

## THE CNMV PUBLISHES ITS ANNUAL REPORT FOR 2021

16 June 2022

- It explains the initiatives carried out aimed at investor protection and highlights its actions on numerous current issues
- It pays special attention to the evolution of the sector in light of regulations on sustainable finance
- In 2021 it published, for the first time separately, the report on supervision of non-financial information (EINF) of entities
- It disseminated alerts about more than 1,500 financial boiler rooms and the CNMV detected more than 500
- It received 1,254 complaints and 10,421 queries from investors
- The processing times for proceedings, queries and complaints were reduced by 10 percent
- It opened 16 new sanctioning proceedings, with proposals for fines of €7 million (€2.8 million in 2020)
- Thanks to the whistleblower's channel, two sanctioning proceedings and 32 supervisory actions were opened
- The Annual Report includes new chapters dedicated to entity resolution and financial stability
- It provides information about the Fintech Portal and the sandbox processes in addressing financial innovation and cybersecurity

The National Securities Market Commission (CNMV) today publishes its [Annual Report for 2021](#).

In its first part, the Annual Report analyses the macroeconomic environment and the evolution of the markets. The second part details the actions of the CNMV and the third looks more closely at the main organisational, economic and institutional aspects. The report has been redesigned, to make it more concise.

Last year was marked by an initial period of intense economic recovery on a global scale that was interrupted at the end of the year in a context of new uncertainties. Yields on public debt remained low, although already pointing to a possible turn due to the rise in inflation. The level of stress in the Spanish financial markets decreased notably at the beginning of the year, but the risks weighed again in the second half.

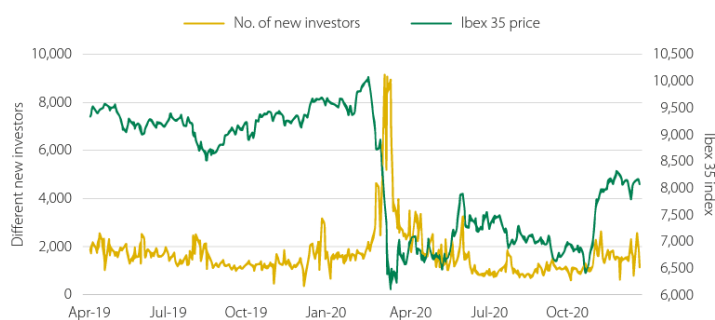
In **equities**, the capitalisation of the Spanish stock markets grew by 10.2% in 2021, to exceed €638.1 billion. The trading of shares fell for the third consecutive year to stand at €693,736 million, 11% less than in 2020. In 2021,

there was a significant increase in recourse to the market as a means of financing by Spanish companies.

In this sense, the number of **capital increases** carried out was 51, 11 more than in 2020, and resources were raised for a total amount of €14,938 million (almost 50% more than in the previous year). The positive evolution of the stock markets favoured investment flows towards equities and IPOs, reactivating the incorporation of new companies into the market. In this context, the IPOs of Acciona Energía, Grupo Ecoener and Línea Directa took place. In 2021, five **takeover bids** were authorised with a potential amount of €7,863 million, compared with two transactions registered in 2020.

The Annual Report also includes the conclusions of the analysis of the behaviour of retail investors in the financial markets during the COVID-19 crisis and highlights their massive incorporation at times of greatest turbulence.

**Number of new investors in relation to the Ibex 35** FIGURE 12



Source: Transaction reporting. Compiled by the authors.

As regards **fixed income**, gross issuance of Spanish debt (public and private) decreased in 2021 by 2.6% compared to 2020, somewhat less than in the euro zone as a whole (-5.4%). For the year as a whole, the amount of private fixed income issues registered with the CNMV decreased by 22.3%, standing at €80,094 million, <sup>1</sup> while those registered abroad increased by 36.6%, to a volume of €123,250 million. It is worth noting the strong increase in issues made in the MAREF, of 45.7%, up to €13,964 million.

### Investment funds

Assets of **investment funds** grew by 16.1% to stand at €324,701 million and the number of participants increased by 24.9%, to 15.8 million. **Foreign** collective Investment schemes (CIS) marketed in Spain, which had already been growing strongly since 2012, increased their managed assets sharply, growing by 38.5%, up to €276,232 million at the end of 2021, which represents 43.5% of the total. Regarding the management companies of collective

investment institutions (CISMC), at the end of 2021 there were 123 in all, a number that has remained stable since 2019.

The number of SICAVs fell by 147, reaching 2,280 companies, but their assets grew by 5.8%, benefiting from the evolution of the markets.

### Investment services

The Annual Report gives details of the evolution of the activity and the economic and financial position of entities subject to prudential supervision by the CNMV and whose main activity is the provision of investment services.

At the end of 2021, a total of 91 **broker-dealers and brokers** were registered with the CNMV, the same number as at the end of 2019. The number of foreign entities decreased by more than 2,000 (down to 946) due to Brexit.

**Credit institutions** continued to concentrate most of the income received for the provision of investment services (88.9%). 64% of this business corresponded to traditional commercial banks or entities that belong to their groups.

The number of **financial advisory firms** registered with the CNMV at the end of 2021 was 140, the same number as the previous year and their total assets advised stood at €19,263 million, 10.6% more.

The **venture capital** activity continued its upward trend of recent years in 2021 and was reflected in the number of new closed-end collective investment vehicles registered with the CNMV, which continued to record all-time highs. A total of 143 closed-ended investment vehicles and 7 new management companies of closed-ended vehicles were registered. The CNMV register closed the year with a total of 671 investment vehicles and 122 management companies, a rise of 22.9% and 2.5% respectively on the figures for year-end 2020. The investment volume was close to €7.5 billion, 20% more than in 2020. The number of crowdfunding platforms remained at 27.

The Report explains in detail significant initiatives of the year, among others:

- Technical guide on liquidity management and control of CISs.
- ESMA statement on investment recommendations in social networks.
- Entry into force of the new European regulation on European crowdfunding service providers (ECSPs).

### Sustainable finance

The Annual Report includes the evolution of financial instruments with elements of sustainability in 2021, both in terms of fixed income - the amount of sustainable fixed income issues stood at €23,116 million in 2021, almost double the figure for 2020 (€13,816 million) - as well as investment

instruments: the number of CISs that at the end of the year had registered under Articles 8 or 9 of the European Sustainable Finance Disclosure Regulation (SFDR) was 183 (176 for Article 8 and 7 for Article 9). The assets of these CIS amounted to €68.4 billion.

In the field of venture capital, it should be noted that, at the end of 2021, 112 vehicles had included information on sustainability in their information brochures, of which 6 stated that they are financial products that promote environmental or social characteristics, within the meaning of Article 8 of the aforementioned Regulation and 3 are aimed at sustainable investments, in the sense of Article 9. A novelty this year is an extensive chapter to explain the main regulatory advances in sustainable finance and the intense activity carried out by the CNMV to contribute to its final configuration and implementation.

### Market supervision

The CNMV continued with its intense supervision of the correct formation of prices and the integrity of the markets, in application of the market abuse regime. One of the main sources of information used is the daily communication of transactions carried out by investment firms, credit institutions and markets. In 2021, the CNMV received over 277 million **reports of transactions** executed in financial instruments (8.2% up on 2020). Entities with an obligation to report to the CNMV amounted to 183.

At the end of 2021, there were six regulated markets in Spain, five multilateral trading facilities (MTFs), three organised trading facilities (OTFs) and six systematic internalisers. At the end of the year the new Organised Trading Facility, Tradition España OTF, started reporting. The active instruments in ESMA's database whose significant competent authority was the CNMV amounted to 114,986.

During the year 2021 the total number of communications of **inside information** and other significant information was 6,279 (a figure very similar to that of 2020). The CNMV sent 181 requests related to the supervision of activities in the markets (183 requests the previous year) and prepared 320 reports in this area.

The number of suspicious transactions and order reports (STOR) was 290, an increase of 4% compared to 2020. In 2021, various supervisory actions related to trading by electronic means on trading venues were carried out.

In addition, the Annual Report includes, among others, the following actions:

- Monitoring by the CNMV of the initiatives derived from the integration between the SIX and BME groups.
- Supervision of benchmark indices in a year marked by the end of Libor and Eonia.

The work in the area of financial information and corporate governance of issuers is also explained, in a year in which for the first time a **separate report on the supervision of non-financial information** (EINF) was published and new guidelines were distributed on the reporting regime for related party transactions.

### Supervision of entities

As a result of these **supervisory actions**, the CNMV sent out a total of 1,302 deficiency letters to supervised entities, 1,128 of which originated from off-site supervision and 174 from supervision *in situ*. In addition, 458 actions were carried out, including 13 inspections. In the area of supervision of CISs and venture capital entities, 1,178 requests were sent and 251 actions were carried out, including 11 inspections. The Report refers in particular to various **initiatives aimed at investor protection**:

- Participation in a **joint action** of supervision coordinated by ESMA, focused on the **review of product governance procedures** that entities must implement.
- **Horizontal review** of internal procedures and actions in matters of **internal complaints** by personnel of investment firms and credit institutions, in which the obligation to have adequate internal procedures so that employees can report potential or actual infractions was supervised.
- Monitoring of the activity carried out by branches and agents, and entities in the free provision of community services. With the focus on **CFD trading**, the actions led to eight entities in free provision of services that carried out aggressive marketing of CFDs in Spain to agree during 2021 on various restrictive measures in this regard.
- Common Supervisory Action (CSA) to analyse the procedures of **setting commissions and expenses that managers** have implemented.
- Analysis of the Key Information Documents of **venture capital entities and review of advertising** on their websites.
- Monitoring of **CIS liquidity** and publication of the Technical Guide on the matter.

The activity of the CNMV relating to **entity resolution** and the implications for investment firms and central counterparties of the new regulatory framework are addressed in a new chapter. In addition, another section is devoted to work on financial stability and systemic risk: indicators used, financial stability note, monitor on non-bank intermediation (NBFII), leverage of alternative

investment funds, etc. It also details the actions in relation to the Macroprudential Authority Financial Stability Board (AMCESFI), the European Systemic Risk Board (ESRB), IOSCO and the FSB.

### Enforcement proceedings

During 2021, the Executive Committee of the CNMV agreed to initiate **16 new sanctioning proceedings** (compared to 7 in 2020) with proposals for fines for an amount of **€7 million** (€2.8 million in 2020).

In the new proceedings, a total of 28 alleged violations were charged: 11 for market abuse (privileged information), 6 for breach of rules of conduct in relation to clients or investors, 3 for breach of reporting obligations by issuing companies, 2 for breach of restricted activity regulations, 1 for breach of the regulations on short positions and the rest for violations of the general regulations on investment firms and collective investment schemes (CIS).

13 proceedings started in previous years were also closed. 31 fines were imposed for a combined amount of €4.71 million.

In 2021, 1,254 **complaints** were received, 1% more than in 2020. The CNMV increased the number of written complaints processed to 851, 15.1% more, reducing those that remained in process. The increase (53%, to 179) in the number of complaints where the entity acquiesced or reached an agreement before the CNMV issued its ruling stands out. In 2021, 10,421 investor **queries** were attended to.

### Warnings to the public

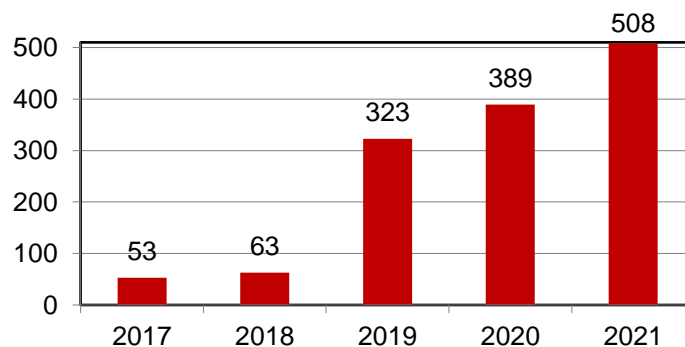
In the area of investors, 1,589 **warnings** were issued, of which:

- 508 were warnings from the CNMV, 30.6% more than in the previous year
- 1,081 were communications from supervisory bodies of Member States of the current European Union and the United Kingdom (1,254 in 2020)

#### NUMBER OF WARNINGS MADE BY THE CNMV ON UNREGISTERED ENTITIES

Figure II.6.3.1

Source CNMV



In 2021, 1,153 **whistleblowers' reports of possible infractions** were received, 42.9% more than in 2020. In 2021, two disciplinary proceedings were opened due to communications sent through this channel. On 32 occasions, the communications received gave rise to supervisory actions by the CNMV.

During 2021, the CNMV continued to devote preferential attention to promoting the national strategy for **financial education**. A highlight was the development and launch of the new Finance for All website ([www.finanzasparatodos.es](http://www.finanzasparatodos.es)) and in parallel, work was done on the design of the Financial Education Plan for the period 2022-2025.

The CNMV developed numerous training activities and published educational resources specifically aimed at investors, such as [the core competencies guide for investors](#) and the [50 basic questions and answers about investing](#), as well as various infographics.

### **Organisational and institutional activity**

The third part of the Annual Report offers economic-financial information and publishes, for the fourth consecutive year, the main **performance and activity indicators of the CNMV**. The CNMV continued its efforts to streamline procedures and managed to reduce the **average complaint resolution time** by 10% (to 68 days, compared with 76 days in 2020) as well as the **time for processing sanctioning proceedings**, to 7 months (220 days compared with 260 the previous year).

### **Fintechs and cybersecurity**

The Annual Report also publishes data on the **Fintech Portal**, which has received a total of 576 queries since its launch. In 2021, 141 queries were made, the most frequent related to crypto assets and blockchain technology. In the field of financial innovation, details are included on the controlled testing space or **sandbox** as well as on regulatory advances, among which the CNMV Circular regarding advertising crypto-assets presented as investment objects stands out. Details are also given of the CNMV's participation, at the highest level, in bodies with **international scope** and the main issues addressed in **cooperation** with other supervisory authorities and international bodies.

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<sup>1</sup>SAREB issues (registered with the CNMV) have been reclassified in the Public Administrations sector in accordance with Eurostat criteria. The amount of this entity's issues in 2021 was €21,077 million.