

THE CNMV PUBLISHES ITS 2020 ANNUAL REPORT

28 June 2021

- In 2020, despite the pandemic, supervision remained within normal parameters.
- Twenty-eight thematic boxes are included, which provide an in-depth look at matters of interest developed during the year.
- Fines totalling 9.03 million euros were imposed, compared with 3.93 million euros the previous year.

The Spanish National Securities Market Commission (CNMV) has published today its [2020 Annual Report](#).

The first part of the Report analyses the macroeconomic environment and market trends in a year marked by the coronavirus pandemic, in which the Ibex 35 lost 15.5 % of its value and performed relatively worse than other European indices. Bond yields rebounded in the early stages of the crisis but then fell sharply thanks to the measures implemented by the ECB. The financial market stress indicator underwent a sharp upturn in March and gradually declined from mid-year onwards.

The Report sets out in detail the actions taken by the CNMV in response to the COVID-19 crisis, both in terms of the organisation itself and from a supervisory perspective.

In **equities**, the trading of Spanish securities on the stock exchanges fell back for the second consecutive year to 780.697 billion euros, 3.2% less than in 2019. The capitalisation of the Spanish stock exchanges fell by 13.1% to stand at a value of less than 580 billion euros, with 138 companies admitted to trading on the regulated equity markets at year-end, three fewer than in 2019.

In 2020, 40 capital increases were carried out, amounting to 10.852 billion euros, 10.7% more than the previous year and, in contrast to what had happened in 2019 when no new company had joined the market, the IPO of the renewable energy company Soltec was worthy of note. In 2020, two takeover bids were authorised, for a potential amount of 5.807 billion euros, a figure much higher than that recorded in the previous year.

The growing financing needs stemming from the crisis led to a strong expansion of debt issuance, mainly public debt, but also private debt. Private **fixed income** issues registered with the CNMV reached 132.121 billion euros, a significant increase (of 46.6%) compared with 2019 (90.165 billion euros). This

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increase contrasts with the reduction of issuances abroad (-10%), which stood at 90.201 billion in 2020 (100.321 billion in 2019), thus interrupting the expansion of recent years.

The Report focuses on the credit quality of Spanish issuers in the context of the crisis and on the main European initiatives in the field of registration, counterparty, clearing and settlement services.

Investment services

The assets of Spanish **investment funds (IFs)** remained practically unchanged in 2020, with an increase of 0.1%, standing at 279.668 billion euros. The number of unit holders increased by 7.8%, to 12.7 million. Of particular note was the investment volume of foreign CISs marketed in Spain, which again grew significantly, to 199.419 billion euros, 11.5% above the figure for 2019. With regard to collective investment scheme management companies (CISMCS), the expansion that had occurred over the last five years came to a halt in 2020: at the end of 2020, there were a total of 123 CISMCS, the same number as at 2019 year-end.

The Report presents in detail the trends in the activity and the economic and financial situation of the firms whose prudential supervision is the responsibility of the CNMV and whose main activity is the provision of investment services.

At the end of 2020, a total of 95 **broker-dealers and securities brokers** were registered with the CNMV, the same number as at the end of 2019. The number of domestic credit institutions registered with the CNMV that can provide investment services amounted to 111 at the end of 2020, one less than in 2019, and the total number of foreign credit institutions able to provide investment services in Spain stood at 487, 11 more than the previous year.

At the close of 2020, the number of **Financial Advisory Firms (EAF)** registered with the CNMV was 140, the same as in 2019, with total assets advised of 12.049 billion euros.

Despite the health crisis caused by COVID-19, **private equity and venture capital** activity in 2020 continued the upward trend of recent years, both in terms of vehicle and management company registrations. In total, 112 closed-ended investment vehicles and 18 new closed-ended collective investment scheme management companies were registered, meaning that the CNMV register closed the year with a total of 546 investment vehicles and 119 management companies. This is an increase of 19.2% and 12.3%, respectively, over 2019, marking a new all-time high.

The second part of the Annual Report details the CNMV's activities.

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Market supervision

Among the sources of information used, the most relevant is the daily communication of transactions carried out by investment firms, credit institutions and markets. In 2020, more than 256 million records (55% more than in 2019) were received for **reporting transactions** executed on financial instruments. The average number of firms required to report to the CNMV was 186 (183 in the previous year). This increase in reports received can be explained by the increase in the use of special files implemented at the end of 2019, by the decision of some financial institutions to centralise their transactions in Europe through their Spanish investment firms due to Brexit, as well as by the increase in trading due to the pandemic.

At the end of 2020, the CNMV's FIRDS (Financial Instrument Reference Data System), the European database of instruments published by the European Securities and Markets Authority (ESMA)) included six regulated markets, five multilateral trading facilities, two organised trading facilities and seven systematic internalisers. **Active instruments** in the ESMA database whose relevant competent authority is the CNMV amount to 154,170 (140,319 in 2019).

Regarding the publication by issuers of **inside information and other relevant information**, during 2020 the total number of communications (CIPs and OIRs) registered amounted to 6,284 (19.6% fewer than in 2019). The Report details the **requests for information** sent by the CNMV in its market supervision work (183) as well as the reports drawn up in this area (281).

In relation to **notifications from senior managers and related parties**, a total of 2,432 notifications were recorded in 2020, which represents 95.5% more than in the previous year, and the number of enquiries dealt with increased by 88.78%. These increases are mainly due to the publication in February 2020 of the CNMV's criterion whereby board directors of listed companies must report their transactions through the notification of senior managers and related parties (NOD procedure) and not through the significant shareholdings template.

The Report details the work done in the area of financial information and corporate governance of issuers, in a year in which the partial review of the Listed Companies Good Governance Code, the implementation, without incident, of the automatic publication of significant shareholdings of issuers and the work for the implementation of the European Single Electronic Format (FEUE) was noteworthy.

Supervision of firms

The supervision of firms followed its normal course despite the need to adapt some of the processes due to the health crisis. In the supervision of firms

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providing investment services, 881 **requests for information** were sent, of which 683 originated in remote supervision. In addition, 314 actions were carried out, including 15 inspections. In the area of supervision of CISs and venture capital firms, 972 requests for information were sent and 257 actions were carried out, including 18 inspections. The Annual Report refers in particular to various **supervisory initiatives** aimed at investor protection:

- **Horizontal review of annual cost information** to verify transparency in relation to costs and expenses borne by clients. Participation in the supervisory action coordinated by ESMA (Common Supervisory Action or CSA) on the review of the suitability assessment procedures to be implemented by firms which, together with new ESMA Guidelines on appropriateness assessment, advise the review of the CNMV guide and the publication of a technical guide which will specify the criteria that the CNMV considers should be taken into account when assessing appropriateness, so as to obtain prudent, consistent and robust results.
- **Supervisory action relating to the firms included in the CNMV list of issuers of securities or certificates that accredit qualification to provide information or advice**, in order to verify compliance by the firms with the conditions required for the issuance of securities or certificates.
- **Enhanced supervision of the liquidity management of Collective Investment Schemes (CISs)** during the COVID-19 crisis, accompanied by the issuance of public statements to the sector and regulatory changes, together with participation in the supervisory action coordinated by ESMA.
- **Analysis of the advertising and information that fund managers and marketers include on their websites about CISs**, by means of a massive extraction of data from more than 200 firms, carrying out an automated review of the requirements established by the regulations. The review was carried out through an automated process (developed in Python language) of web scraping which incorporates libraries with machine learning algorithms.
- **Stress test on investment funds** to assess the risk that the proportion of liquid assets of investment funds may not be sufficient to meet a potential increase in the volume of redemption requests. The results of this exercise are three-fold:
 - the proportion of liquid assets in the investment fund portfolio is quantified;

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- funds are identified which could experience difficulties in meeting redemption requests under different adverse scenarios; and
 - an estimate is made of the impact on financial markets arising from the sale of fund assets.
- **Supervision of the audit reports of CIS management companies**, focusing on the internal procedures and controls of the firms, as well as on the measures adopted to resolve the incidents detected and their follow-up. As a result of the supervision carried out during the year, 22 management companies were sent requests for information in relation to various incidents, of which 10 had the internal audit function within the firm and 12 had it delegated to a third party.

Prudential supervision of investment firms has not presented any relevant risk situations. The Report explains the work carried out in relation to Esfera Capital, AV, S.A., a firm whose intervention was decided in March 2020 as a consequence of the high losses produced in the transactions with derivatives of its clients, which the entity was unable to address.

Disciplinary proceedings

Fines totalling 9.03 million euros (3.9 million euros in 2019) were imposed in 2020 with a total of 27 fines and two **sanctions** entailing removal from office with disqualification for an overall period of 10 years.

In the course of the year, the CNMV passed 14 sanctioning resolutions which concluded 13 proceedings and agreed the initiation of seven new sanctioning proceedings. The **proceedings** opened include: one infringement for incorrect notification of significant shareholdings in listed companies, one for breach of reporting obligations by issuing companies, two for market abuse (market manipulation), one for a reserved activity infringement, two for breach of rules of conduct in relations with clients or investors and one for breach of the general regulations on CISs.

The decrease in the number of proceedings instituted this year (seven in 2020 compared with 18 in 2019) is directly due to the health crisis caused by COVID-19, and the declaration of a state of alarm, which meant that administrative activity relating to the initiation of new sanctioning proceedings was practically halted from 14 March to 1 June 2020. The new agreements to bring these proceedings include proposed fines amounting to 2,840,000 euros.

In the investor area, 1,643 **warnings** about unregistered entities were disseminated, 45.3% more than in 2019, and 653 communications of possible breaches or whistleblowing were received (464 in 2019).

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In the area of **investor education**, the Report includes an analysis of the Financial Competences Survey (ECF): "Financial education and savings and investment decisions" and highlights the dissemination activities carried out, of particular interest being the publication of the manual "[El mercado de valores y productos de inversión](#)" ("[The Stock Market and Investment Products](#)") aimed mainly at university students, as well as the "[Guide to basic skills for investors](#)" among other materials and training resources for investors.

Organisational and institutional activity

The third part of the Report contains organisational, economic and institutional aspects. The Report offers economic and financial information, and for the third consecutive year, the CNMV's **key performance indicators**. In 2020, 52 service provider authorisation files were processed, compared to 45 in the previous year) and there was a sharp decrease in the processing time for Suspicious Transaction Reports from 14 days in 2019 to six days in 2020. In 2020, 11,150 investor enquiries were handled (7,560 in 2019), 1,533 enquiries regarding official registrations were received and responded to (1,195 in 2019), and the increased use of electronic registration and reduced use of paper continued. In addition, new procedures were added to the virtual office.

The Report also publishes the **results of the survey** carried out to ascertain the opinions of the entities and professionals who interact with the CNMV on its functioning. This work has provided a better understanding of the sector's perception of the CNMV's activities and facilitated the adoption of the measures required to overcome the weaknesses detected. The survey, which was sent to 819 entities and completed by 350 professionals, assessed 67 attributes that include fields such as general image, communication with the CNMV and technology, supervisory activity, regulation and investor relations, as well as recent phenomena. Respondents agreed on the CNMV's ability to respond to the situation caused by COVID-19, maintaining its activity while continuing to meet the new needs arising from it, and to adopt sufficient measures to ensure the proper continuity of market operations and provide adequate information to market participants. However, in light of the responses received, it is necessary to reinforce communication in new areas such as promoting the incorporation of FinTech companies into the financial fabric or fostering sustainability in investment activities. The CNMV has already incorporated measures aimed at addressing the areas for improvement detected into its 2021 Activity Plan.

The Annual Report details the CNMV's role in relevant areas in the **international arena** such as ESMA's and IOSCO's work on financial sustainability, Brexit, the European Commission's new Capital Markets Union plan, the capital markets recovery package and the digital finance package,

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among others. It also includes the activity of the FinTech portal, with reference to the sandbox, as well as other projects such as the monitoring and analysis of tax matters that may have an impact on the securities market.

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