operate in Spain under the freedom to provide services system.** Additionally, and linked to monitoring activity under the freedom to provide services system, a statement was published on the CNMV website relating to certain bad practices in the cross-border marketing of investment services by entities based in other EU countries.
- Regarding the **Technical guide with cybersecurity recommendations**, an internal report has been prepared with the results of the survey completed by supervised entities. This report provides an overview of how these entities approach the management of technological risk and their level of maturity in this area. In view of the findings, the objective will be restated, as it is considered too early to draw up a technical guide on the matter and the conclusions contained in the report will be transmitted to the entities.

The objectives in this area that have not yet been completed are as follows:

- **Technical guide on liquidity management and control of CISs.** This guide will include the results of the supervisory action carried out in coordination with ESMA on the liquidity management of UCITS, the completion of which, as indicated above, has been delayed to incorporate the potential impacts of COVID-19. The definitive content of the guide is expected to be established in the first half of the year and it has been included as an objective in the 2021 Activity Plan.
- **Proposal to restrict the advertising of CFDs and binary options directed at the general public.** On 13 November 2020, CNMV Circular 2/2020, of 28 October, on advertising of investment products and services, was published in the *BOE* (Official State Gazette) and work is being done on an additional regulatory proposal to restrict the advertising of CFDs and binary options.

Lastly, ten objectives were included in the section on **relations with investors and other stakeholders**, of which nine (90%) were completed.

The only unfinished objective refers to **strengthening the “Sustainable Finance” section of the CNMV’s website**, although the corresponding actions have been initiated. The content of this section was significantly expanded during the course of 2020 but additional improvements are planned and therefore it has been included as a target for 2021.

A brief summary of each of the objectives achieved is presented below.

- The **assessment of the effects of certain European regulations under review** has been carried out and, in addition, the CNMV is participating in the different groups established for this purpose at European level and has intensified its collaboration with the General Secretariat of the Treasury and International Financing. Additionally, the CNMV has addressed certain aspects that it considered to be especially relevant after the assessment in the context of the consultations on the review of MiFID II and AIFMD raised by the European Commission.

In relation to the review of MiFID II, the CNMV sent an informative email to associations and other interested parties about the public consultation carried out by the European Commission and various meetings have been held with entities to carry out the assessment. However, the projected ordinary review has been postponed and the capital markets recovery package rolled out, which makes a small number of amendments to MiFID, the Prospectus Regulation and the European securitisation framework.

- A study has been prepared **on the alignment of tax rules with the objectives of the financial regulations** and information on this subject will be included in the CNMV's *Annual Report* on the securities markets and their activity for 2020.
- The three objectives related to **financial stability** have been completed:
  - **The stress tests on investment funds** have been carried out and the results of the tests have been published in the *Non-bank Financial Intermediation Monitor* and in the *CNMV Bulletin* for the fourth quarter of 2020.
  - An **assessment was made of the scope of the macroprudential tools available to the CNMV**, after which the inclusion of new tools in the Law on Collective Investment Schemes was put forward.
  - The **analysis of the information on the leverage of alternative investment funds in relation to systemic risk** has been completed and its main findings will be published.
- The **seminar on FinTech and cybersecurity** was held on 9 and 10 March 2021.
- The **seminar on sustainable finance** was held in October 2020.
- In the area of financial education, the two planned objectives have been completed, as the *Guide on basic investor skills* and *Frequently asked questions and other questions of interest to investors* were published recently.

### Update of the 2020 Activity Plan

In May 2020, the CNMV resolved to update its Activity Plan that year as a result of the situation created by the COVID-19 pandemic. This situation meant that some of the objectives initially proposed required a longer implementation period, as a consequence of the suspension of government tenders or for operational reasons that made it advisable to allocate the resources available to other activities.

Of the 11 goals that were postponed, eight have been included again in the 2021 Activity Plan. In regard to the remaining three, circumstances have advised the inclusion of other objectives that are more in line with the current situation and the priorities of the CNMV.

**Initiatives postponed from the 2020 AP**

TABLE 1

<b>Initiative</b>	<b>Situation</b>
Strategic information systems plan	Included in the 2021 AP
Analysis and global sustainability plan (ESG) of the CNMV as an organisation	Included in the 2021 AP
Proposal to update CNMV fees	Included in the 2021 AP
Streamlining of certain authorisation procedures through specific processes on the website (electronic office)	Included in the 2021 AP
Analysis and preparation of at least one report on a possible code of good practices to encourage long-term shareholder engagement	Included in the 2021 AP
Analysis and identification of improvements in the quality monitoring system for data reported to the CNMV	Included in the 2021 AP
Status report and possible measures to boost IPOs	Not included
Analysis of the responsibility for information contained in the issuance or IPO prospectus	Not included
Creation of an investor portal	Included in the 2021 AP
Conference on empirical studies on remuneration systems and incentives for directors and senior managers of listed companies (SUERF).	Included in the 2021 AP
Signature of the IOSCO Enhanced MMoU (Multilateral Memorandum of Understanding)	Not included

## 3 Strategic areas 2021-2022

Following the approach introduced for the first time in 2017, the CNMV's strategic lines of action are defined for a period spanning the next two years (2021-2022). This provides certain stability to the CNMV's strategy, without prejudice to properly taking into account any circumstances that may affect stock markets in the short term or require changes to be made following the review of the Plan after the first year. On the basis of these strategic lines, the annual activity plans for 2021 and 2022 have been drawn up, containing specific objectives.

For the period 2021-2022, the following four strategic lines have been defined. These have been prepared on the basis of the regulatory functions established for the CNMV and taking into account the main foreseeable trends in the current economic-financial and regulatory environment.

- Rigorous supervision based on investor protection and an increased use of data.
- Boosting the capital markets as a source of funding for economic recovery.
- Enhancing the role of the stock market in the transition to a more sustainable and inclusive economy, ensuring the reliability of the information disclosed to the investor.
- Promoting technological advances applied to the securities markets, mitigating their risks.

### 3.1 Rigorous supervision based on investor protection and an increased use of data

#### Protecting investor interests

The economic consequences of COVID-19 and the transition to a sustainable and digital economy make it even more necessary to preserve investor confidence in the proper functioning of the securities markets and in the provision of investment services. The aim is to encourage investment, facilitating access to funding for companies and individuals and ultimately boost the recovery of economic activity.

In this area, it is essential to ensure that the markets provide investors with financial opportunities that will cover their future needs on the basis of transparency and a good understanding of the risks involved. Investor protection is especially important in the case of small investors, who usually have fewer resources to access information. The CNMV will pay special attention to ensuring the **integrity of the market, a high level of investor protection and the monitoring of good marketing practices** in the new economic context.

At the same time, it is important to encourage the development of the securities markets and make it easier for participants to gain access to a sufficiently wide range of solid and stable investment possibilities. The CNMV will promote the development of a market that favours long-term growth, transparency and accountability, as well as a proper integration of environmental, social and good governance aspects in the different parts of the investment chain.

### **A demanding, predictable and agile supervisor**

The supervisory activity CNMV will continue to have a special focus and the institution will endeavour to apply a policy to prevent inappropriate conduct. However, it will also **continue to apply disciplinary proceedings (and reinforce these where necessary)**, so that any conduct that jeopardises the integrity of the markets and investor protection will be formally addressed. Institutions and issuers must become more responsible and take onboard that failure to comply with regulations will be penalised, especially since a reasonable time has elapsed since some of the new obligations imposed by European regulations (MiFID II, MAR, etc.) entered in force.

In broader terms, in a supervisory environment marked by the impact of the coronavirus and markets in constant transformation obliges the CNMV to be capable of adapting quickly to these changes. The CNMV must also develop with the times and promote a cultural transformation process to make it a **flexible, agile institution that is open to dialogue**.

As far as is necessary, the institution will apply the principle of proportionality in its supervisory activities, in order to demand the most appropriate solution for the context, time and risk associated with the supervised activity or entity.

In addition, progress will continue on the work started a few years ago to make procedures more flexible, standardise processes and increase the transparency of the institution's criteria. In this area, an **additional effort will be made to ensure that the CNMV's actions are consistent, predictable and easily understood** by market participants. For this purpose, the CNMV will maintain its policy of publishing technical guides and guidelines or criteria in order to increase transparency, assess the potential implementation of additional steps in its level of transparency and encourage dialogue with the sector with the aim of ensuring that its actions are understood by the market.

This requires the CNMV to have **sufficient and qualified human resources** on hand and to be capable of attracting and retaining professionals with the necessary knowledge and experience to deal with the new demands of a market that is in a continuous state of change. In this area, a special effort will be made to maintain and update the high technical skills of CNMV employees, expanding their training and knowledge in these newer areas.

Additionally, in order for the CNMV to be a more transparent institution, an **additional boost** will be given to the institution's internal and external **communication** processes. In this way, dialogue and fluid communication with the different stakeholders will be fostered through all available channels and work will be carried out to develop and improve internal communication and knowledge sharing between its different areas.



Lastly, an effort will be made to **facilitate investors' access to the public information available to the institution**. The CNMV stores and publishes information of interest to market participants (investors, analysts and researchers) as a primary source. Therefore, it will look into how to make this information more accessible by thoroughly reviewing the statistical information available, as well as that held in the CNMV's public registers.

### Efficient supervision based on intensive data usage

The CNMV also has the function of ensuring the integrity and transparency of the markets. For this purpose, the institution will carry out **effective supervision, focused on preventing and deterring inappropriate behaviour or practices**. The horizontal reviews are an example of this process and have been stepped up in recent years following international recommendations.

This supervisory approach will benefit from the use of IT tools, such as **big data**, which focus on areas with the highest risk, or those that make it possible to improve process efficiency. In this context, the use of SupTech and RegTech tools also makes sense, which include software that can help improve the efficiency of the supervisory work by incorporating supervision algorithms and artificial intelligence.

Along these lines, the CNMV must also improve its understanding of the new channels that retail and institutional investors use to access the markets in order to design its supervisory policies more effectively.

Additionally, research and analysis carried out by the Research and Statistics area should be seen as an essential tool for understanding market trends and enriching the supervisory function.

### Promoting financial stability

In a complex and interconnected financial system, it is also important to **prevent potential systemic risks** that could negatively affect the real economy.

The crisis caused by COVID-19 has once again demonstrated that the financial system is increasingly complex and deeply interconnected. The experience gained from the previous financial crisis and recent events shows how capital markets and the agents that participate in them play an essential role in transmitting eventual shocks to the financial system as a whole. This has created greater awareness at the international level about the relevance of the securities markets and non-bank financing for preserving financial stability.

Therefore, the CNMV will continue to work to ensure the proper functioning and stability of the financial system, so that it is in a position to help provide funding for companies in these extraordinarily difficult times. The detection and mitigation of systemic risk are linked to the supervisory function carried out by the CNMV. Likewise, protecting financial stability helps to make equity markets stronger and more competitive and, ultimately, to protect investors.

Further, the institution will continue to actively participate in the work of the Macroeprudential Authority Financial Stability Board (AMCESFI), as well as in European (European Systemic Risk Board, ESRB) and international organisations (Financial

Stability Board, FSB), so that the best possible practices and tools in this area can be adopted in Spain and, where appropriate, contribute to establishing their most appropriate definition at European and international level.

### Boosting financial education

Financial education is a basic element in investor protection, as investors, in addition to receiving proper information about the vehicles they are considering, must be able to understand the characteristics and risks of their investments.

In a context marked by the offer of new digital services and innovative financial products – which are increasingly incorporating sustainability factors, for instance – it is necessary to make an extra effort to train citizens to make well-founded investment decisions by improving their financial literacy.

Thus, activities aimed at **improving the financial education of citizens** will be stepped up to provide them with the basic knowledge and tools necessary to manage their finances in a responsible and informed manner, paying particular attention to the new economic and financial environment and to potentially vulnerable groups. In 2021, the Financial Education Plan being developed jointly with the Bank of Spain and its action strategy are expected to be renewed for the next four years.

Increasing the financial skills of citizens is an essential task, since all people will need to manage a financial product at some stage in their lives and it is also in line with the basic objectives of the 2030 Agenda.<sup>25</sup>

Improving **financial literacy** also helps to shift the savings and investment pattern of Spaniards towards greater diversification, profitability and ultimately greater economic growth due to the increase in productivity.

## 3.2 Boosting the capital markets as a source of funding for economic recovery

### Effects and risks deriving from the pandemic

The current pandemic and the measures taken to deal with it have had very significant effects on economic activity. This unprecedented situation has led the European Union to prioritise economic recovery by promoting sustainable, digital, inclusive and resilient growth. This task requires the development of the Union's capital markets and ensuring that companies have access to funding, promoting transparency, financial stability, accountability and the protection of consumers and investors.

The CNMV must also **pay special attention to analysing the consequences of COVID-19 in financial markets** to guide its immediate actions.

In this context of crisis, the CNMV closely monitors the risk situations of the companies and institutions under its supervision to ensure that they are able to react

quickly to any potential emerging risks. In addition, the increase in activity of retail investors in the financial markets during the period of volatility caused by the outbreak of COVID-19 should be monitored.

### Stock markets as a source of financing for a sustainable and more digital recovery

Likewise, it is important to promote and facilitate the access of companies, especially SMEs, to financing, encouraging them to use the securities markets as a supplement to bank credit, which allows for a **greater diversification of funding sources** and the use of alternative methods, such as share issues, which help reduce the over-indebtedness of the corporate sector, or savings vehicles such as collective investment schemes, which also help to diversify investor risk.

Therefore, measures must be adopted to encourage equity issues and it may also be reasonable to accept new emerging methods for raising capital. Thus, an environment must be created that facilitates the various forms for the collective channelling of savings.

To achieve this broader access to finance and create a true Capital Markets Union in the EU, it is necessary to boost the **development of the capital markets and local and regional financial ecosystems**.

However, periods of intensive market access at times of essential transformation of the economic structure have historically led to increases in business mortality and failed investment strategies, which generates risk. The potential appeal of issuers from sectors that are particularly affected by the recession or by new issuers with high levels of risk in buoyant sectors, obliges investors to be **extremely cautious when assessing the issues** and to provide clear and complete descriptions of the risks involved.

The transformational changes being observed in the allocation of investment portfolios require **similar vigilance in the area of advice and collective management**. The context is also favourable for corporate mergers and acquisitions, including delisting offers, so the CNMV's tools in this area will have to be strengthened.

The financial markets will probably remain shaped by the **environment of low interest rates**. This will have an effect for financial intermediaries and on investor behaviour, as the latter will be encouraged to take greater risks in order to obtain returns, forcing the CNMV to pay special attention to the marketing of high-risk financial instruments among investors.

### Adaptation to the new regulations in the context of European integration

The Spanish market will have to **adapt to the new European regulations** drawn up to improve certain areas of regulation in the **context of the current crisis**.

This will come on top of the changes deriving from the review of the **Capital Markets Union** project, which aims to give new impetus to financing through the markets, as well as the review of other relevant pieces of legislation such as MiFID/MiFIR, which will begin in 2021, to which the CNMV will also pay special attention.

The foregoing should be carried out in **close collaboration with other supervisors and international organisations** in order to standardise supervisory practices, using tools such as peer reviews, and avoid unjustified fluctuations in the securities markets. The joint work will be reinforced by the International Organization of Securities Commissions (IOSCO) and, above all, ESMA, to make supervisory convergence effective as a necessary element to improving the functioning of the markets through the prevention of supervisory arbitrage and ensuring equal conditions in all countries. In this context, the CNMV will endeavour to incorporate ESMA's strategic supervisory priorities<sup>26</sup> for competent national authorities (such as the CNMV), which were defined for the first time in 2021 after the reform of the European regulation that governs this authority.

In parallel, the CNMV will continue to exercise its legal function of **advising the government on matters related to the securities markets**. The institution will collaborate on the adaptation of the new European standards to the Spanish legal system and put forward, where appropriate, possible improvements to Spanish standards to promote the proper functioning of the securities markets, the financing of the economy and investor protection, as well as to avoid unjustified local particularities.

### 3.3 Enhancing the role of the stock market in the transition to a more sustainable and inclusive economy, ensuring the reliability of the information disclosed to the investor

Stock markets have an important role to play in the transition to more sustainable and inclusive growth. As the European Commission has already detailed in its *Action Plan on Financing Sustainable Growth*, it is necessary to reorient capital flows to achieve more sustainable and inclusive growth, managing the financial risks deriving from climate change and promoting transparency and long-termism in financial and economic activities.

In the exercise of its powers and as an organisation, the CNMV is committed to the development of a stable financial system that contributes to the objective of sustainability and will continue to promote initiatives that facilitate the sustainable growth of Spanish companies and the economy.

#### Reorienting capital flows into sustainable investments

To contribute to the transition to a low-carbon, climate-resilient, circular and more efficient economy in the use of its resources, the CNMV will **contribute to the implementation of the regulatory framework for green emissions and other sustainable investment products and instruments**.

Further, pursuant to the recent regulation published on this matter, it will work on the creation of indices that take into account the carbon footprint.

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26 [https://www.esma.europa.eu/sites/default/files/library/esma20-95-1273\\_2021\\_annual\\_work\\_programme.pdf](https://www.esma.europa.eu/sites/default/files/library/esma20-95-1273_2021_annual_work_programme.pdf)

In recent years, progress has been made on developing a regulatory framework to promote transparency and the dissemination of non-financial information by issuers and listed companies. The future review of the Non-financial Information Directive and the development of the taxonomy, among others, confirm the need for a clear and standardised framework that makes it easier for investors to compare and contrast non-financial information and prevent potential green washing practices by establishing verification mechanisms.

Fund managers, financial advisers, investment service providers and institutional investors also need to provide sustainability disclosures in their communications with investors. In this area, entities must face the challenge of implementing new customer information requirements, as established in the recently-published Disclosure Regulation and the Taxonomy Regulation, and their respective amendments. The CNMV will work to **properly integrate the new obligations, improve knowledge and adapt its supervisory practices**. Thus, the institution will undertake a continuous dialogue with the industry and issuers to achieve the best standards expected in this area by investors and society as a whole. Similarly, the CNMV will strengthen communications with investors to facilitate understanding of the new practices.

Thus, the new categories of climate or low carbon impact indices must also comply with transparency requirements in regard to how the calculation methodology used contributes to the achievement of sustainability objectives. The CNMV will pay special attention to compliance with these requirements, which, in turn, will promote transparency among the companies selected on the basis of these objectives.

## Incorporating ESG factors in risk management

Investment firms and fund managers must also incorporate ESG (environmental, social and corporate governance) factors into their organisational requirements, pursuant to the draft delegated acts published by the European Commission in mid-2020 and partially amending MiFID II, the Alternative Investment Funds Directive (AIFMD) and the UCITS Directive. An assessment will also be made as to whether the necessary guides and recommendations should be adapted to facilitate their implementation.

Within the framework of the initiatives of the FSB and the European authorities on risk management derived from climate change, the CNMV will work on **integrating climate risk monitoring into its prudential, conduct and macro prudential supervision functions**, and will contribute to studies and research to assess climate-related risks and their implications for the stock market and the financial system, as well as identifying measures and policies to combat them.

## Sustainable and inclusive governance for a long-term vision

The promotion of sustainability also requires entities to incorporate a long-term vision in their daily management activity, avoiding short-term approaches that do not adequately take into account their medium and long-term risks. To do this, advances must be made in the promotion of the best corporate governance practices, which incorporate environmental, social and good governance aspects in decision-making processes.

The promotion of diversity, particularly gender diversity, and consideration of the interests of the different parties involved are also factors that will enhance corporate governance and the development of sustainable companies and economies.

### A more sustainable CNMV

Beyond its legal obligations and the exercise of its supervisory powers, the CNMV, as an organisation, must contribute to social change and the economic model for the benefit of the planet and our society. Thus, **the CNMV will incorporate the sustainability dimension into the way it conducts its activity** and implement measures aimed at reducing its carbon footprint and making its day-to-day operations more sustainable.

## 3.4 Promoting technological advances applied to the financial sector, foreseeing their risks

### Technological advances

In 2018, the CNMV added a strategic line in order to reflect the growing impact of technological developments in financial services. In recent years, there has been a far-reaching application of new digital technologies in the financial services industry, leading new lines of business and products to be established and new operators to emerge.

Technological developments such as big data, data analytics, artificial intelligence, data storage and processing in the cloud, new transaction registration tools (blockchain) and robotisation are striking major changes in all organisations and the financial services industry is no exception.

This trend is combined with a cultural change that is affecting companies and investors in a similar way, the former because they have to be able to take advantage of the potential of these new technologies to improve their services, and the latter because they require more specialised training to understand the new approach.

New technologies broaden the range of options for investors, which results in efficiency improvements and greater added value. However, they can also imply new risks that need to be understood and monitored, particularly when these services are targeted at retail investors. Ultimately, it is about finding a proper **balance between fostering innovation and technological development and maintaining the integrity of the securities markets and the provision of investment services**.

In particular, new financial products are appearing on the market that, in principle, allow financing to be obtained in a more agile manner. **Crypto-assets** are increasingly attracting the attention of investors and, consequently, of regulators and supervisors. In the coming years, regulations will be approved at European level<sup>27</sup> to govern this new financial market segment and seek to take full advantage of the digital age. In addition, phenomena such as roboadvisors or data storage and processing in

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27 Proposal for a Regulation of the European Parliament and of the Council on Markets in Crypto-assets, and amending Directive (EU) 2019/1937.

the cloud are also causing large changes in the sector, which require the attention of the supervisor.

Further, in a context in which it is necessary to help the economy recover from the impact caused by COVID-19, the European Commission has published a digital finance package with the aim of **promoting a digital transition that contributes to this recovery** and developing a competitive European financial sector that gives investors access to innovative financial products, while ensuring investor protection and financial stability.

### Boosting financial innovation

The establishment of a **regulatory sandbox (controlled testing environment) for technology-based financial innovations** has recently been approved in Spain. The sandbox, which was launched in early 2021, aims to create a flexible space in which supervisors and developers can work together to promote innovative projects to improve financial services and their governing regulations. This project will require a significant allocation of resources by the CNMV.

### Cybersecurity

In relation to **cybersecurity** (and continuing with the work carried out in recent years), the CNMV will promote the adoption of concrete measures by market infrastructure managers and by those responsible for supervised entities to raise standards in cybersecurity, establishing good practices and stepping up supervision.

In this context, a European standard is expected to be approved in 2021<sup>28</sup> aimed at mitigating the most relevant risks in this area for financial entities.

### A more digital CNMV

Lastly, the CNMV, as a supervisory body, also faces the challenge of incorporating the **technological development of the markets**. The CNMV must continue to promote the use of new technologies in capital markets without neglecting the supervision of the associated risks.

Thus, it is essential to maintain protection levels for investors regardless of the format in which they interrelate with financial intermediaries. To do this, the nature of the actions must be taken into account and the necessary measures applied, while preventing asymmetries between countries and financial subsectors.

The digital transformation of the institution that began in 2019 should be ramped up in the coming years. Thus, progress will be made on **the digitisation of the CNMV's internal processes**, improving the use of its IT potential (database review, process unification, etc.) to ensure a more agile response to participants' needs and take advantage of its full potential. The use of artificial intelligence and supervision algorithms as an enhancer of the supervisory function will be deepened.

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28 Proposal for a Regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No. 1060/2009, (EU) No. 648/2012, (EU) No. 600/2014 and (EU) No. 909/2014.

Further, in accordance with the above strategic line, work will be carried out on expanding the **use of data and risk analysis to define regulatory and supervisory priorities** and concentrate personnel resources.



## 4 2021 Activity Plan

### 4.1 CNMV's operational improvements

The 2021 Activity Plan details a set of objectives aimed at improving the functioning of the CNMV as an institution, based on improving its efficiency, promoting its competitiveness and understanding market participants to become an institution capable of responding to the demands of markets that are undergoing significant change. Therefore, following the strategic lines set for 2021-2022, the institution's digital transformation must be completed.

#### Digital transformation

The CNMV will strengthen the technological resources available to it to adapt to the changes in the sector and improve the efficiency of its processes, taking advantage of all that new technologies have to offer to carry out its functions as efficiently as possible; and will do so with a medium-term vision.

The growing importance of new technologies means that priority should be given to the need to address actions in this area in a consistent and systematic manner. For this reason, a **strategic information systems plan** will be drawn up and put into operation, which will span a three-year time horizon. The plan will analyse the current status of the CNMV's information systems and determine their medium term needs. To undertake this process, the CNMV has hired an external company that will collaborate on the design and execution of the plan.

#### Driving innovation

The increasing use of new technologies in the financial industry has revolutionised the provision of investment services and has proven to be key to the development of the sector.

To move with the digital transformation of the financial system, in November 2020, Law 7/2020 on the digital transformation of the financial system was approved, with a twofold objective. First, it was designed to help provide the financial authorities with proper instruments to optimally carry out their functions in the current digital environment, while at the same time driving innovation in a highly competitive international technological environment.

The central element of this regulatory framework is the sandbox (controlled testing environment), as a set of provisions that protect the controlled testing of projects that can provide technology-based innovation applicable in the financial system.

The **sandbox will therefore be launched**. To do this, the CNMV will establish the appropriate procedures for testing the projects that are accepted, and which, due to

their nature, fall within the remit of the CNMV. A protocol will be drawn up for each project in which the scope of the tests and the guarantees to cover any inherent risks, where appropriate, will be established. Likewise, the required processes will be established to ensure coordination with other financial supervisors.

### Improving competitiveness

To improve competitiveness, measures will be developed to strengthen the Spanish financial market, for which a more efficient supervisor is required.

Firstly, a **proposal to update the Law on CNMV fees** is expected to be put forward in 2021. This objective was included in the 2020 Activity Plan, although a decision was made to postpone it due to the pandemic.

Almost six years after the entry into force of Law 16/2014, of 30 September, which regulates the fees charged to the sector to finance the CNMV, trends in market operations and the application of new European regulations such as MiFID II have shown some potential imbalances in taxable events, applicable rates and certain nomenclature. As part of its work to advise the government on matters related to the securities markets, the CNMV will analyse any potential imbalances and, if necessary, submit an update proposal.

The review will also take into account the objective of ensuring that the CNMV's fees system contributes to strengthening the competitiveness of the Spanish markets.

Additionally, the **new CNMV risk map will be implemented**. After reviewing the existing risk map, a new, more operational map will be launched with the aim of improving its functions and simplifying some aspects in order to extract more from the information it contains.

Risk management is a key factor for defining the institution's activity, as it helps to identify and evaluate the challenges that may affect the achievement of objectives, to prioritise these risks according to their severity (impact and frequency) and establish appropriate mitigation plans.

### Improving efficiency

The CNMV will endeavour to improve its capacity to carry out its activities and functions in the best possible way.

Building on the exercises carried out in 2018 (benchmarking exercise) and 2019 (survey of market participants on the functioning of the CNMV) to improve its functions, the CNMV will develop new initiatives to obtain the opinions and proposed improvements from other users about the information it generates.

To do this, a **panel to establish the perception of the functioning of the CNMV among investors, media professionals and other users** will be held. As a supplement to the aforementioned exercises, which focused only on market participants, the opinion of investors will be sought, with particular attention paid to small investors, media professionals and other institutions and individuals – other than supervised entities and their representatives – who regularly use the information generated by the CNMV, such as professionals from the academic world and analysts. To

do this, group dynamic techniques and structured conversations will be used, with support from a specialised firm.

This exercise will identify the strengths of the CNMV, as well as the areas for improvement to facilitate the interaction of investors with the institution, improve their participation in the market and increase their levels of protection. It will also offer a more general view of how the CNMV is perceived by other groups that regularly follow its activity.

In addition, an **analysis and global environmental sustainability plan of the CNMV as an organisation** will be drawn up. The CNMV aims to further improve its energy efficiency and reduce its environmental impact. To do this, in accordance with the initiative already announced in 2020 and postponed due to the pandemic, the institution will carry out an internal assessment and establish specific recommendations aimed at improving its environmental sustainability. This measure will have a global focus and supplement the specific initiatives that are already being implemented in this area.

### **A more accessible and transparent CNMV**

In recent years, due especially to the digitisation of processes, the CNMV has become more open to supervised entities. However, it is considered that this interaction should be boosted and the institution be made more accessible to all stakeholders.

As part of this process, and in relation to the CNMV's headquarters, the **preparations for opening the Bilbao office and the transfer of the Barcelona office to a new location** are expected to continue in 2021.

In October 2020, the CNMV and the National Commission of Markets and Competition (CNMC) signed an agreement to share the headquarters that the latter currently occupies in Barcelona. In execution of this agreement, having completed the pertinent work, the effective transfer of the CNMV's office in Barcelona to this new location is expected to take place in the second quarter of the year. Additionally, taking into account the current requirements for the physical presence of staff, the refurbishment of the new Bilbao office is being completed.

The **expansion and improvement of communication channels with the CNMV** will also be carried out. To do this, work will be undertaken in several areas:

- i) Meetings and visits will be arranged with industry representatives (through associations or entities) to convey messages and seek their opinion on the CNMV's activities and the market situation. The channel provided by the Advisory Committee will also be used to improve communication in aspects other than those established by law.
- ii) The online submission and access to information on publications and statistics will be reviewed. In particular, an effort will be made to make it easier for investors, analysts and researchers to access public statistical information.
- iii) The available communication channels will be reviewed to ensure that market participants are able to raise any concerns or proposals they may have.

- iv) Lastly, accessibility will be monitored for users of the CNMV's websites and applications for mobile devices, in particular for people with disabilities, in compliance with the provisions of Royal Decree 1112/2018.

Likewise, the CNMV will continue to increase transparency in the exercise of its activity, informing market participants of the actions carried out and including them in the different initiatives being carried out. Thus, **changes will be made to the CNMV's public consultation policy**, making its regulatory activities more transparent through the following measures:

- i) Whenever possible, the CNMV will extend the deadlines for public consultation on non-urgent matters. These deadlines could be extended to two months, generally, and up to three months for consultations on more complex matters.
- ii) The responses received in the public consultations made by the CNMV will continue to be published.
- iii) A feedback statement on how the comments received in these public consultations have been considered will be provided.
- iv) For particularly significant matters, calling a public meeting to explain the regulation and receive comments (open hearing) will be considered, as well as reinforcing the role of the Advisory Committee.

In addition, **the transparency of contacts with stakeholders** will be boosted. Specifically, more information will be provided on the contacts between CNMV executives and stakeholders, for which purpose the following measures will be adopted:

- i) The acts and meetings of the members of the Executive Committee (including the chairman and deputy chairman) will be published periodically, including meetings and events that have taken place with entities and associations, excluding confidential data related to supervisory matters.
- ii) The list of public events in which CNMV management staff have participated or intend to participate as speakers will be also published.
- iii) The activity of the Advisory Committee will be made more transparent. Thus, the corresponding section of the CNMV's website will be redesigned in order to give greater visibility to the Committee's activity. In addition, the reports issued in the exercise of its functions will be published and the dissemination of the matters discussed and the decisions adopted will be considered.

### Staff related measures

The human capital of the CNMV is a fundamental asset ensuring that the institution can perform its functions with the highest possible quality.

In 2021, building on the trend seen in recent years of facilitating teleworking for its employees, the CNMV will **amend and reinforce its teleworking policy**, an objective already included in the 2020 Activity Plan, which was postponed until the regulations on teleworking in the public sector have been published.

Additionally, **management skills training** will be offered. A multi-channel training and development programme will be developed, aimed at employees who are directly responsible for team management, spanning managerial functions such as leadership, communication, motivation, the ability to influence or stress management. The objective is to strengthen an organisation with a common vision and promote the improvement and development of skills in this area.

Lastly, **work will begin on an employee climate survey** among CNMV staff. In this way, useful information can be obtained to more effectively develop the institution's human resources policy.

## CNMV's operational improvements

TABLE 2

	Initiative
Digital transformation	Strategic information systems plan
Driving innovation	Implementation of the sandbox
Improving competitiveness	Proposal to update the Law on CNMV fees
	Implementation of the new CNMV risk map
Improving efficiency	Panel to obtain a perception of the functioning of the CNMV among investors, media professionals and other users
	Analysis and global environmental sustainability plan of the CNMV as an organisation
A more accessible and transparent CNMV	Bilbao office preparations and transfer of the Barcelona office
	Expansion and improvement of communication channels with the CNMV
	Changes in the CNMV's public consultation policy
	Boosting the transparency of contacts with stakeholders
Staff related measures	Amendment and strengthening of the teleworking policy
	Management skills training
	Start of work on the employee climate survey

## 4.2 Market supervision

As every year, the 2021 Activity Plan contains specific objectives related to market supervision.

### Corporate governance

The CNMV's work area on corporate governance will continue to play a significant role in 2021.

This year, the transposition of the directive as regards the encouragement of long-term shareholder engagement is expected to be completed. For this reason, **the Circular on the Annual Corporate Governance Report (ACGR) and the Annual Directors' Remuneration Report (ADRR) will be amended** to reflect the changes deriving from the transposition of this Directive.

The most relevant changes are likely to be: i) inclusion in the ADRR of a table showing changes in the annual variation of the remuneration of each director, the average

annual remuneration of non-director employees and the entity's annual profit or loss over the past five years, and ii) the adaptation of section D of the ACGR, on information on transactions with related parties, to include changes deriving from the new authorisation and advertising regime for these transactions.

Likewise, the **development of a possible code of good practices to encourage long-term shareholder engagement** will be considered. A **study will be made of the most relevant codes** approved in recent years (such as the UK or Japanese codes, or the good practices included in the OECD's Principles of Corporate Governance), with the aim of assessing further measures to encourage long-term shareholder engagement. This objective, originally planned for 2020, was postponed due to the pandemic.

If deemed appropriate, a code of good practices will then be drawn up, which would be subject to public consultation and for which purpose a group of experts would be set up, which will also take into account the opinions of other national supervisors, as well as representatives of entities not necessarily under the supervision of the CNMV, such as pension funds.

Lastly, a **horizontal review of the degree of compliance with ESMA Guidelines on Alternative Performance Measures (APM)** will be carried out.

An analysis will be performed on a sample of issuers to assess how APMs are presented in the management reports of their periodic financial information, earnings presentations or in certain transactions or economic operations reported as "Inside information" or "Other relevant information", as well as in their prospectuses if any have been published during the year. The analysis will be carried out with the objective of identifying aspects for improvement and evaluating the consistency of the APMs used in each of the aforementioned documents.

### Financial reporting

The CNMV will carry out an **analysis of the information, broken down by issuer, relating to the effects of COVID-19** in their 2020 annual financial reports (annual accounts, management report and non-financial information statement), including aspects such as impairment of financial and non-financial assets, the impact on lessees of potential modifications in their contracts granted by lessors, or the impact of the virus on social and employee-related aspects.

In the public report on the CNMV's supervision of the annual financial statements for 2020, a specific section will be included showing the main conclusions obtained and how the effects of the pandemic in the year have been reflected in the annual financial statements of listed companies subject to substantive review.

Likewise, an **analysis of the submission of the annual financial statements in the European Single Electronic Format (ESEF)** will be made.

As in the previous objective, the public report on the CNMV's supervision of the annual financial statements for 2020 will include a specific section with the main conclusions obtained in regard to the first-time obligation to draw up annual financial statements in the European single electronic format, in order to identify improvements that could be made in the coming years, both in the preparation by entities and in regard to how they are received, published and treated by the CNMV.

Safe and efficient management of market and post-trading infrastructures is essential to maintain financial stability.

Therefore, the CNMV will carry out a **review of compliance by the market infrastructures with IOSCO-CPMI Guidelines<sup>29</sup> on cybersecurity**. In this context, the existence of controls to counter cyberattacks contributes to the resilience of the infrastructures and, therefore, to the stability of the financial sector and the economy in general.

In addition, a **plan will be developed to monitor compliance by central counterparties (CCP) with the ESRB's Recommendations on margin calls**.

CCPs require their clearing members to provide collateral to manage counterparty risk. These requirements contribute decisively to the resilience of the markets, but they can affect the liquidity of the CCP's member entities and even their solvency if liquidity tensions lead to forced and systematic sales of assets.

The CNMV's supervision will focus on analysing the margins calls made in a specific period and, where appropriate, consider the corresponding adjustments to the risk management model within the current regulatory framework (EMIR).

Lastly, in 2021, the institution will **cooperate with ESMA in the analysis of improvements in the data reporting quality supervision system**. This objective reformulates and expands the initial objective established 2020, which was postponed due to the pandemic.

The quality of the data required by various legislative elements such as MiFID/MiFIR, MAR, EMIR and SFTR and submitted by markets, systematic internalisers, approved publication arrangements (APA) and investment firms is a necessary condition for some key aspects of the legislation to work and for the authorities to carry out supervision and analysis tasks for risk prevention.

Based on its experience in the supervision of MiFID II/MiFIR and EMIR, the institution will work with ESMA on the analysis of procedures and resources for supervising the quality of the data submitted by infrastructures and intermediaries, with recommendations, if applicable, for improvements in supervisory procedures and mechanisms.

## CCP resolution

In 2021, the CNMV will **develop its new powers as a resolution authority for central counterparties**.

Once the CCP Recovery and Resolution Regulation has been published, the CNMV is likely to be appointed as a resolution authority. These powers include taking part in the new ESMA Resolution Committee, creating the CCP resolution college for the Spanish markets and the preparation of a resolution plan and resolvability assessment.

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29 Committee on Payments and Market Infrastructures.

In addition, in line with the work of the FSB, a resolvability assessment will be carried out, focused on the ensuring the adequacy of the financial resources available on resolution in default loss and non-default loss scenarios.

### Benchmark indices

In regard to benchmarks, in 2021, the LIBOR and EONIA transition processes will be completed and the review of the European Benchmark Regulation will come into force, which will allow the European Commission to appoint substitutes in the event of the disappearance of a critical index. In addition, the FSB's recommendations provide for the competent authorities to monitor exposure levels and reinforce actions aimed at raising awareness among financial and non-financial companies of the steps they must take to successfully achieve the transition.

Accordingly, the CNMV will carry out the **disclosure and monitoring of the index reform and the transition to risk free rates**, which will include various information dissemination actions, such as the publication of press releases and organisation of an online seminar to discuss the reform.

### Market supervision

TABLE 3

	Initiative
<b>Corporate governance</b>	Amendment of Circulars on the Annual Corporate Governance Report (ACGR) and the Annual Directors' Remuneration Report (ADRR)
	Possible code of good practice to encourage long-term shareholder engagement
	Horizontal review of the degree of compliance with ESMA Guidelines on Alternative Performance Measures (APM)
<b>Financial reporting</b>	Analysis of the information, broken down by issuers, in relation to the effects of COVID-19
	Analysis of the submission of annual financial statements in the European Single Electronic Format (ESEF)
<b>Market supervision</b>	Review of compliance by market infrastructures with the IOSCO-CPMI Guidelines on cybersecurity
	Plan for monitoring CCP compliance with the ESRB's Recommendations on margin calls
	Cooperation with ESMA in the analysis of improvements in the data reporting quality supervision system
<b>CCP resolution</b>	Development of new powers as a CCP resolution authority
<b>Benchmark indices</b>	Disclosure and monitoring of index reform and transition to risk free rates



### Publication of technical guides and criteria

In 2021, **criteria will be developed for the authorisation of third-country companies to provide investment services to professional clients in Spain without a branch.** Following the United Kingdom's departure from the European Union, several credit institutions and investment firms based in that country have expressed interest in providing services in Spain to professional clients without a branch. The Securities Market Act provides for such a possibility, but allows the CNMV to require a branch to be established, due to reasons of general interest, activity volumes or the complexity of the services and products offered. The CNMV will develop and disseminate criteria to authorise third-country credit institutions or investment firms with no physical presence in Spain to operate.

A **Technical guide on liquidity management and control of CISs** will also be published. This aim of this guide is to collect supervisory experience in relation to the analysis of the procedures of CISMCS for controlling the liquidity of CIS portfolios. It will address issues such as swing pricing (the possible modulation of the subscription or redemption price in certain cases considering the costs generated by the subscriptions or redemptions), the criteria to follow for the sale of the positions, entities' contingency plans, etc. This objective was included in the 2020 Activity Plan, although it could not be completed.

Likewise, the CNMV will publish **criteria on the application of new European regulations (ESG and encouragement of long-term shareholder engagement).**

The application of the new regulations on these matters raises many uncertainties for the entities concerned, both in terms of how they should be applied and the supervisory approach in place. Therefore, the CNMV will publish criteria on this subject (through press releases or in Q&A format), for which it will seek ESMA's position in order to achieve the desired supervisory alignment. In addition, training sessions will be held to transmit the CNMV's vision in this area.

Lastly, the CNMV will carry out a **review of the Technical guides for appropriateness assessments.** Now that the supervisory experience and the new ESMA guidelines have been taken into account, the guides prepared and published by the CNMV in 2010 need to be amended, since some of their content has not been adapted to subsequent regulations or to European guidelines on this matter.

### Adaptation to the new regulations

In 2021, the **adaptation to the solvency regulations for investment firms** will be carried out. The application of this new regulation will start in the middle of the year, which will mean that reserved information and supervision systems will have to be adapted to the new requirements. To facilitate this transition, virtual conferences will be organised.

The **adaptation to new regulations for crowdfunding platforms** will also take place. The approval of the new regulation on crowdfunding services requires national regulations and supervisory procedures for these platforms to be adjusted. In addition, it will be necessary to develop simplified procedures for existing

crowdfunding platforms to change to the new regulation. Two specific measures are planned: i) adaptation of the supervision model of crowdfunding platforms to the new European Union regulation, and ii) development of a simplified authorisation procedure for crowdfunding platforms already authorised in Spain to prove that they comply with the new regulation.

In addition, a **proposal will be presented for the adaptation of key investor documents (KID) of UCITS and alternative investment funds (AIF) to the regulations of packaged retail investment products and insurance-based investment products (PRIIPs)**. Regulation (EU) No. 1286/2014 of the European Parliament and of the Council, of 26 November 2014, establishes the obligation to prepare a KID for PRIIPs that are UCITS. As part of its application in Spain, the Law on Collective Investment Schemes and all its implementing regulations will be changed to adapt the KID to the content required by PRIIP regulations (as well as amending some of the content of the prospectus).

The CNMV, as part of its advisory function, will address the alignment of Spanish regulations with those established at the EC level, for example, by proposing to eliminate the CNMV's obligation to check the KID (without prejudice to the existence of a public register for these documents), thereby reducing administrative procedures and aligning Spanish market practices with those of the majority of EU supervisors.

The same approach could be applied to venture capital entities and closed-ended collective investment companies, which, because they are aimed at retail investors, have the obligation to prepare and deliver a KID adjusted to the model established under the PRIIP regulation.

Additionally, a new electronic prospectus will be developed at the CNMV, a procedure for submitting KIDs to the CNMV through CIFRADOC and the KIDs will be disseminated through the CNMV's public registry.

### Horizontal reviews

In 2021, the CNMV will carry out a large number of horizontal reviews of compliance with specific standards or criteria in relation to all entities or a sizeable sample of them.

First, the institution will carry out a **review of compliance with governance obligations in the marketing of financial instruments** by credit institutions and IFs. This review will be coordinated by ESMA.

In addition, **compliance with standards of conduct in the marketing of venture capital entities and closed-ended collective investment companies by their management companies** will be reviewed. Given the current returns offered by more traditional products, there is a growing offer of this type of vehicle for retail customers, both from banks and independent managers. Therefore, a horizontal analysis of the marketing of these vehicles will be carried out, in order to check whether the KIDs of the PRIIPs are being supplied and whether the information required under the regulations is being provided to investors, as well as compliance with the rest of the rules of conduct set down in Title VII of the Securities Market Act that are required from CIS management companies and closed-ended collective investment companies when they directly market these vehicles or third-party vehicles.

Likewise, a **review of CIS costs and fees** will be carried out. Specifically, a joint review will be made, coordinated by ESMA, of compliance with the supervisory briefing prepared by this authority in June 2020 to promote convergence in the supervision of UCITS and AIF costs.

Furthermore, the CNMV will perform a **horizontal review of entities' internal whistle-blowing channels**. Specifically, a review will be made of a representative sample of investment firms, to check their internal systems for handling complaints by employees and how the notifications received about possible infractions are handled.

Lastly, **the procedures for conducting remote examinations by staff who inform or advise will be reviewed**. In 2020, the possibility of conducting remote examinations was provisionally allowed and subsequently the CNMV Technical Guide 4/2017 was amended to include this format on a permanent basis, provided that there are procedures that demonstrate that the examinations are equally reliable as those conducted face-to-face. A significant number of entities have already notified the CNMV of their use of this format. The aim of this objective is to verify that entities are complying with the requirements but there are no plans to further amend the technical guide.

### Boosting competitiveness

During the year, the CNMV will also continue to develop measures to make the Spanish stock markets as competitive as possible.

Thus, given the increase in the marketing of various closed-ended collective investment vehicles (VCE, EuSEF, EuVECA and ELTIF)<sup>30</sup> to retail investors, **records of the prospectuses of closed-ended collective investment schemes and their KIDs** (in the latter case, only if required by regulations) **will be published on the CNMV website**.

In addition, **authorisation procedures for firms will be streamlined through the use of online forms**. This objective was included in the 2020 Activity Plan, although a decision was made to postpone it due to the pandemic.

Numerous non-complex files are processed through the CNMV (for example, changes in the members of the governance bodies of regulated entities and fund mergers) that entail a high administrative workload and for which the documentation is often deficient despite the existence of forms that are available to parties involved. For this reason, a procedure based on online forms will be established for the submission of documents of this type, which will include filters to ensure that the information and documentation are presented correctly, thereby speeding up processing times.

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30 VCE: venture capital entities, EuSEF: European social entrepreneurship funds, EuVECA: European venture capital funds, and ELTIF: European long-term investment funds.

## Cybersecurity

In a highly digitised financial sector, it is essential to pay attention to the risks that new technologies may entail in the provision of services and to develop processes to manage them.

**New regulations on technological risk** are expected to be included. In 2021, the European Union's Digital Operational Resilience Act (DORA) is expected to be approved, which will extend to the entire financial system. Additionally, in December 2020, ESMA Guidelines on cloud service providers were published.

In order to know the extent to which the requirements and guidelines are monitored by the supervised entities, a specific questionnaire will be prepared, in digital format, which will be sent to a large number of these entities. The findings will be used to draw up a report that will allow the supervision of technological risk to be properly addressed.

### Supervision of financial intermediaries

TABLE 4

	Initiative
<b>Publication of technical guides and criteria</b>	Criteria for the authorisation of third-country companies to provide investment services to professional clients in Spain without a branch
	Technical guide on liquidity management and control of CISs
	Criteria on the application of new European regulations (ESG and promotion of long-term shareholder engagement)
	Review of the Technical guides for appropriateness assessments
<b>Adaptation to the new regulations</b>	Adaptation to new solvency regulations for investment firms
	Adaptation to new regulations for crowdfunding platforms
	Proposal for the adaptation of key investor documents (KID) of UCITS and alternative investment funds (AIF) to the regulations of packaged retail investment products and insurance-based investment products (PRIIPs)
<b>Horizontal reviews</b>	Review of compliance with governance obligations in the marketing of financial instruments
	Review of compliance with standards of conduct in the marketing of venture capital companies and closed-ended collective investment companies by their management companies
	Review of CIS costs and fees
	Horizontal review of the entities' whistle-blowing channels
	Review of procedures for conducting remote examinations by staff who inform or advise
<b>Boosting competitiveness</b>	Inclusion in the CNMV website of records of prospectuses issued by closed-ended collective investment companies
	Streamlining of authorisation procedures for firms through online forms
<b>Cybersecurity</b>	Inclusion of the new regulations on technological risk

### Research and statistics

The CNMV will continue to strengthen its activity in relation to the study of market phenomena.

First, given how the circumstances caused by the pandemic have affected the stock markets, a **study will be carried out on the effect of the situation generated by COVID-19 on the behaviour of retail investors**, which will assess how the different phases of the pandemic have influenced these investors. Specifically, a study will be made as to whether different social groups, segmented by age and gender, have responded in the same way to the situation of volatility and uncertainty that has dominated the equity markets in recent months.

In recent years there have also been changes in the securitisation sector and therefore **the publication of statistics published on asset securitisation funds will be reviewed**. An additional data source will be included (reserved statements of statistical information of CNMV Circular 2/2016).<sup>31</sup>

In addition, a **study of the impact of the information provided by investment funds** will be carried out. The objective is to assess, using artificial intelligence techniques, how the information contained in the periodic public information (PPI) of investment funds influences the investment flows they receive. To do this, a database will be used to study the PPI of the investment funds from the second quarter of 2009 up until 2020. Specifically, the readability of the parts of these reports that describe the investment policy and the investments made will be analysed.

Likewise, a **conference on empirical studies of remuneration systems and incentives for executives and directors of listed companies** will be organised. The conference will be coordinated in collaboration with SUERF (The European Money and Finance Forum), a public-private not-for-profit association. This objective was included in the 2020 Activity Plan, although a decision was made to postpone it due to the pandemic.

### Sustainable finance

Following the strategic lines established for 2021-2022, the CNMV will undertake various actions in relation to sustainability in capital markets.

The CNMV will make an **upgrade of its Sustainable Finance Portal**, with the aim of boosting the dissemination of information and providing more capacity for interaction with the sector and other stakeholders. Although progress was made on this objective in 2020, which was included in the Activity Plan for that year, additional improvements will be made in 2021.

In addition, the CNMV will carry out a **study on the issuance and marketing of sustainable finance products**, which will initially involve the collection of

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<sup>31</sup> CNMV Circular 2/2016, of 20 September on accounting standards, annual accounts, public financial statements, and reserved statements of statistical information of securitisation funds.

information and data on the issuance of ethical, solidarity and green investment funds and all those that can be classified as sustainable: their characteristics, distribution, performance over time and relative size with respect to neighbouring countries. Among other aspects, their performance and costs will be analysed. The ultimate goal is to define a methodology that facilitates future regular updates.

Likewise, the CNMV will **develop resources for financial education on sustainability**, with the aim of improving investor training in this area, improving their understanding of the products and eventual risks.

Lastly, the institution will carry out a **study on the inclusion of climate risk monitoring as part of the CNMV's functions**, specifically in terms of prudential, behavioural and macroprudential supervision. This study will take into account the progress and analyses made by other organisations in this area.

The work forms part of the initiatives developed by the FSB and European authorities on risk management deriving from climate change and is in accordance with the provisions of the draft bill on climate change and energy transition, which establishes, among other aspects, that the Bank of Spain, the CNMV and the General Directorate of Insurance and Pension Funds must periodically prepare a report on risk to the Spanish financial system deriving from climate change and the policies to combat it.

### Financial education

Given that the return on an investment is conditioned not only by the pure financial component, but also by the tax component, the CNMV will **prepare training resources to address the taxation of the different investment products**. Financial education resources will be designed in accessible formats (for example, infographics, videos, podcasts) to raise awareness of the tax effects of different investment and savings products.

In addition, in 2021, the CNMV will prepare a **new Financial Education Plan for 2022-2025**. This new Plan will continue to be developed jointly with the Bank of Spain and with the support of the General Secretariat of the Treasury and International Financing and the General Directorate of Insurance and Pension Funds. The main objective will be to step up the work that has been carried out since 2008 to improve the financial education of the population. New ways will be sought to deepen this objective and highlight the value of financial education as a fundamental element for stability and the protection of financial customers.

Likewise, in line with the objective of promoting the development of the securities markets, **a practical guide will be prepared on how to invest in the stock market** which will include theoretical content as well as recommendations and warnings.

In addition, an online **course on behavioural economics** will be rolled out, specially designed for potential investors and which will include an assessment. This course will be available on the "Investors and financial education" section of the CNMV's website and will be disseminated through different channels to all groups of interest (students, universities, investor associations, etc.).

Lastly, a **study will be carried out on the influence of knowledge and financial education on the savings and investment decisions of families and individuals**.

Based mainly on the results of the survey of financial skills and applying appropriate econometric techniques for qualitative variables, the CNMV will study the causal relationships that allow the willingness to save and invest and, specifically, the choice of different formats and investment products, to be associated with the specific characteristics of the individuals (including gender, age, family situation, etc.) and, most particularly, to financial training and education.

## Investors

Lastly, the CNMV will continue to implement measures aimed at protecting investors. **Communication channels will be established with Latin American supervisors for actions involving unauthorised entities** (boiler rooms) that allow the exchange of information. This action will be carried out in coordination with the Ibero-American Institute of Markets and Securities (IIMV).

In addition, **the content of the investor section on the CNMV website** will be improved to make it more accessible. This objective was included in the 2020 Activity Plan, although a decision was made to postpone it due to the pandemic.

Improvements will include the publication of answers to the most common queries received by the CNMV and that are relevant to the investor. Further, in the area corresponding to unauthorised entities, new sections will be included to provide permanent access to published press releases, issues of exceptional warnings due to repeated enquiries received on websites that have already been the subject of warnings, and explanatory videos will be included on how to spot boiler rooms through their own web pages.

Lastly, the CNMV will prepare a **Circular to develop controls on the advertising of crypto-assets**, in line with the new Article 240 bis of the Securities Market Act, introduced by Royal Decree-Law 5/2021, of 12 March, on urgent measures to support business solvency in response to the COVID-19 pandemic.

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## Relations with investors and other stakeholders

TABLE 5

	Initiative
<b>Research and statistics</b>	Study of the influence of the COVID-19 crisis on the behaviour of retail investors
	Review of the statistics published on asset securitisation funds
	Study of the impact of the information provided by investment funds
	Conference on empirical studies on remuneration systems and incentives for executives and directors of listed companies
<b>Sustainable finance</b>	Upgrade of the sustainable finance portal
	Study on the issuance and marketing of sustainable finance products
	Development of resources for financial education on sustainability
	Study of the inclusion of climate risk monitoring as part of the CNMV's functions

	<b>Initiative</b>
<b>Financial education</b>	Preparation of resources for financial education on taxation of different investment products
	New Financial Education Plan (2022-2025)
	Guide to investing in the stock market
	Online course on behavioural economics for investors
	Study of the influence of knowledge and financial education on the savings and investment decisions of families and individuals
<b>Investors</b>	Establishment of communication channels with Latin American supervisors in actions against unauthorised entities
	Improvement of the content of the investor section on the CNMV website
	Circular on advertising crypto-assets



## Annex 1 Summary table of updated 2021 objectives

Summary table of 2021 objectives

TABLE 6

		Strategic line	Initiative	
CNMV's operational improvements	Digital transformation	Line 4	Strategic information systems plan	
		Promotion of technology		
	Driving innovation	Line 4	Implementation of the sandbox	
		Promotion of technology		
	Improving competitiveness	Line 2	Proposal to update the Law on CNMV fees	
		Driving markets		
	Improving efficiency	Line 1	Implementation of the new CNMV risk map	
		Rigorous supervision		
		Line 3		
	A more accessible and transparent CNMV	Line 1	Rigorous supervision	Bilbao office preparations and transfer of the Barcelona office
			Rigorous supervision	
		Line 1	Expansion and improvement of communication channels with the CNMV	
		Line 1	Changes in the CNMV's public consultation policy	
Line 1		Boosting the transparency of contacts with stakeholders		
Staff related measures	Line 4	Amendment and strengthening of the teleworking policy		
	Line 1	Management skills training		
	Line 1	Start of work on the employee climate survey		
Market supervision	Corporate governance	Line 2	Amendment of Circulars on the Annual Corporate Governance Report (ACGR) and the Annual Directors' Remuneration Report (ADRR)	
		Driving markets		
		Line 2		
	Driving markets	Possible code of good practice to encourage long-term shareholder engagement		
	Driving markets	Horizontal review of the degree of compliance with ESMA Guidelines on Alternative Performance Measures (APM)		

		Strategic line	Initiative	
<b>Market supervision</b>	<b>Financial reporting</b>	Line 2 Driving markets	Analysis of the information, broken down by issuers, in relation to the effects of COVID-19	
		Line 2 Driving markets	Analysis of the submission of annual financial statements in the European Single Electronic Format (ESEF)	
	<b>Market supervision</b>	Line 4 Promotion of technology	Review of compliance by market infrastructures with the IOSCO-CPMI Guidelines on cybersecurity	
		Line 1 Rigorous supervision	Plan for monitoring CCP compliance with the ESRB's Recommendations on margin calls	
		Line 2 Driving markets		
		Line 1 Rigorous supervision Line 2 Driving markets	Cooperation with ESMA in the analysis of improvements in the data reporting quality supervision system	
	<b>CCP resolution</b>	Line 1 Rigorous supervision Line 2 Driving markets	Development of new powers as a CCP resolution authority	
		Line 1 Rigorous supervision Line 2 Driving markets	Disclosure and monitoring of index reform and transition to risk free rates	
	<b>Supervision of financial intermediaries</b>	<b>Publication of technical guides and criteria</b>	Line 1 Rigorous supervision	Criteria for the authorisation of third-country companies to provide investment services to professional clients in Spain without a branch
			Line 1 Rigorous supervision	Technical guide on liquidity management and control of CISs
Line 3 Sustainability in the financial sector			Criteria on the application of new European regulations (ASG and promotion of long-term shareholder engagement)	
Line 1 Rigorous supervision			Review of the Technical guides for suitability assessments	
<b>Adaptation to the new regulations</b>		Line 1 Rigorous supervision Line 2 Driving markets	Adaptation to new solvency regulations for investment firms	
		Line 1 Rigorous supervision Line 2 Driving markets	Adaptation to new regulations for crowdfunding platforms	
		Line 1 Rigorous supervision Line 2 Driving markets	Proposal for the adaptation of key investor documents (KID) of UCITS and alternative investment funds (AIF) to the regulations of packaged retail investment products and insurance-based investment products (PRIIPs)	

		Strategic line	Initiative	
Supervision of financial intermediaries	Horizontal reviews	Line 1 Rigorous supervision	Review of compliance with governance obligations in the marketing of financial instruments	
		Line 1 Rigorous supervision	Review of compliance with standards of conduct in the marketing of venture capital companies and closed-ended collective investment companies by their management companies	
		Line 1 Rigorous supervision	Review of CIS costs and fees	
		Line 1 Rigorous supervision	Horizontal review of the entities' whistle-blowing channels	
		Line 1 Rigorous supervision	Review of procedures for conducting remote examinations by staff who inform or advise	
	Boosting competitiveness	Line 1 Rigorous supervision	Inclusion in the CNMV website of records of prospectuses issued by closed-ended collective investment companies	
		Line 1 Rigorous supervision	Streamlining of authorisation procedures for firms through online forms	
		Cybersecurity	Line 4 Promotion of technology	Inclusion of the new regulations on technological risk
	Relations with investors and other stakeholders	Research and statistics	Line 1 Rigorous supervision	Study of the influence of the COVID-19 crisis on the behaviour of retail investors
			Line 1 Rigorous supervision	Review of the statistics published on asset securitisation funds
Line 1 Rigorous supervision			Study of the impact of the information provided by investment funds	
Line 1 Rigorous supervision			Conference on empirical studies on remuneration systems and incentives for executives and directors of listed companies	
Sustainable finance		Line 3 Sustainability in the financial sector	Upgrade of the sustainable finance portal	
		Line 3 Sustainability in the financial sector	Study on the issuance and marketing of sustainable finance products	
		Line 3 Sustainability in the financial sector	Development of resources for financial education on sustainability	
		Line 3 Sustainability in the financial sector	Study of the inclusion of climate risk monitoring as part of the CNMV's functions	

		<b>Strategic line</b>	<b>Initiative</b>
<b>Relations with investors and other stakeholders</b>	<b>Financial education</b>	Line 1 Rigorous supervision	Preparation of resources for financial education on taxation of different investment products
		Line 1 Rigorous supervision	New Financial Education Plan (2022-2025)
		Line 1 Rigorous supervision Line 2 Driving markets	Guide to investing in the stock market
		Line 1 Rigorous supervision	Online course on behavioural economics for investors
		Line 1 Rigorous supervision	Study of the influence of knowledge and financial education on the savings and investment decisions of families and individuals
	<b>Investors</b>	Line 1 Rigorous supervision	Establishment of communication channels with Latin American supervisors in actions against unauthorised entities
		Line 1 Rigorous supervision	Improvement of the content of the investor section on the CNMV website
		Line 1 Rigorous supervision Line 4 Promotion of technology	Circular on advertising crypto-assets

## Annex 2 CNMV Annual Regulatory Plan 2021

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

The regulations issued by the CNMV, known as *circulars*, are prepared with the appropriate technical and legal reports of the institution's competent services, submitted to public consultation and approved by its Board. These circulars enter into force once they have been published in the *BOE* (Official State Gazette).

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

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

All this information is included in Article 38 of the CNMV's Internal Regulations, approved by the CNMV board resolution of 19 December 2019.

In compliance with the above, the CNMV has proceeded to prepare its Annual Regulatory Plan for 2021 in order to provide stakeholders with prior knowledge of the provisions proposed or issued during the current tax year.

In 2021, the CNMV expects a total of four initiatives to be approved, of which two will have the status of circulars and two will be technical guides. These projects are listed below.

### Circulars

- i) Circular amending CNMV Circular 5/2013, of 12 June, establishing models for the Annual Corporate Governance Reports of listed public limited companies, savings banks and other entities that issue securities admitted to trading on official securities markets, and CNMV Circular 4/2013, of 12 June, establishing models for annual reports on directors' remuneration for listed public limited

companies on remuneration of members of the boards of directors and of the control committees of savings banks that issue securities admitted to trading on official securities markets.

Objective: to adapt the ACCR to changes arising from the implementation of Directive (EU) 2017/828 of the European Parliament and of the Council, of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

- ii) Circular on advertising crypto-assets.

Objective: to develop control over the advertising of crypto-assets, in line with the new Article 240 bis of the Securities Market Act, introduced by Royal Decree-Law 5/2021, of 12 March.

### Technical guides

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

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

- ii) Review of the Technical guides for appropriateness assessments.

Objective: to collect supervisory experience and take into account the new ESMA guidelines, adapting the contents to subsequent regulations and European guidelines on this matter.

Scope of the rule	Project
<b>Circulars</b>	Circular amending CNMV Circular 5/2013, of 12 June, establishing models for the Annual Corporate Governance Reports of listed public limited companies, savings banks and other entities that issue securities admitted to trading on official securities markets, and CNMV Circular 4/2013, of 12 June, establishing models for annual reports on directors' remuneration for listed public limited companies on remuneration of members of the boards of directors and of the control committees of savings banks that issue securities admitted to trading on official securities markets.
	Circular on advertising crypto-assets
<b>Technical guides</b>	Technical guide on liquidity management and control of CISs
	Review of the Technical guides for appropriateness assessments

