

CNMV BULLETIN: INCLUDING THE MARKET SITUATION REPORT AND ARTICLES ON FINANCIAL STABILITY, CORPORATE GOVERNANCE AND MACROPRUDENTIAL POLICY

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- Providing data at the close of the markets in 2022 and an annual trend assessment.

The Spanish National Securities Market Commission (CNMV) has published its [quarterly Bulletin for the fourth quarter of 2022](#). This edition includes a brief market situation report with the main figures at the end of the financial year and also presents three articles of interest:

- The first article describes the efficiency of the resolution instruments of the central counterparties (CCPs).
- The second article assesses the determining factors and the impact of the seniority of the corporations Board members in their post; and
- The third article proposes the use of the “growth-at-risk” methodology to build a framework for macroprudential policy assessment.

The situation report indicates that the development of both domestic and international financial markets in 2022 was determined by the greatest inflationary shock in the past few decades, which led to a sudden and fast shift in the monetary policy of the main economic areas and caused strong reductions in growth expectations. This environment, marked by unusually high uncertainty levels, determined significant increases in fixed income assets and price drops in the majority of financial assets.

Thus, the yield of long-term public debt securities showed increases between 2.3 p.p. and 3.5 p.p. **Risk premia** were rising by the end of the year, but without reaching the previous maximum figures recorded during the COVID-19 crisis. **Equity** markets presented significant drops in share prices, most of all in US indices, together with temporary upturns in volatility as they gradually accounted for the falling growth expectations. The downturn in the main international stock exchange indices, except for the British FTSE 100, ranged between 5.1% and 33.1%.

The Spanish financial markets followed the same trends as all other international markets, if anything showing a slightly more favourable behaviour of equity markets. As a result, the Ibex 35 dropped by 5.6%

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in 2022, less than the other European index other than the FTSE, but not enough to fully close the gap opened in previous years.

The **trading** of Spanish shares was slightly more dynamic in the first semester, encouraged by the increase in volatility associated to the war between Russia and Ukraine, to then fall during the following months. In fixed-income markets, the yield from 10-year sovereign bonds increased by 305 b.p. to close the year at 3.65%. Risk premia increased somewhat throughout 2022 but under no circumstance to the levels reached in previous crises. There was little **activity** in primary equity markets, while the sharp increase in the issuance of promissory notes in fixed income markets meant a notable increase in total issuances in Spain (20% more, up to €112,840 million).

Articles

The **first article**, by María José Gómez Yubero, from the Directorate-General of Policy and International Affairs of the CNMV, entitled “**Central Counterparty resolution instruments. Efficiency and possible systemic repercussions**”, analyses the impact on financial stability of applying resolution tools on member failure, operational failure and systemic crisis scenarios. This article, continuing the work published in 2021 on resolution of central counterparties (CCPs), contributes towards enhancing the work related to the resolution plan of the Spanish CCP and has benefitted from the international discussions in which the CNMV has participated, as well as from the Conference on Recovery and Resolution of Central Counterparties held on 21 June 2022.

The **second article**, by María Gutiérrez Urtiaga and Maribel Sáez Lacave, respectively from the Universidad Autónoma de Madrid and the Universidad Carlos III de Madrid, entitled “**Determining factors and impact of the seniority of Board members in their post**”, first dwelves into which factors determine the seniority reached by board members in their post and, afterwards, into the effects greater seniority has on their commitment regarding the supervision tasks assigned to them. A data panel combining the information from Spanish listed companies and their directors in the 2013-2020 period is used for this. The results show a high turnover of independent directors during their initial years and also that the independent directors with greater chances of being replaced at any given moment are not the most senior ones but those whose appointment was previous to that of the CEO. Furthermore, the possibility of chairing or participating in an important commission increases as seniority increases. As a whole, the results suggest a noticeable influence of CEOs in the appointment of independent

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directors and their tenure in office, which could reduce their commitment regarding active supervision. This leads to the conclusion that, although the issue regarding the seniority of independent directors has always considered the fact that they hold the post too long, there may be problems in the opposite sense, this being that those unrelated to the CEO hold the post for too short a period.

The **last article**, which is monographic, written by Javier Suárez and Stephen Cecchetti, respectively from the Centro de Estudios Monetarios y Financieros (CEMFI) and Brandeis International Business School, entitled “**Application of the empirical growth-at-risk (GaR) approach to the assessment and design of macroprudential policies**” presents an example of a framework with which to design the optimal macroprudential policy. The formulations summarised in this article constitute the beginning of a debate that outlines the challenges faced by researchers and professionals when intending to build a macroprudential policy framework.

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