



IN 2023, THE CNMV RECEIVED 244 REPORTS OF SUSPICIOUS TRANSACTIONS THAT COULD CONSTITUTE MARKET ABUSE

13 September 2024

- This represents a decrease of 13.4% due to the fall in the number of operations executed by Spanish entities.
- 80% of the reports received reference equity instruments, and, in most cases, the rationale is possible insider trading.
- There is no significant difference in the quality of reports compared to previous years.
- The CNMV encourages market participants to continue improving their mechanisms, systems and procedures in place to comply with this obligation and highlights the importance of alerts.

The CNMV received 244 notifications of suspicious transaction constituting insider dealing (Suspicious Transaction and Order Report, STOR) in 2023, resulting in 13.48% less than the previous fiscal year.

The decrease in the number of suspicious transactions reported in 2023 falls within a context in which the total volume of transactions reported to the CNMV by entities has also decreased by 63%. The main cause is that one of the entities that made the largest number of reports has significantly reduced its activity in Spain due to a reorganisation of the financial group.

Although the range of financial instruments for which notifications were received is broad, 80% of all reports received in 2023 refer to equity instruments, a slightly lower percentage as in 2022.

For further information:

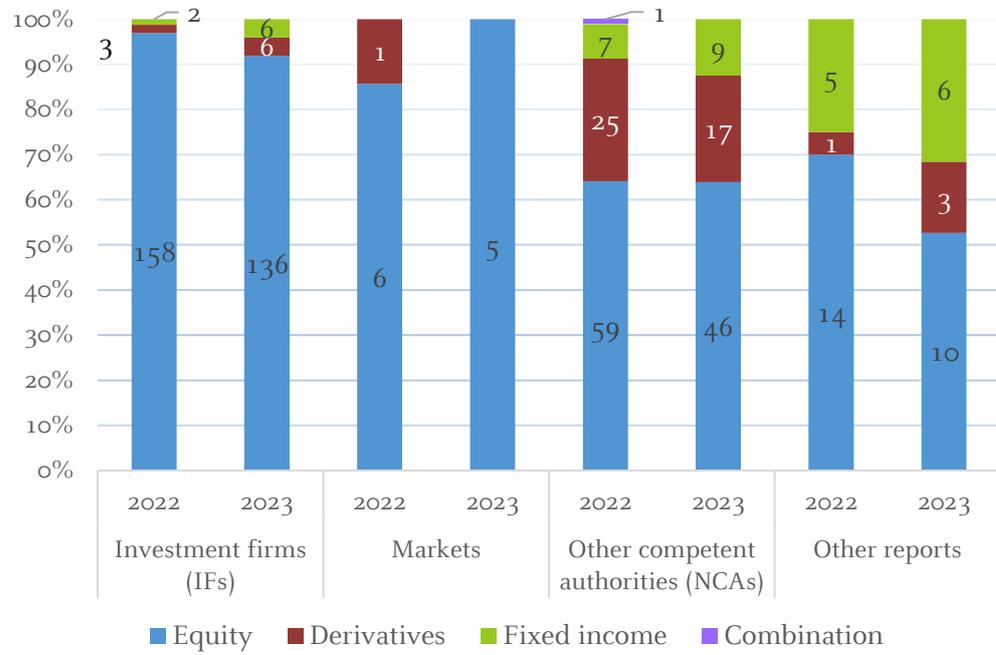
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Suspicious reports and other notifications per type of instrument

GRAPH 1

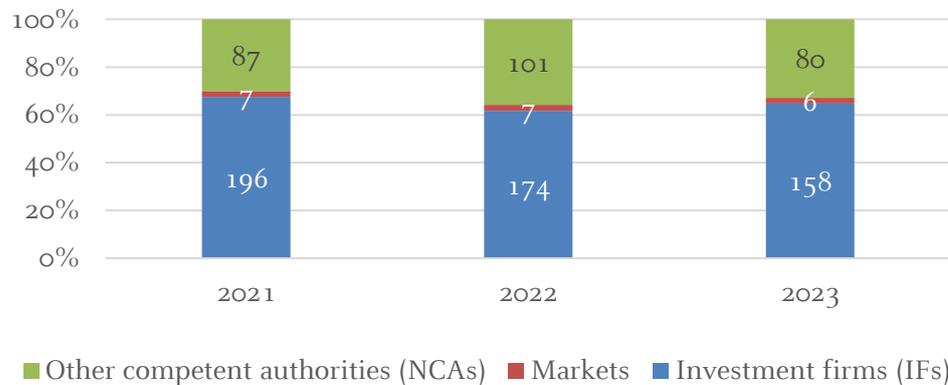


When dealing with the type of conduct, reports of the execution or attempted execution of insider trading account for almost 71% of the total, a higher percentage than in previous years.

Reports are mostly submitted by IFs, followed by other Spanish authorities (NCAs) and different markets, as usual.

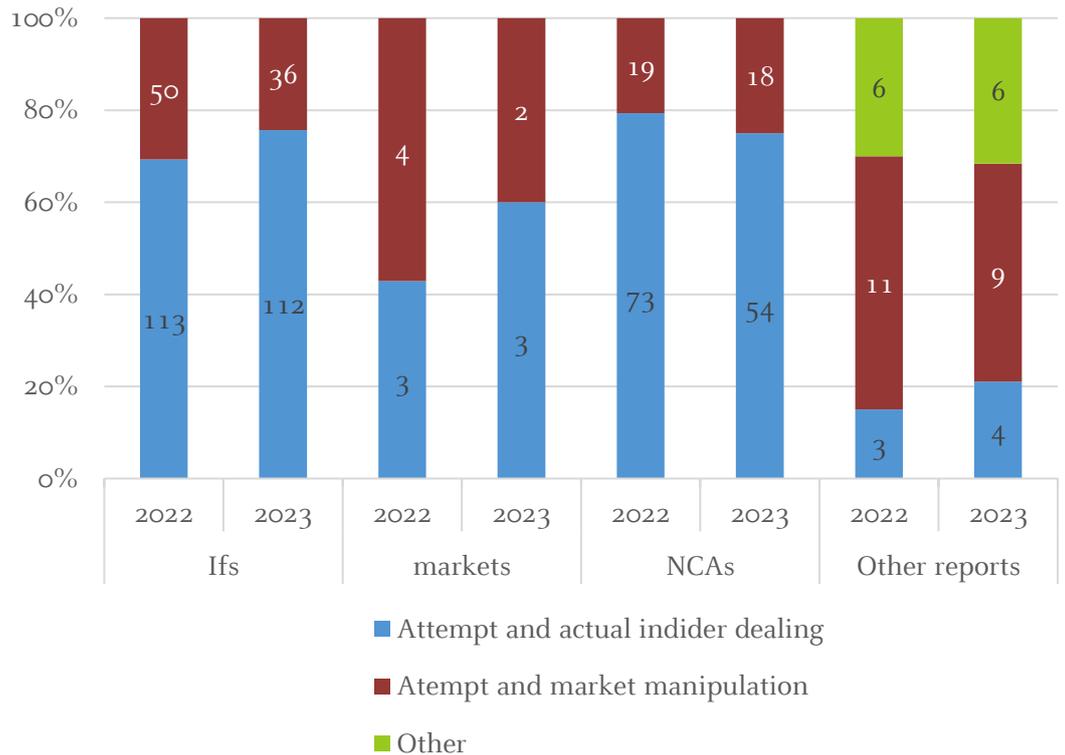
Total reports per sender

GRAPH 2



Suspicious reports and other notifications per type of breach

GRAPH 3



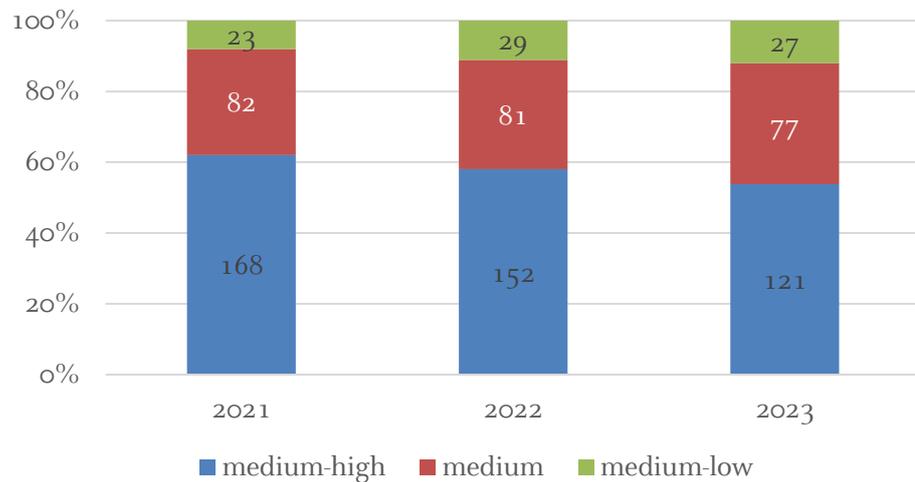
Report quality assessment

The CNMV assesses the information submitted by entities taking into account whether it is complete, the description of the transaction is accurate, and if there is sufficient, reasonable, and feasible proof related to the possible breach of market abuse regulations. These aspects are essential when analysing and carrying out investigations to identify market abuse.

Quality has been classified as medium-low, medium, or medium-high, maintaining, thus, the assessment criteria established in previous years. There is no significant change in 2023 when compared to previous years.

Quality of suspicious reports

GRAPH 4



The CNMV's assessment of the quality of reports takes into account, among other aspects:

- The details in the description of the conduct and the degree of precision of the explanations for plausible indications of an infringement;
- The temporal logic or sense of the orders on the security in possible cases of insider trading;
- Analysis of the investor profile of the suspected client and their relationship with the issuer or the corresponding financial instrument;
- The depth of the explanation regarding the connection to the inside information;
- Whether the transaction as a whole, measured by the cash value of the transaction and/or the profit obtained, or loss avoided, hold material relevance to a reasonable investor.

Such suspicious transactions and orders that could constitute market abuse must be notified to the competent authority in each reporting entity (CNMV in Spain), in accordance with the EU Regulation on market abuse (2014/596). When these reports are related to foreign securities, the authorities forward the reports to the competent authority of the corresponding security.

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The CNMV supervises the activity of entities domiciled in Spain that report suspicious transactions and monitors the quality of these reports. The average number of medium-low quality communications received by the CNMV remains slightly above 10% of the total. 30% of the reports for 2023, received from other competent authorities, are excluded from such monitoring.

It is one of the CNMV's main tools available for the supervision of market integrity. This is why it encourages all market participants to continue to improve their mechanisms, systems and procedures in place for the compliance with said obligation, in order to maintain a reliable and transparent market.

Recommendations

Any entity or market subject to Article 16 of the Spanish Regulation on Market Abuse and its implementing regulation (Delegated Regulation 2016/957) must have proportionate and adequate mechanisms, systems and procedures for effective and continuous monitoring to detect orders and transactions that may constitute market abuse, and to comply with the obligation to make such suspicious reports, in line with the regulations.

Thus, in the last two financial years¹, the CNMV has requested certain entities and markets that have never reported any suspicious transaction, even though they are active in the market, to confirm that these entities and markets have the appropriate mechanisms, systems and procedures for their activity.

The CNMV highlights that such mechanisms, systems and procedures must be assessed, at least, annually. There must also be an appropriate level of human analysis in the monitoring, detection and identification of suspicious reports, as well as filing of information.

The aforementioned requirements ask for the date of the last review and the unit that carried it out, the result of the review and the recommendations included.

The annual evaluation must be properly documented and should not be carried out by the same organisational unit of the entity that has defined and established such mechanisms, systems and procedures. In other words, if these have been defined by the compliance unit, the review is

¹ 11 requirements were issued in 2023 and 12 in 2022.



recommended that it is carried out by the internal audit unit, rather than by the compliance unit itself.

Finally, the calibration of alerts is particularly important. This should be done on a regular basis or when market signals so require, to ensure that they produce the stated objective. Alerts that do not determine the particularities of the trade, type of instrument, type of customer or activity of the institution in their definitions and thresholds are unlikely to produce the expected result, and consequently could result in the non-detection and non-reporting of a suspicious transaction, with the due failure to comply with the established obligation.

Deadline for Reporting of Suspicious Transactions

Suspicious transactions should be sent to the competent authority as soon as possible. A period of 60 calendar days is considered reasonable.

In 2023, there were 25 reports received from 15 entities concerning financial entities with certain delay, with only three reports submitted with a delay and no justification.

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