CNMV
Comisión Nacional del Mercado de Valores

Annual Report regarding its actions and the securities markets 2014

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Abbreviations

AAPP	Public Administration Services
ABS	Asset-backed security
AIAF	Asociación de Intermediarios de Activos Financieros (Spanish market in fixed-income securities)
ANCV	Agencia Nacional de Codificación de Valores (Spain's national numbering agency)
ASCRI	Asociación española de entidades de capital-riesgo (Association of Spanish venture capital firms)
AV	Agencia de valores (broker)
BME	Bolsas y Mercados Españoles
BTA	Bono de titulización de activos (asset-backed bond)
BTH	Bono de titulización hipotecaria (mortgage-backed bond)
CADE	Central de Anotaciones de Deuda del Estado (public debt book-entry trading system)
CCP	Central Counterparty
CDS	Credit default swap
CEBS	Committee of European Banking Supervisors
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
CESFI	Comité de Estabilidad Financiera (Spanish government committee for financial stability)
CESR	Committee of European Securities Regulators
CMVM	Comissão do Mercado de Valores Mobiliários (Portugal's National Securities Market Commission)
CNMV	Comisión Nacional del Mercado de Valores (Spain's National Securities Market Commission)
CSD	Central Securities Depository
EAFI	Empresa de Asesoramiento Financiero (financial advisory firm)
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ECR	Entidad de capital-riesgo (venture capital firm)
EIOPA	European Insurance and Occupational Pensions Authority
EMU	Economic and Monetary Union (euro area)
ESFS	European System of Financial Supervisors
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange-traded fund
EU	European Union
FI	Fondo de inversión de carácter financiero (mutual fund)
FII	Fondo de Inversión Inmobiliaria (real estate investment fund)
FIICIL	Fondo de instituciones de inversión colectiva de inversión libre (fund of hedge funds)
FIL	Fondo de inversión libre (hedge fund)
FIM	Fondo de inversión mobiliaria (securities investment fund)
FROB	Fund for Orderly Bank Restructuring
FSB	Financial Stability Board
FTA	Fondo de titulización de activos (asset securitisation trust)
FTH	Fondo de titulización hipotecaria (mortgage securitisation trust)
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIC	Institución de inversión colectiva (UCITS)
IICIL	Institución de inversión colectiva de inversión libre (hedge fund)
IIMV	Instituto Iberoamericano del Mercado De Valores (Ibero-American Securities Market Institute)
IOSCO	International Organization of Securities Commissions
ISIN	International Securities Identification Number
LATIBEX	Market in Latin American securities, based in Madrid
MAB	Mercado Alternativo Bursátil (alternative stock market)
MEFF	Spanish financial futures and options market
MFAO	Mercado de Futuros del Aceite de Oliva (Olive Oil Futures Market)
MIBEL	Mercado Ibérico de Electricidad (Iberian electricity market)

MiFID	Markets in Financial Instruments Directive
MMU	CNMV Market Monitoring Unit
MoU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
OMIP	Operator of the Iberian energy derivatives market (Operador do Mercado Ibérico de Energia)
P/E	Price/earnings ratio
RENADE	Registro Nacional de los Derechos de Emisión de Gases de Efecto Invernadero (Spain's national register of greenhouse gas emission permits)
ROE	Return on Equity
SAREB	Asset Management Company for Assets Arising from Bank Restructuring
SCLV	Servicio de Compensación y Liquidación de Valores (Spain's securities clearing and settlement system)
SCR	Sociedad de capital-riesgo (venture capital company)
SENAF	Sistema Electrónico de Negociación de Activos Financieros (electronic trading platform in Spanish government bonds)
SEPBLAC	Servicio Ejecutivo de la Comisión de Prevención del Blanqueo de Capitales e Infracciones Monetarias (Bank of Spain unit to combat money laundering)
SGC	Sociedad Gestora de Carteras (portfolio management company)
SGECR	Sociedad gestora de entidades de capital-riesgo (venture capital firm management company)
SGFT	Sociedad Gestora de Fondo de Titulización (asset securitisation trust management company)
SGIIC	Sociedad gestora de instituciones de inversión colectiva (UCITS management company)
SIBE	Sistema de Interconexión Bursátil Español (Spain's electronic market in securities)
SICAV	Sociedad de Inversión de Carácter Financiero (open-end investment company)
SII	Sociedad de Inversión Inmobiliaria (real estate investment company)
SIL	Sociedad de Inversión Libre (hedge fund in the form of a company)
SIM	Sociedad de Inversión Mobiliaria (securities investment company)
SME	Small- and medium-sized enterprise
SMN	Sistema multilateral de negociación (multilateral trading facility)
SON	Sistema Organizado de Negociación (organised trading facility)
SV	Sociedad de Valores (broker-dealer)
TER	Total expense ratio
UCITS	Undertaking for Collective Investment in Tradable Securities

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I Economic and financial framework

1 Economic and financial environment

The headline developments in the global macroeconomic landscape of 2014 were the gathering recovery of the United States economy and some of the European economies worst hit by the crisis. That said, doubts remained about the growth outlook for the euro area as a whole, while the threat of a prolonged period of ultra-low inflation, undershooting the monetary policy target, added a further element of risk. Monetary policies remained largely expansionary albeit with changes of tack in the United States and Europe, each one steering a different course determined by their own economic juncture. In the United States, more dynamic activity and an improved labour market allowed the Federal Reserve to taper its open market purchases of financial assets until their discontinuation last October, and to start calibrating the best time to raise interest rates.[1] In the euro area, conversely, sluggish growth and reduced inflation prompted the European Central Bank (ECB) to cut its policy rates on two occasions. Then, with the potential for rate cuts effectively exhausted, it launched a new set of non-standard measures designed to ramp up the monetary stimulus. Among the most ambitious of these measures was the expanded asset-purchase programme announced in January 2015, which includes government debt securities.

In a year still dominated by the abundance of liquidity, long-term sovereign bond yields headed lower with occasional reversals. The fall was steeper in the euro area, with the German, French, Dutch and Belgian bonds trading below 1% at the annual close, and the Spanish and Italian benchmarks down to under 2%. Yields on US and UK bonds also headed lower albeit to year-end levels (2.2% and 1.8% respectively) slightly higher than their euro-area peers. In corporate bond markets, the 2014 keynote was the second-half upturn in high-yield spreads, breaking with the downtrend of the past two years.

After a solid and fairly parallel progression in the first two quarters, leading stock indices began to pull apart from mid-year on to close with notable differences between regions. European markets were particularly impacted by a less settled economic outlook, the adoption of certain measures by the ECB, the political situation in Greece and, in the closing weeks, turmoil in Russia following the tumble in crude oil prices. In the full-year period, US and Japanese indices posted gains upwards of 7% compared to the more timid advances (or even losses) on European bourses.

The Spanish economy grew by 1.4% on average over the year's four quarters, 0.5 points more than the euro-area average. After several years' effort on righting imbalances – notably via fiscal consolidation and financial sector clean-up and restructuring – domestic activity began to show signs of a more solid recovery. Labour-market variables also hinted at a turnaround, with an increase of 434,000

1 In the interval of 0-0.25% since December 2008.

in the employed population and unemployment rate inching downward to 23.7%. Investors' improved sentiment towards the Spanish economy and its prospects[2] boosted the performance of domestic financial markets. In government bond markets, lively buying prompted a historical decline in ten-year yields, which ended the year at 1.6% (253 basis points – bp – less than in 2013), while the spread versus the German benchmark narrowed to 107 bp (a drop of 113 bp). In stock markets, the Ibex 35 managed an annual gain of 3.7%, outperforming most other key European indices despite the turbulence of the closing months.

This chapter includes two exhibits related to financial stability analysis. The first (Exhibit 1.1) outlines the main characteristics of a stress indicator developed by the CNMV for application to Spanish financial markets, along the lines of others used to estimate euro-area macro-financial risk. The second (Exhibit 1.2) examines the Spanish stock market through the lens of network theory, which can also be used in this kind of analysis.

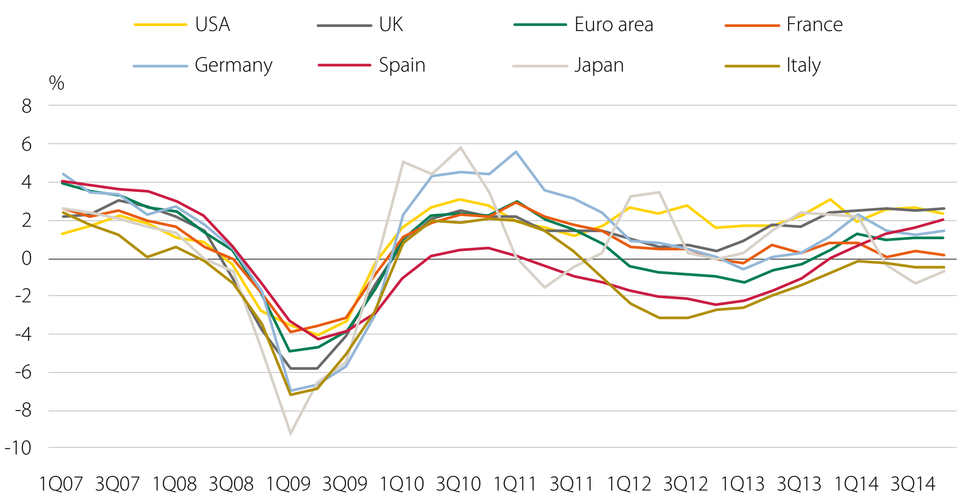
1.1 International economic and financial developments

1.1.1 The world economy

The United States and emerging market economies remain at the forefront of global growth

The global economy expanded 3.4% in 2014, a repeat of the 2013 rate, drawing on the 1.8% growth of the advanced economies and the 4.6% of the emerging markets. Among the former, the United Kingdom and the United States grew their GDP by 2.6% and 2.4% respectively, while euro-area activity picked up from -0.5% in 2013 to 0.9% in 2014. However, as Figure 1.1 shows, recovery in Europe progressed at different speeds, with Germany and Spain out in front on annual average growth nearing 1.5%, France some way behind (0.4%) and Italy still stuck in negative terrain (-0.4%).

GDP: annual change FIGURE 1.1



Source: Thomson Datastream.

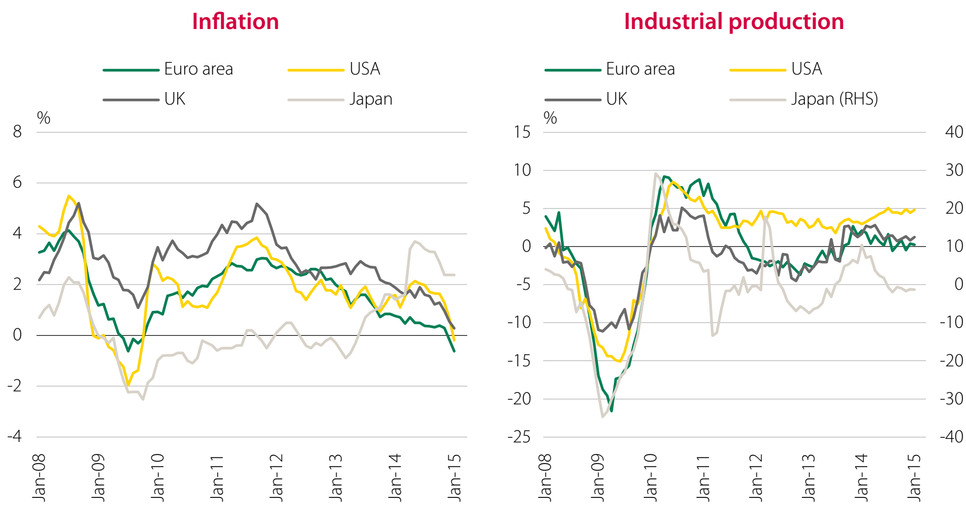
2 GDP growth could exceed 2.5% in 2015, according to the International Monetary Fund, which like other organizations has been revising up its forecasts in the past few months.

In the emerging market economies, Asia conserved its growth lead (6.8%), despite a slight weakening of activity in China from 7.8% in 2013 to 7.4% in 2014. Among the rest, growth slowed more steeply on account of their involvement in geopolitical conflicts and, in the closing stretch, the run-down in oil prices. This was the case of Russia, where growth sagged from 1.3% in 2013 to 0.6% in 2014, and certain Latin American economies.

Inflation heads lower in 2014 as oil prices tumble

Inflation declined across the major advanced economies, increasingly so in the closing months as oil prices tumbled. The only spike observed was in Japan, where rates peaked at 3.7% in the wake of an April hike in VAT (see left-hand panel of Figure 1.2). The lowest annual rates corresponded to the euro area, running a negative index since December last, and the United States, where inflation closed at 0.7% before turning negative in January (-0.2%). The United Kingdom registered somewhat higher levels (0.5% in December and 0.3% in January), while Japanese inflation retreated from its VAT-induced high to end the year at 2.4%. Core inflation rates, which exclude the more volatile index components, steered a flatter course albeit with some downward movement in the past few months.

Inflation and industrial production (annual change) FIGURE 1.2



Source: Thomson Datastream.

Monetary policies remained broadly expansionary across major advanced economies, albeit with growing divergences in central bank decisions with regard particularly to non-standard measures. These divergences respond to the no less different activity, employment and inflation contexts of their national economies. In the euro area, what was seen as the burgeoning risk of inflation rates persistently below target, allied with weaker than expected economic activity, prompted the ECB to cut its main policy rates on two occasions as far as their lower bound. Concretely, the interest rate on main refinancing operations was 0.05% in December 2014,[3] while the interest rates on the deposit facility and the marginal lending

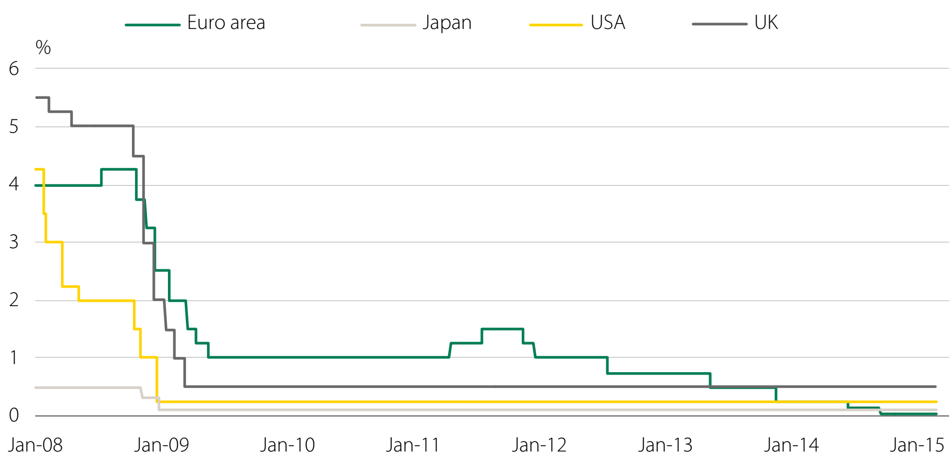
3 The reduction took the form of two successive cuts of 10 bp in June and September.

facility closed at -0.2% and 0.3% respectively. With the interest rate downside effectively used up, the ECB added to the mix a set of non-standard measures designed to ramp up the monetary stimulus. These included new private asset-buying programmes (targeting covered bonds and certain asset-backed securities) and long-term financing operations.[4] Also, at the start of 2015, the European monetary authority announced the extension of its asset-purchase programme to bonds issued by euro-area central governments (sovereign bonds), agencies and European institutions. Combined monthly purchases of these assorted instruments will amount to an estimated 60 billion euros to at least September 2016. The design of this quantitative easing (QE) programme, resembling other programmes launched several years ago by the Federal Reserve, signals the monetary authority's resolve to meet its objective of price stability.

The central banks of Japan and China also kept up their expansionary monetary measures. The Bank of Japan, which launched its expansionary programme in spring 2013, stepped it up a gear in late October with an agreement to enlarge the monetary base at an annual pace of 80 trillion yens in place of its previous target of between 60 and 70 billion. In China, meantime, the monetary authority slashed its one-year lending rate from 6% to 5.6% in late October in order to boost economic activity, the first such move since July 2012.[5]

In the United States, conversely, the Federal Reserve decided to discontinue its asset-buying programme at the late-October meeting of the FOMC (Federal Open Market Committee). The US authority has said that official rates will stay within the 0-0.25% range prevailing since December 2008 for some time to come, but does not rule out an earlier-than-projected hike if this appears warranted by the data coming in on employment and inflation. In this new phase, the markets will be on the alert for a tightening move, which analysts believe could materialise in the second half of 2015.

Official interest rates FIGURE 1.3



Source: Thomson Datastream.

4 Targeted longer-term refinancing operations, whereby banks can borrow money in line with the volume of their (non-mortgage) lending.

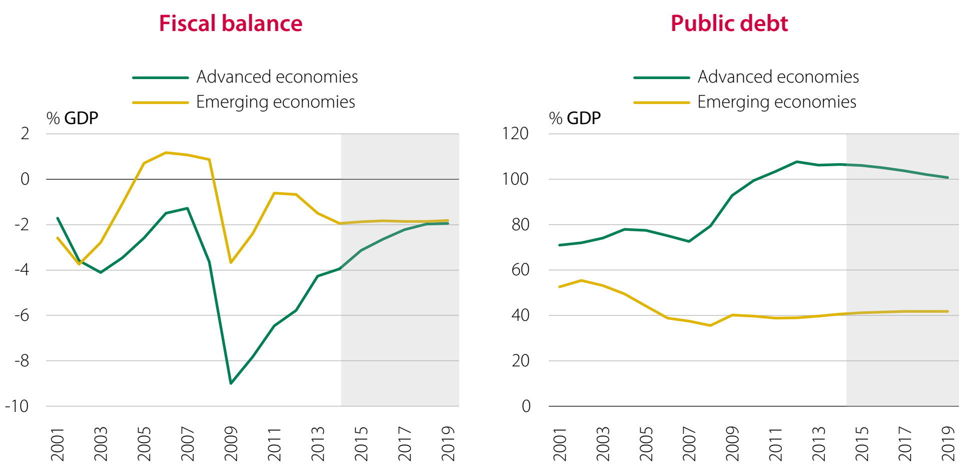
5 Followed by a second cut in February 2015 from 5.6% to 5.35%.

Fiscal consolidation remains an outright priority among the advanced economies

According to estimates by the International Monetary Fund (IMF), the advanced economies reduced their public deficit in aggregate terms from 5.8% of GDP in 2013 to 4.3% in 2014. Driving the improvement was the slight acceleration in growth between 2013 and 2014 coupled with a mildly restrictive fiscal stance. By contrast, the combined public deficit of the emerging market economies has likely risen in the period from 0.7% to 1.5% of GDP.

The IMF projects that the deficits of both groups of economies will converge at the end of this decade in the vicinity of 2% of GDP. What will persist however is the large gap between their public debt levels. Specifically, the debt/GDP ratio of the emerging market group will hold at or near to 40% while that of the advanced economies is unlikely to drop below 100% before 2019, despite the slight downtrend observable since 2013 (see right-hand panel of Figure 1.4).

Fiscal balance and public debt FIGURE 1.4



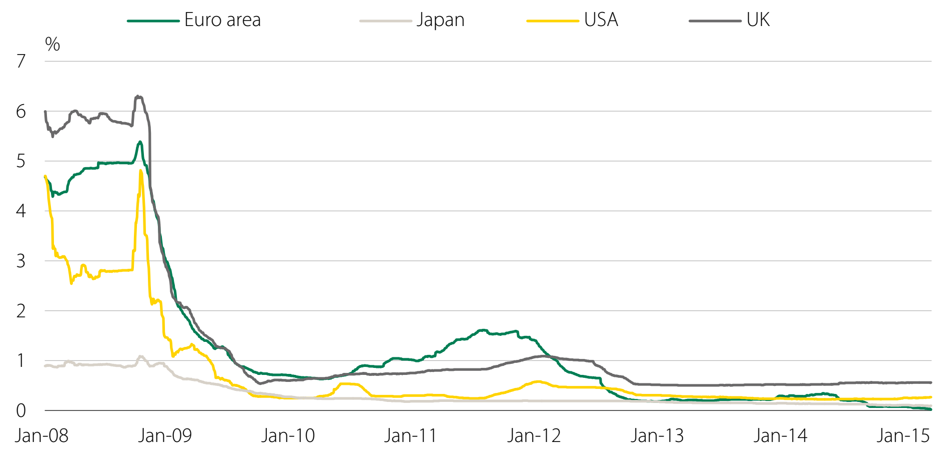
Source: IMF.

1.1.2 Developments in international financial markets

Short-term rates hold at historical lows

Short-term rates in the major advanced economies continued to reflect the markedly expansionary monetary stances of their central banks. The policy divergences that began to emerge in central banks' use of non-standard measures (see previous section) did not impinge on system liquidity, which remained high. Indeed the liquidity surfeit helped keep short-term rates near zero throughout 2014. As Figure 1.5 shows, three-month rates in the United States, the United Kingdom, the euro area and Japan registered no major changes in the year, which closed with three-month interbank rates running at 0.56% in the United Kingdom, 0.26% in the United States, 0.11% in Japan and 0.08% in the euro area.

Short-term interest rates[1] (three months) FIGURE 1.5

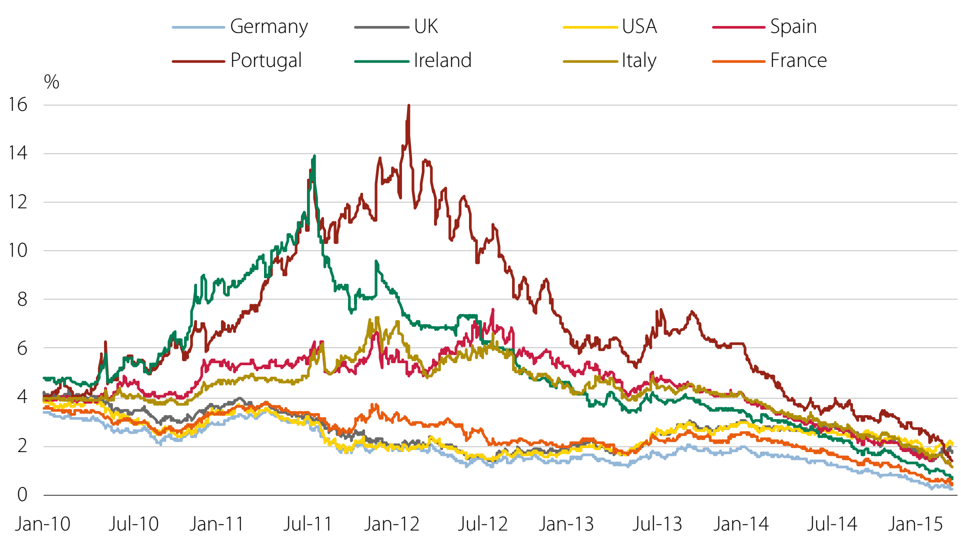


Source: Thomson Datastream. (1) Three-month Libor.

Long-term bond yields come down sharply on both sides of the Atlantic

In global debt markets, yields on the long-term government bonds of major advanced economies headed lower for most of the year. The fall was steeper in the euro area, due to transmission of the more expansionary stance of monetary policy and the prospect of moderate growth in both activity and prices. As we can see from Figure 1.6, ten-year government yields in various European economies ended the year at historical lows, with the German, French, Dutch and Belgian bonds trading below 1%, and the Spanish and Italian benchmarks down to under 2%. Over full-year 2014, the decline in European yields stretched from the 140 bp of the German bond to the 350 bp of the Portuguese bond (253 bp for the Spanish *bono*). Meantime, long-term yields in the United States and the United Kingdom closed higher overall, at 2.2% and 1.8% respectively, a decrease of 83 bp and 128 bp with respect to year-end 2013. In general, the breach between long-term yields in the euro area, on one hand, and the United States and the United Kingdom, on the other, owes to their different cyclical positions and the emerging stance of their respective monetary policies.

Ten-year government bond yields FIGURE 1.6



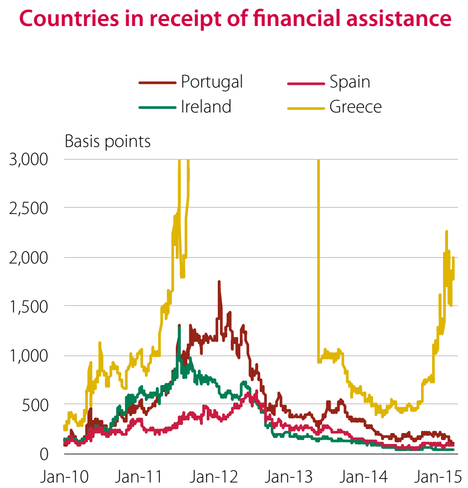
Source: Thomson Datastream.

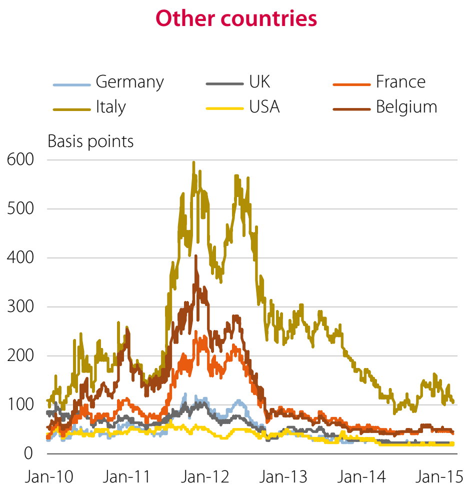
Euro-area bond yields continued downwards in the first months of 2015, as the market priced in some of the effects of the ECB's asset-purchase programme.

For the first three quarters of 2014, the decline in yields was accompanied by a sharp drop in sovereign spreads. From that point on, a combination of uncertainty factors nudged up the risk premiums of various European economies. The increase only ran out of hand in the case of the Greek CDS, in response to the country's unsettled political climate, though without spillover to neighbour countries. Elsewhere, the CDS spreads of European sovereigns at end-December 2014 were lower than those recorded in spring 2010, coinciding with the first round of turbulence in Greece (see panels of Figure 1.7). Among the European peripherals, spreads ran from 50 bp to 200 bp, between 32 and 144 bp lower than at end-2013 (57 bp lower in the case of the Spanish sovereign bond).

Sovereign CDS spreads

FIGURE 1.7

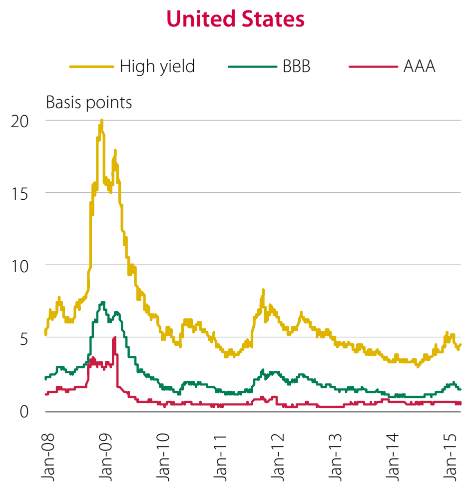


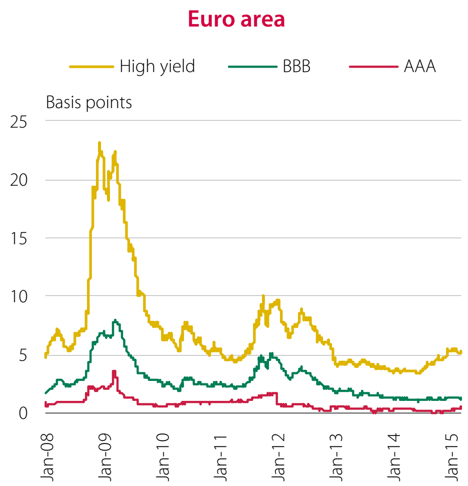


Source: Thomson Datastream.

Corporate bond spreads[1]

FIGURE 1.8





Source: Thomson Datastream (Merrill Lynch and IBOXX indices). (1) Expressed as the difference between the yield of a set of bonds belong to an index of determined maturity and credit quality and that of ten-year government bonds (the German benchmark in the case of the euro area).

Risk premiums in the non-financial private sector experienced a trend shift with respect to the preceding quarters that was most patent in higher-yield categories. Sector spreads had fallen steadily as the risk climate settled, aided by a combination of plentiful liquidity and reduced interest rates which sent investors piling into relatively riskier assets, among them corporate bonds. But these "search for yield" strategies began to lose lustre in the second half of 2014, driving up corporate bond spreads in the medium to low-quality bracket in both the euro area and the United States. As Figure 1.8 shows, by the end of the year, high-yield bond spreads were running at 531 bp in the euro area and 477 bp in the United States, levels over 150 bp higher than at mid-year that evidence a clear break with the downtrend prevailing since mid-2012.

A rise in private-sector net debt issuance contrasts with flat sovereign financing

Net issuance on global debt markets summed 3.26 trillion dollars to the 2014 close, 8.9% more than in 2013. The advance relied on private-sector issuance, while sovereign net issuance, at two trillion dollars, was on a par with the previous year (-0.4%). Ongoing fiscal adjustment among the major advanced economies has pushed down net issue volumes in recent years to levels contrasting starkly with the almost six trillion dollars registered in 2010 (see top right panel of Figure 1.9).

Net international debt issuance FIGURE 1.9

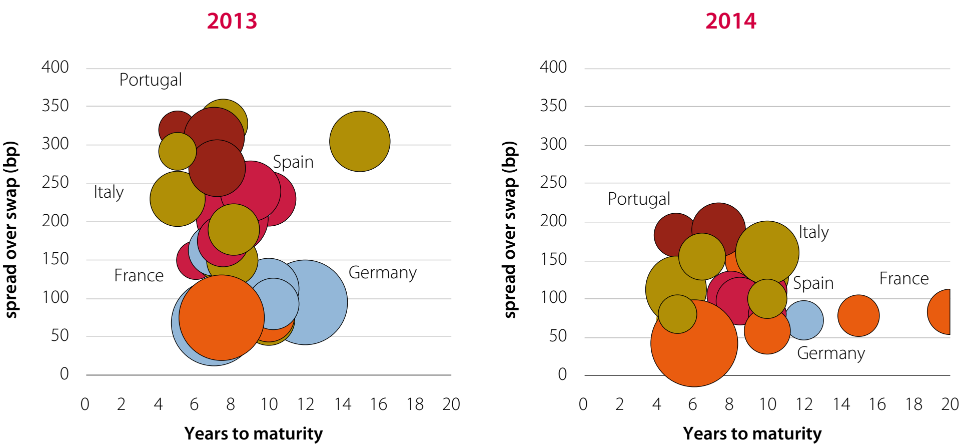
Source: Dealogic. Half-yearly figures. Figures for 2015 run to 13 March but are restated on a half-year basis for comparative purposes.

In the private sector of the economy, non-financial corporations were particularly active, with net bond sales amounting to 756 billion dollars in 2014 (23% of the total), in line with the previous year (766 billion). Non-financial issuance ran higher in the United States, but also attained a sizeable sum in Europe. A welcome development in this last region was the further reduction in the market fragmentation initiated during the crisis, which had inflated the borrowing costs of certain European economies (see Figure 1.10). This fact, we can assume, encouraged more corporate borrowers to approach the markets in 2014 (see bottom right panel of Figure 1.9).

As regards financial sector issuance (14% of the total), we can again point to a notable divergence between European banks and their counterparts elsewhere. European institutions are still digesting the effects of the economic crisis of these past years, and either have fairly low-key funding needs or prefer to fund themselves through other channels. Net issue volumes in the sector accordingly summed just 21 billion dollars (after a second half in negative numbers), a long way short of the 87 billion of 2013. Conversely, financial institutions in the United States, operating in a more dynamic economy and in better condition to tap debt markets, issued fixed-income securities for the amount of 166 billion dollars, up from 152 billion the year before.

These trends persisted through the opening months of 2015, when the main development was an upswing in US corporate issuance. The bonds on sale were mainly investment grade, designed to raise funds at extremely low rates in a context of plentiful liquidity.

Debt issuance of European (energy) utilities[1,2] FIGURE 1.10

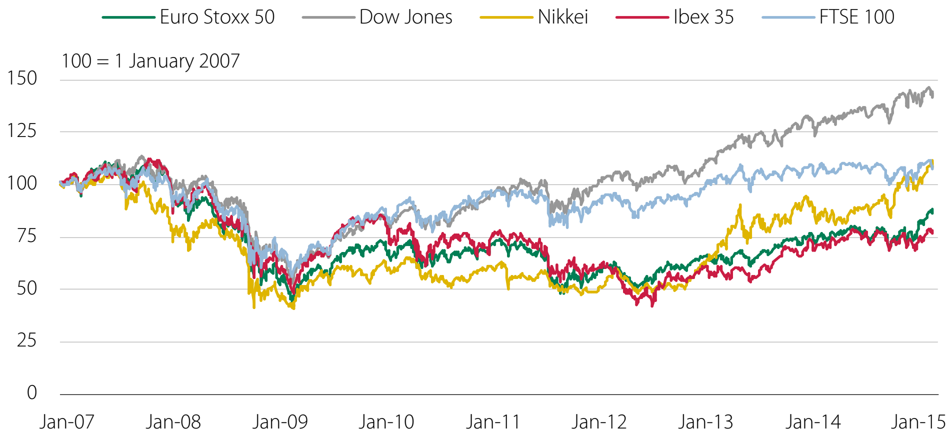


Source: Dealogic. (1) Long-term investment-grade floating rate bonds. The size of the bubble is proportional to the size of the issue. (2) For a representative sample of issues.

Stock indices manage an annual advance despite turning more volatile in the year's last stretch

After a strong first-half showing, leading stock indices entered a divergent path in the third quarter to close the year with notable differences between regions. US and Japanese indices kept up their advance through the closing quarter, due, in the first case, to the greater strength of the national economy and, in the second, to the new round of monetary expansion embarked on by the central bank. European indices, in contrast, proved keenly sensitive to negative newsflow on the growth outlook for certain economies and doubts about when and how the ECB would launch its asset-buying programme. Equity prices, moreover, were additionally pressured in the closing weeks by the oil price slump, the political situation in Greece and the disruption on Russia's financial markets.

Performance of main world stock indices FIGURE 1.11



Source: Thomson Datastream.

US indices posted full-year gains ranging from the 7.5% of the Dow Jones to the Nasdaq's 13.4%, with advances in all four quarters. Meantime, Japanese indices closed between 7.1% (Nikkei) and 8.1% (Topix) higher after some price slippage in the opening quarter. European indices (with the exception of the Italian MIB) pulled higher in the first six months then tended to turn flat in the third quarter before finally tipping into losses. Most, however, managed full-year gains ranging from the 1.2% of the Eurostoxx 50 to the 3.7% of the Ibex 35. Among the losers was Britain's FTSE 100 index which shed 2.7% in the year (see Table 1.1).

US indices traced a stable course through the first months of 2015, while euro-area stocks rallied on the improved economic prospects for Europe and the ECB's unveiling of an expanded asset-purchase programme.

Stock market volatility stayed muted over the first three quarters, with levels rarely topping 20%, then began to head upwards, particularly in Europe, as new risk elements came into play. Note, however, that normal readings on main stock indices ran no higher than 32%, in contrast to the heights reached in earlier episodes of financial market stress (see Figure 1.12).

Performance of main world equity markets

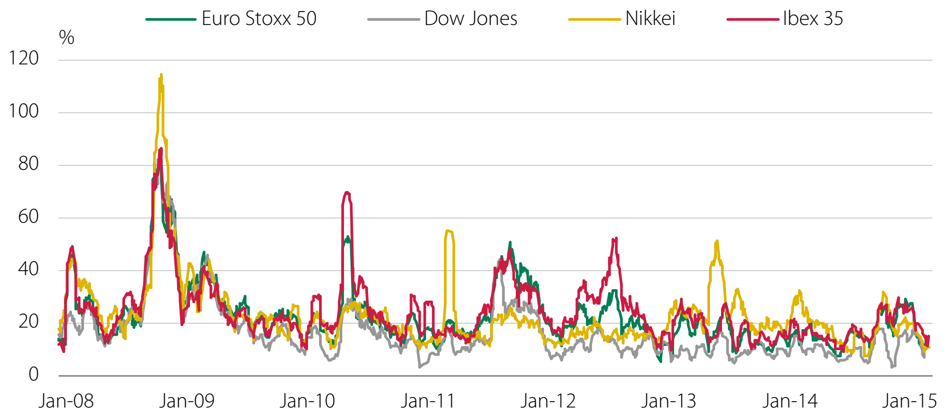
TABLE 1.1

Exchange	Index	Change[1] (%)				
Developed countries		**2010**	**2011**	**2012**	**2013**	**2014**
United States	Dow Jones Ind. A.	11.0	5.5	7.3	26.5	7.5
United States	Nasdaq Composite	16.9	-1.8	15.9	38.3	13.4
Japan	Nikkei	-3.0	-17.3	22.9	56.7	7.1
United Kingdom	FTSE 100	9.0	-5.6	5.8	14.4	-2.7
Euro area	Euro Stoxx 50	-5.8	-17.1	13.8	17.9	1.2
Euronext	Euronext 100	1.0	-14.2	14.8	19.0	3.6
Germany	Dax 30	16.1	-14.7	29.1	25.5	2.7
Italy	Mib 30	-8.7	-24.0	10.2	18.8	-0.4
Spain	Ibex 35	-17.4	-13.1	-4.7	21.4	3.7
Latin America and Asia						
Argentina	Merval	51.8	-30.1	15.9	88.9	59.1
Brazil	Bovespa	1.0	-18.1	7.4	-15.5	-2.9
Chile	IGPA	38.2	-12.4	4.7	-13.5	3.5
Mexico	IPC	20.0	-3.8	17.9	-2.2	1.0
Peru	IGBL	66.4	-16.7	5.9	-23.6	-6.1
South Korea	Korea Cmp Ex	21.9	-11.0	9.4	0.7	-4.8
Hong Kong	Hang Seng	5.3	-20.0	22.9	2.9	1.3
China	Shanghai Composite	-14.3	-21.7	3.2	-6.7	52.9

Source: Thomson Datastream. (1) In local currency.

Historical volatility[1] of main stock indices

FIGURE 1.12



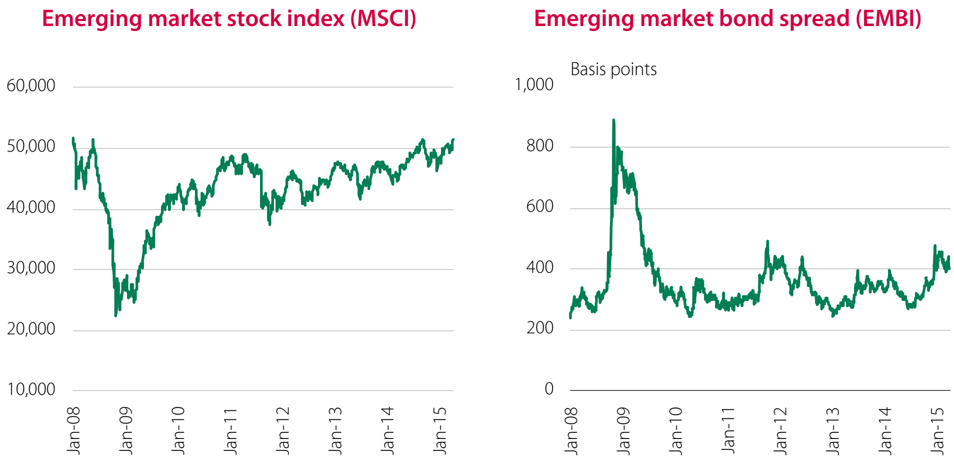
Source: Thomson Datastream. (1) Historical volatility on day t is calculated as the standard deviation of daily index returns in the 20 preceding sessions.

Main emerging economy stock indices followed up the gains of the first three quarters with a fourth-quarter price slide occasioned by the worsening outlook for some economies, falling crude oil prices, the end of the monetary stimulus in the United States and, in the closing weeks, the unsettled outlook for Russia. The upswing in the perceived risk of emerging market regions carried the risk premiums on their debt[6] to December highs approaching 480 bp, almost 200 bp more than at mid-year 2013 (see right-hand panel of Figure 1.13). According to emerging market stock index MSCI, the losses recorded from mid-September did not prevent the index from

6 According to EMBI bond indices.

closing 2.5% in positive territory. Performances, however, varied sharply across markets, as is clear from the data in Table 1.1.

Emerging economy financial markets FIGURE 1.13

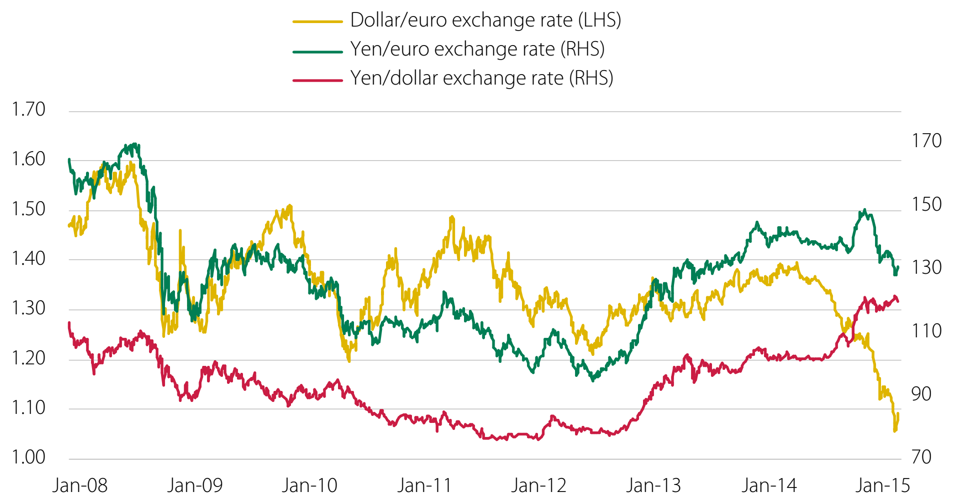


Source: Thomson Datastream and Bloomberg.

The euro sinks against the dollar starting in May

Salient developments on currency markets in 2014 were the euro's slide against the dollar, dating back to spring, and the rouble's swift depreciation in the year's closing stretch. On the euro/dollar front, the euro gained ground to the month of May before sinking back steadily for the rest of the year. Monetary policy switches in both zones and the more attractive yields of US assets were the main factors weighing on the European currency, which climbed from 1.36 dollars per euro at the year's outset to a 1.40 dollars high around mid-May then fell away sharply to a year-end rate of 1.20 dollars per euro (a trend that has lasted into 2015 as Figure 1.14 shows). Meantime, yen exchange rates fluctuated widely, especially in the last three months, due to the new monetary expansion policy launched in October by the Bank of Japan. In the full-year period, the Japanese currency weakened from 105 yens to 120 yens per dollar, but held its ground against the euro.

Euro exchange rates against the dollar and yen FIGURE 1.14



Source: Thomson Datastream.

1.2 National economic and financial developments

A gathering recovery in activity and employment

The Spanish economy expanded 1.4% in 2014, in what was a clear break with the contraction trend of recent years (-1.2% in 2013, -2.1% in 2012 and -0.6% in 2011). Growth, moreover, accelerated as the year progressed, allowing Spain to outperform the euro-area average (0.9%) for the first time since 2008.

The year also brought a significant change in the growth mix by GDP component. For the first time since the start of the crisis, domestic demand input positively to GDP growth, to the tune of 2.2 percentage points, while net exports subtracted -0.8% points. As we can see from Table 1.2, most demand components managed a sturdy year-long advance, contrasting with the setbacks of 2013. Private and government consumption rose by 2.4% and 0.1% respectively after the -2.3% and -2.9% of 2013. Gross capital formation (3.4% versus -3.8% previously) received a two-way boost from an upswing in equipment investment (12.2% versus 5.6%) and a slower decline in construction investment (-1.5% versus -9.2%). In the foreign sector of the economy, exports rose by 4.2%, on a par with the previous year, while imports grew by 7.6% after the slight decline of 2013.

On the supply side, most sectors boosted their gross value added with respect to the previous year, by an average 1.5% and 1.6% respectively in industry and services (-1.8% and -2.2% in 2013), outdone by the 3.3% advance of primary activities. Only the construction sector reported a negative variation, though shrinkage was less intense than in previous years (-1.2% in 2014 versus -8.1% in 2013).

Key variables of the Spanish economy TABLE 1.2

	2010	2011	2012	2013	2014
GDP	0.0	-0.6	-2.1	-1.2	1.4
Private consumption	0.2	-2.0	-3.0	-2.3	2.4
Government consumption	1.5	-0.3	-3.7	-2.9	0.1
Gross fixed capital formation, of which:	-4.8	-6.3	-8.1	-3.8	3.4
Equipment	5.8	0.9	-9.1	5.6	12.2
Exports	9.4	7.5	1.2	4.3	4.2
Imports	7.0	-0.7	-6.3	-0.5	7.6
Net exports (growth contribution, p.p.)	0.5	2.1	2.2	1.4	-0.8
Employment[1]	-2.6	-2.6	-4.4	-3.2	1.2
Unemployment rate	19.9	21.4	24.8	26.1	24.4
Consumer price index	1.8	3.2	2.4	1.4	-0.2
Current account (% GDP)	-3.9	-3.3	-0.4	1.5	0.6
General government account (% GDP)[2]	-9.3	-9.4	-10.3	-6.8	-5.8

Source: Ministry of Economy and Competitiveness, European Commission and Thomson Datastream. Annual rates unless otherwise stated. (1) Full-time equivalent jobs. (2) Figures for 2011, 2012, 2013 and 2014 include state aid to credit institutions amounting to 0.5%, 3.8%, 0.5% and 0.1% of GDP respectively.

After hovering near zero in the first six months, Spanish inflation headed steadily downwards to an end-December year-on-year rate of -1.0% (-1.1% in February 2015).

The decline was primarily driven by sharply falling energy prices (-8.5% year on year to December and -10.2% to February 2015). Finally, the annual average headline rate was -0.2%, down from 1.4% in 2013, while core inflation, which excludes the more volatile CPI components, progressed more stably within the narrow interval of -0.1% to 0.3%, to end the year with a near-zero average rate (1.4% in 2013). Spain's inflation differential versus the euro area,[7] negative since September 2013, closed at -1.0 points (-0.6 points on average).

The growing recovery of 2014 cut short the labour market deterioration of recent years, allowing both an increase in the number of people in work and a small decrease in the unemployment rate. According to National Accounts data, employment in terms of full-time equivalent jobs returned to annual growth in the second quarter of 2014, after almost six years in decline. The advance, moreover, quickened to 2.4% in the closing quarter (1.2% on average in full-year 2014). The Labour Force Survey (LFS) revealed that unemployment rates had continued to retreat from the historical peak of 27% recorded in the first quarter of 2013. By end-2014, specifically, the jobless rate was down to 23.7% of the active population (5.46 million unemployed), two points lower than at the 2013 close. The LFS stated the increase in the employed population at 434,000 persons in 2014 (416,000 in the private sector and 18,000 in the public sector). Significantly, the number of households with all members unemployed fell for the first time since 2008, accompanied by an increase in households with all members in work. Finally, unit labour costs continued to fall, by a full-year average of 0.4%, with the decline drawing equally on lower compensation per worker (-0.2% in annual average terms) and an increase in apparent labour productivity (up by an average of 0.2%).

The general government deficit closed at 5.7% of GDP, improving on the 6.3% of 2013.[8] A breakdown by authority reveals significant divergence: central government reduced its deficit from 4.2% to 3.5% of GDP, while that of the autonomous regions widened from 1.5% to 1.7%, and the social security administration and local authorities recorded -1.1% and 0.5% of GDP respectively, on a par with 2013. General government debt, meantime, closed at 97.7% of GDP after rising 5.6 points in the year. Budgetary targets for 2014-2017 assume a gradual reduction in the public deficit to around 1% of GDP in 2017, and debt/GDP ratios peaking in 2015 and descending thereafter.

The Spanish economy records a smaller net lending position

The net lending position of the Spanish economy dropped to 1.0% of GDP from the 2.1% of 2013. The decrease here reflects a mild upturn in the investment rate after several years' decline, and is consistent with a period like now of quickening economic activity. All sectors of the economy, with the exception of households and non-financial corporations, boosted their net lending position (or reduced their borrowing position) in the year (see Figure 1.15). The net lending capacity of non-financial corporations thinned from 3.6% of GDP in 2013 to 1.2% in 2014, and that of households by a smaller margin, from 3.3% to 3.0%. Conversely, general

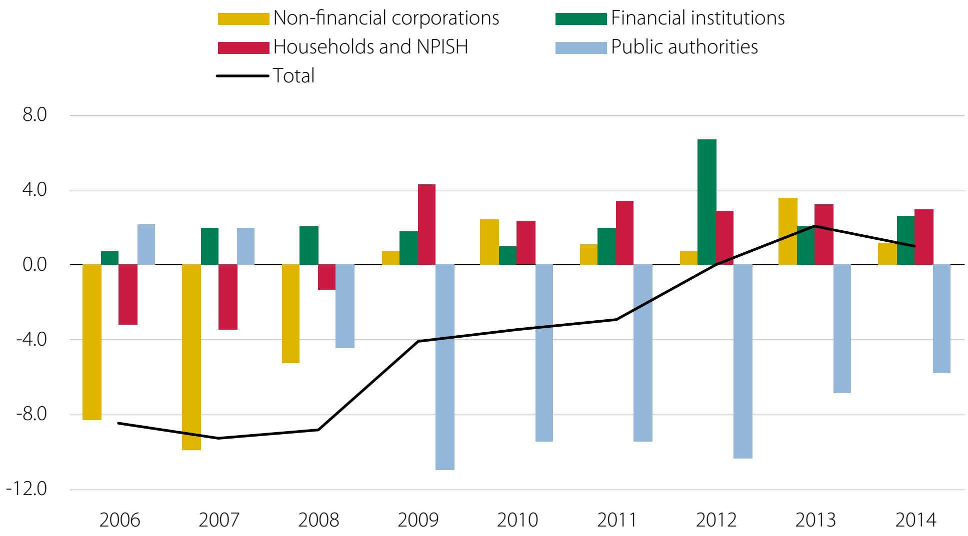
7 Harmonised CPI.

8 These figures exclude financial aid to credit institutions summing 0.11% of GDP (0.47% in 2013).

government borrowing requirements reduced from 6.8% to 5.8% of GDP, reflecting the onward progress of public accounts consolidation.

Net lending (+) or borrowing (-) capacity of the Spanish economy (% GDP)

FIGURE 1.15



Source: Banco de España.

Household savings rates inch down to record lows

Indicators for the financial position of Spanish households in 2014 reveal that the savings rate slide persisted through the year as far as 9.7% of gross disposable income (GDI) compared to 10.4% at end-2013. Disposable income having held virtually flat, this lower rate signals an upswing in household consumption in response presumably to the improved economic and employment setting. Meantime, household gross debt-to-income and debt servicing ratios continued to recede to around 110% and 12% of GDI respectively, while net household wealth expanded further on the rising value of assets combined with slightly decreased liabilities. Salient developments with regard to household financial investments – 1.7% of GDP in 2014[9] – were the popularity of investment funds (2.6% of GDP) and, some way behind, other lower-risk assets, contrasting with a large-scale shift out of long-term deposits and debt instruments.

Bond yields at record lows

The 2014 keynote in Spanish fixed-income markets was the continuing downward march of the bond yields and risk premiums of public and private-sector issuers (see Figure 1.16). In general, markets continued their normalisation, helped by an abundance of liquidity and the increased attractiveness of Spanish assets in a clearly more propitious macroeconomic setting (see Figure 1.17 with regard to the stabilisation of non-resident holdings of central government debt). However, this

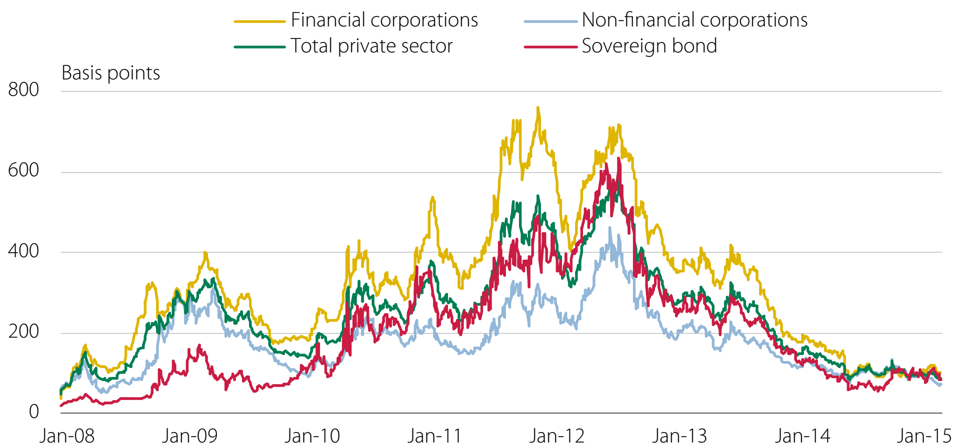
9 Cumulative four-quarter data to the third quarter of 2014.

stability was threatened in the closing months as a series of uncertainty factors came into play, including doubts about the growth prospects of some economies, the question marks over the ECB's launch of an asset-purchase programme,[10] the turmoil afflicting Russia's financial markets, the slump in crude prices and political upheaval in Greece.

Against this backdrop, yields on both long- and short-term government debt instruments closed the year at record lows. In short-term rates, with little downside remaining, the decline ranged from 51 bp to 64 bp, while long-term yields fell by a larger margin, causing the yield curve to flatten substantially. Ten-year government bond yields prolonged their run-down as far as 1.6% at the December close, a full 2.53 points lower than at year-end 2013. The sovereign risk premium also narrowed in the year to levels approaching those in place before the onset of the sovereign debt crisis. Specifically, the yield spread versus the German bond dropped to 107 bp (220 bp in 2013) while the CDS spread ended the year at 95.6 bp (153 bp in 2013).

Domestic fixed-income markets steered a similar course in the opening quarter of 2015, with barely a ripple in response to the uncertainties surrounding Greece. Bond yields, specifically, touched new lows while risk premiums tended to level off.

Risk premium of Spanish issuers[1] FIGURE 1.16



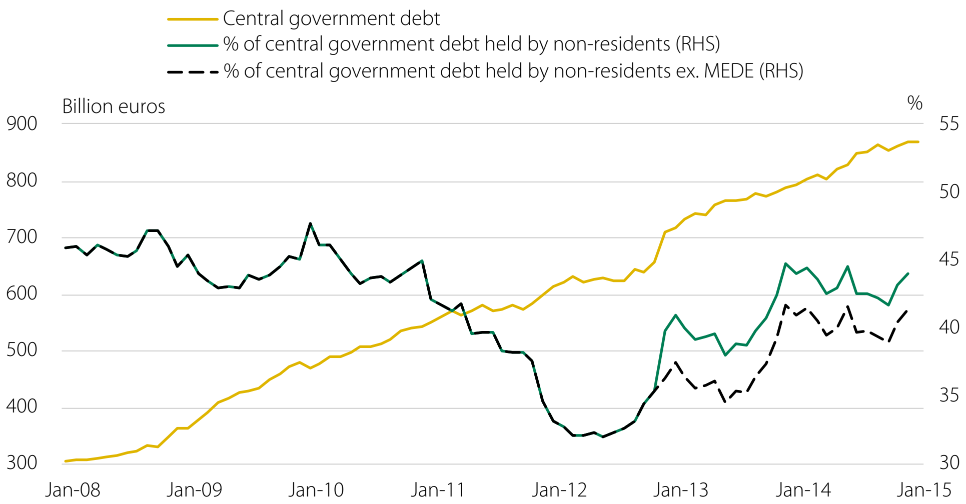
Source: Thomson Datastream. (1) Credit derivatives markets. Five-year maturities. Simple average, except for Spanish sovereign CDS.

The volume of debt issues registered with the CNMV decreased by 6.2% in 2014 to 130.30 billion euros. Easier financing conditions failed to translate as an upswing in issuance, reflecting both the lower funding needs of the financial sector and other large borrowers, and the existence of competing markets and finance channels. As a matter of fact, foreign bond sales by Spanish issuers climbed 18.6% to 56.70 billion euros. The main changes in the instrument mix of issues filed with the CNMV were the lesser popularity of commercial paper and territorial covered

10 Measures eventually announced in January 2015.

bonds and borrowers' increased recourse to non-convertible bonds[11] and asset-backed securities.

Central government debt and non-resident holdings FIGURE 1.17



Source: Banco de España.

The year 2014 was a settling-in time for the Alternative Fixed-Income Market (MARF), which channelled placements for a nominal amount of 489 million euros. Eleven transactions, summing 278 million euros, involved the bonds and debentures of seven separate issuers, while a further five issuers sold 211 million in commercial paper in a total of 24 placements.

A stress indicator for Spanish financial markets EXHIBIT 1.1

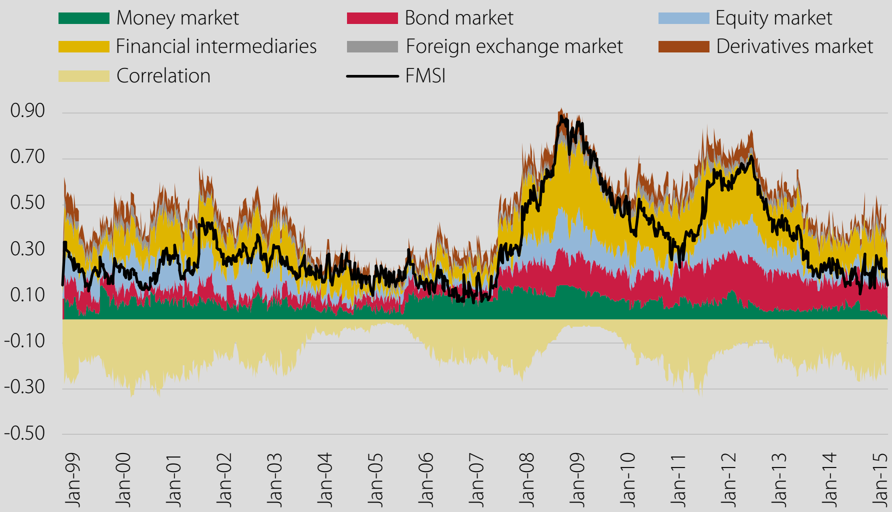
After the economic and financial crisis erupted in 2008, financial regulators and supervisors recognised the need to conduct an in-depth review of the identification, management and mitigation of systemic risk. These concerns gave rise to changes in both the definition of systemic risk employed by keynote institutions[1] and the number and type of studies on the subject, which until then had dealt primarily with the banking sector. Part of this movement was a new line of investigation which took as its focus the development of stress and financial fragility indicators, the calculation of maximum losses under given conditions, the study of contagion effects and testing for the presence of regime shifts (non-conjunctural changes).

This exhibit sets out the main characteristics of a Spanish financial market stress indicator (FMSI) developed by the CNMV,[2] along the lines of the ECB's indicator for the euro area as a whole.[3] The FMSI we are about to describe is a coincident measure of systemic risk which seeks to express in a single

11 72.4% of non-convertible bond issuance corresponded to SAREB (Asset Management Company for Assets Arising from Bank Restructuring).

number the level of stress in the Spanish financial system (see Figure E1.1.1). Indicators of this kind, supporting real-time updating, can not only identify past periods of stress but can also serve as early warning signals (although they are not of themselves predictors of risk).

Spanish financial market stress indicator (FMSI) FIGURE E1.1.1



Source: CNMV.

One of the great strengths of the indicator modelled by the CNMV lies in its ample coverage of the Spanish financial system. Specifically, it draws on 18 variables spanning six financial market segments:[4] the money market, equity market, bond market, financial intermediaries, derivatives market and forex market. Stress episodes on financial markets are usually accompanied by increased uncertainty, information asymmetries and heightened risk aversion. And the variables utilised: volatility, credit spreads, liquidity and sudden loss of value, can be considered good signals of these stress characteristics (see Table E1.1).

The methodology employed has two main features: the application of cumulative distribution functions (CDFs) to transform the raw variables, and the aggregation of sub-indices bearing in mind the correlation between them. CDFs provide us with standard variables in the range (0,1], in which values close to 1 are associated with high stress levels. The aggregation of sub-indices (computed as simple averages of the three standardised variables) into a single indicator, taking into account correlations between them, has the virtue of turning a spotlight on situations where stress is predominant in several financial market segments at the same time.

The aggregate indicator, as such, is not merely the weighted sum of partial indicators. And values will only approach that sum in the event of a high correlation (close to 1) between market segments. In general, the composite indicator will be lower than the sum of its components, due to correlation values, which tend to be low in the absence of tensions and to augment in periods of high financial stress. As we can see from Figure E1.1, the closest the Spanish FMSI came to the sum of its components was in October 2008, the month Lehman Brothers folded, when correlations were extremely high across all six market segments. During other stress episodes, cross-correlation was rather less intense.

Stress indicator variables TABLE E1.1

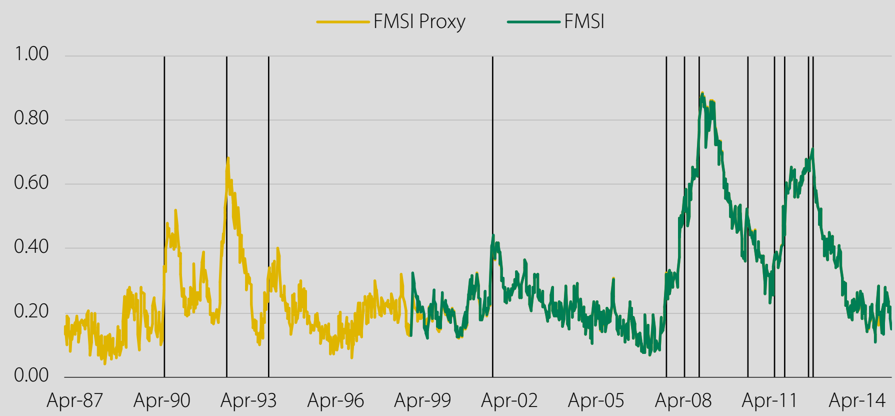
Money market	Bond market	Equity market
– Volatility of the three-month Euribor rate	– Volatility of the Spanish ten-year government bond	– Volatility of Spanish non-financial corporations index
– Interest rate spread between three-month Euribor and three-month Spanish treasury bills	– Yield spread between the Spanish and German ten-year government bond	– CMAX[1] of non-financial corporations index
– Three-month Libor-OIS spread	– Bid-ask spread of Spanish ten-year government bonds	– Ibex 35 liquidity
Financial intermediaries	**Foreign exchange market**	**Derivatives market[2]**
– Volatility of the idiosyncratic equity return of the sector index	– Volatility of US dollar/euro exchange rate	– Volatility of Ibex 35 options
– Yield spread between the bonds of A-rated financial corporations and long-term governments	– Volatility of yen/euro exchange rate	– Volatility of Ibex-35 futures (open position)
– CMAX[1] of the financial sector combined with the inverse of its price-to-book ratio	– Volatility of pound sterling/ euro exchange rate	– Oil price volatility

Fuente: CNMV. (1) $CMAX_t=1-x_t/\max[x€(x_{(t-j)}|j=0,1,\ldots T)]$, where T=104 for weekly data. (2) Also incorporating a commodities index.

The stress indicator has been computed since January 1999. However, a backward-extended proxy was constructed in order to check its robustness over the longest possible historical series using available historical data starting from April 1987. It could then be determined whether the FMSI incurred type II statistical errors (false positives) by analysing local peaks (in given periods) to see if they could be linked to a known stress event. As Figure E1.1.2 shows, the first peak to appear, in summer 1990, coincided with the Iraqi invasion of Kuwait, while the next one along, in late 1992, corresponded to the crisis of the European Exchange Rate Mechanism that culminated in the expulsion of the pound sterling and the Italian lira. In 1994, an unexpected shift in US monetary policy unleashed a wave of turbulence on bond and equity markets. Then in September 2001 a low stress period was brusquely interrupted by the 9/11 attacks in New York.

The two most intense stress events in Spanish financial markets occurred during the indicator's recent history. The first was in September 2008, when the Lehman Brothers' collapse drove readings to an all-time high (0.88). It bears mention, however, that the indicator had already begun to pull higher in summer 2007, when news first emerged of the subprime crisis. The second stress event – more prolonged in time due to a string of aftershocks – was framed by the European sovereign debt crisis, which bore down heavily on Spanish financial markets. In summer 2012, the FMSI reached its second historical maximum, coinciding with Spain's request for European financial assistance for its banking sector and the second short-selling ban imposed by the CNMV.

Spanish FMSI and major financial stress episodes FIGURE E1.1.2



Source: CNMV.

To round off the indicator's evaluation, it can be checked against the results of econometric approaches with the power to identify different stress regimes, by performing, for instance, an autoregressive Markov-switching model. These estimations suggest that market stress is low when the indicator stands below 0.27, intermediate in the interval of 0.27 to 0.49, and high when readings exceed 0.49 (at the end of the first quarter of 2015, the FMSI was hovering around 0.18). It is also possible to evaluate the potential impact on the real economy of a sudden increase in the indicator, by computing, for instance, a bivariate threshold VAR model. These estimates show that a shock of this kind with the FMSI already at high levels could cause a 1.5% decrease in industrial production, with effects taking almost a year to wear off.

1 In 2009, the IMF, FSB and BIS defined systemic risk as a risk of disruption to financial services caused by an impairment of all or part of the financial system which may have serious negative consequences for the real economy. In 2010, IOSCO enlarged the definition of systemic risk, and added two related recommendations to its principles of securities regulation.

2 For a more detailed account, see Cambón, M. I. and Estévez, L. (2015). *A Spanish Financial Market Stress Index (FMSI)*. CNMV Working Paper No. 60. Available from: http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/Monografia_60_en.pdf

3 See Holló, D., Kremer, M. and Lo Duca, M. (2012). *CISS - A Composite Indicator of Systemic Stress in the Financial System*. European Central Bank, Macroprudential Research Network, Working Paper Series, March, No. 1426.

4 Banco de España has used a similar indicator since May 2013 in its *Financial Stability Report*. Although methodologically similar, the two indicators differ widely in both the number of market segments represented (four in the Banco de España indicator against the six of the CNMV's) and their choice of stress variables.

Spanish banks perform creditably in the ECB's pre-SSM assessments in the context of a generally more supportive business landscape

For the banking sector, the year was marked by a series of events starting with the entry into force of the Basel III capital standards. Also, January saw the successful conclusion of the financial assistance programme signed between the Spanish and European authorities. Finally, Spanish banks performed creditably in the comprehensive assessment conducted by the ECB between November 2013 and

October 2014 in the lead-up to the Single Supervisory Mechanism (SSM). This assessment, designed to check the health of the European banking sector, comprised two related exercises: a balance sheet review focusing on the highest-risk items (the asset quality review or AQR) and a stress test. Fifteen Spanish banks[12] are now supervised directly by the ECB under the new SSM. In general, banks were able to conduct their business in a more supportive macroeconomic climate, which allowed them to boost profits while making mild inroads into non-performing loan (NPL) ratios. The balance of outstanding loans continued to contract, though less so than in preceding years, with signs apparent of a slight relaxation of loan access conditions.

Bank NPL ratios receded steadily from the 13.6% high of December 2013 as far as 12.5% in December 2014 (repeating in January 2015). Meantime, sector income statements showed full-year profits of 11.96 billion euros, 36.1% more than in 2013. Profits growth relied principally on reductions in impairment losses on financial assets (down by a hefty 34% to 14.4 billion euros) and other assets (down by 63% to 1,527 million). Gross income closed at 55.19 billion euros, on a par with the 55.54 billion of the previous year, with a small advance in net interest income offset by lower income from equity instruments.

The last few months have seen an increase in new lending to households and SMEs. In 2014, however, due to borrower repayments, the stock of bank lending to the non-financial resident sector (businesses and households) continued to dwindle, albeit with some slowing of the pace. Specifically, lending to this sector fell by 4.1% in annual terms (-5.9% in 2013), due to a contraction in loans outstanding. Lending to non-financial corporations dropped by 4.4% (6.6% in 2013), with lending to households down by 3.7% (-5.1% in 2013). Despite credit contracting more sharply for businesses (-7.2%), the increase in funds raised through other channels (such as fixed-income securities, up by 1.6%) served to temper the decline. By February 2015, the reduction in lending to businesses and households had slowed to 3.0% and 3.4% respectively. In the euro area, finally, lending to non-financial corporations fell by 1.4% year on year to December (-1.2% in January), while credit to households thinned by a lesser 0.3% (-0.2% in January).

Despite solid improvement in the financing conditions available to Spanish banks, the sector pressed on with the process of slimming down its balance sheet,[13] with declines across all main external funding channels. These included private-sector deposits (down from 1.31 to 1.29 trillion euros) and outstanding debt (down from 297 to 249 billion) as well as Eurosystem borrowings, which closed the year at 141 billion euros (202 billion at end-2013). These trends, furthermore, persisted through January 2015.

Robust earnings growth at non-financial listed companies

Non-financial listed companies obtained full-year profits of 17.51 billion euros, 64.8% more than in 2013. One stand-out was the return to growth of the construction and real estate sector, which reported 755 million earnings in 2014 after a string of heavy

12 Representing 14.5% of the total assets of banks under direct ECB supervision and 90% of the assets in the Spanish banking system.

13 From mid-year on, the sector-wide balance sheet stood at under three trillion euros for the first time since April 2008.

losses. The energy sector managed another solid performance, with profits up by 29.5% to 10.76 billion euros (8.31 billion in 2013), while industrial firms boosted their earnings from 412 million to 1.55 billion euros. Only retail and services firms lost ground in the year, with profits falling 24% to 4.39 billion euros (see Table 1.3).

Earnings by sector:[1] non-finantial listed companies TABLE 1.3

	EBITDA[2]		EBIT[3]		Profit for the year	
Million euros	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**
Energy	17,407	18,731	9,327	10,277	8,311	10,763
Industry	3,429	4,630	2,015	3,117	412	1,550
Retail and services	28,868	26,393	15,023	13,399	5,780	4,393
Construction and real estate	3,210	4,898	354	2,586	-3,950	755
Adjustements	-58	-117	24	-40	72	47
Tota	**52,855**	**54,535**	**26,742**	**29,338**	**10,626**	**17,507**

Source: CNMV. (1) Full-year period. (2) Earnings before interest, taxes, depreciation and amortisation. (3) Earnings before interest and taxes.

The aggregate debt of non-financial listed companies, at 255 billion euros, was 7% less than at end-2013 and a full 22% less than the recent-year highs of 2010. The largest reductions corresponded to the energy sector, which cut its combined debt by 14.2% to 70.49 billion euros, followed by retail and services, down 5.69 billion, and construction and real estate, down 2.17 billion. The industrial sector was the only one to raise its debt total in the year, with a moderate increase of 1.6% to 16.88 billion euros. The result has been a steady decline in the debt/equity ratio of listed firms, with construction and real estate as the most heavily leveraged of the sectors covered.

Spanish stock markets register a small advance despite late outbreaks of instability

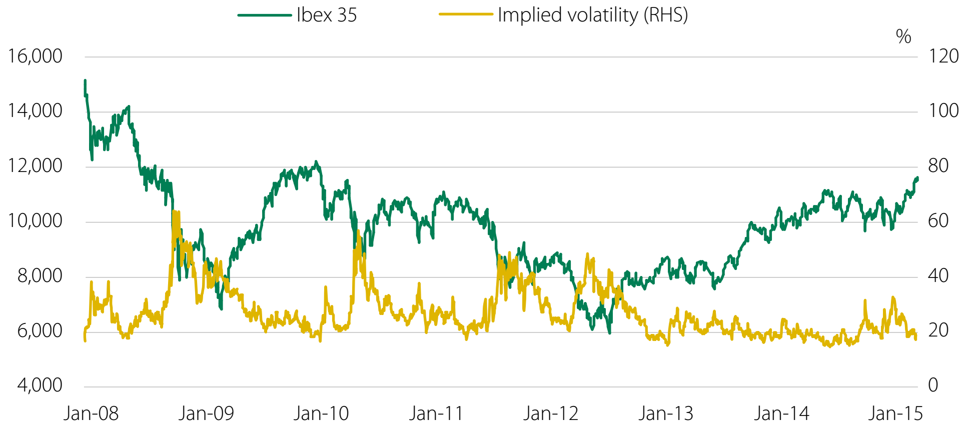
Domestic equity markets performed unevenly over the two halves of 2014. In the first six months, a surfeit of liquidity, coupled with improved economic prospects and investors' increased appetite for risk, drove share prices and trading volumes sharply higher. The second half, however, brought a reversal in prices, although trading activity held up strongly. Liquidity conditions were supportive overall, while volatility only spiked briefly in October and December, with readings nearing 30% (see Figure 1.18).

The Ibex 35, Spain's benchmark stock market index, gained 10.2% to mid-year then shed 5.9% in the following months to close with a full-year advance of 3.7%. Even so it managed to outperform most European indices (see Table 1.1) as well as other domestic indices (see Table 1.4), some of which closed the year in negative territory. This was the case of the Ibex Small Cap, which tumbled 11.6%, and the Ibex Medium Cap, down by 1.8%. Finally, the indices grouping the Latin American securities traded on Latibex registered full-year losses of 16.1% (FTSE Latibex All-Share) and 11.1% (FTSE Latibex Top).

Sectoral performance was likewise uneven. Some of the more cyclical sectors posted sturdy advances in the year, among them real estate (46.3%), utilities (27.3%) and basic materials (17.8%), while others shed a large part of their value, notably chemicals (-17.1%), oil and gas (-9.8%) and insurance (-9.2%).

Ibex 35 performance and implied volatility

FIGURE 1.18



Source: Thomson Datastream.

Performance of Spanish stock market indices and sectors (%)

TABLE 1.4

	2010	2011	2012	2013	2014
Index					
Ibex 35	-17.4	-13.1	-4.7	21.4	3.7
Madrid	-19.2	-14.6	-3.8	22.7	3.0
Ibex Medium Cap	-5.6	-20.7	13.8	52.0	-1.8
Ibex Small Cap	-18.3	-25.1	-24.4	44.3	-11.6
FTSE Latibex All-Share	9.0	-23.3	-10.7	-20.0	-16.1
FTSE Latibex Top	9.7	-17.1	-2.6	-12.4	-11.1
Sector[1]					
Oil and gas	0.3	23.2	-31.2	29.9	-9.8
Chemicals	-60.0	-15.7	-62.7	-34.6	-17.1
Basic materials	-5.6	-22.5	-5.6	25.4	17.8
Construction and construction materials	-14.4	-13.0	-5.4	28.3	9.9
Industrial goods and services	-1.9	-7.6	17.8	39.7	-1.4
Health	-22.2	-0.8	83.0	41.1	1.1
Utilities	-14.3	-13.8	1.7	28.4	27.3
Banks	-32.3	-18.3	-4.4	23.1	8.1
Insurance	-26.8	13.8	-2.8	44.7	-9.2
Real estate	-53.2	-42.4	15.7	4.9	46.3
Financial services	12.8	3.5	3.4	31.5	5.3
Telecommunications and media	-13.4	-22.7	-20.1	23.5	3.8
Discretionary consumption	20.6	1.4	56.8	18.9	-0.1
Basic consumption	15.8	-12.1	13.3	19.7	-7.8

Source: Thomson Datastream. (1) Thomson Datastream classification.

Equity markets opened the year 2015 with a strong price rebound.[14] The rally went through moments of heightened volatility, but overall reflected the improved prospects for the Spanish economy while pricing in some of the effects of the ECB's new asset-buying programme.

14 The Ibex 35 rose by 11.2% to 27 March.

The Spanish stock market through the lens of network theory

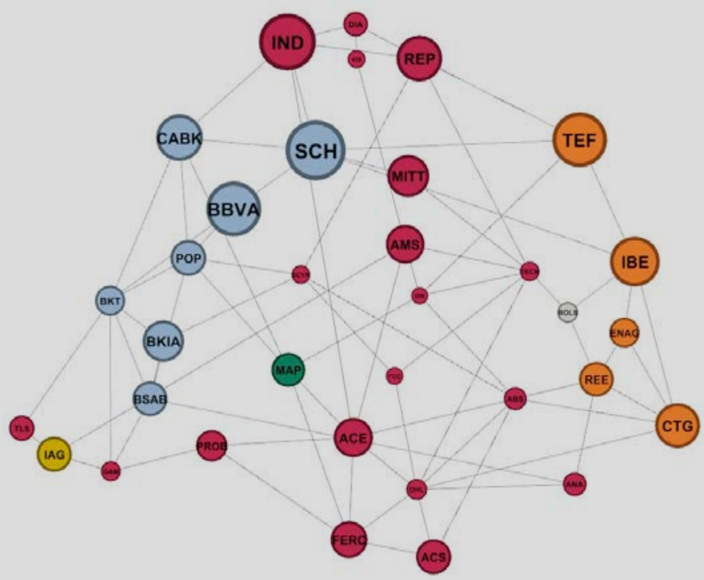
EXHIBIT 1.2

The Spanish market's benchmark index, the Ibex 35, aggregates the price movements of the 35 most liquid companies traded on Spanish stock exchanges. Use of the index allows to streamline the number of reference variables while offering a parsimonious picture of market performance; hence its popularity with analysts and investors. However, dealing with an index rather than its components means sacrificing a wealth of useful information to be had from analysing their interactions.

Network theory has lately been mooted as an appropriate methodology for studying patterns of connectivity between elements within a system and the ways in which the system's overall performance is shaped by these interactions.[1] Figure E1.2.1 presents an application of network theory to the case of the Spanish stock market.[2] Each node in the structure represents an Ibex 35 share, while their respective links correspond to statistically significant partial correlations between their daily returns.[3] The size of the node reflects the firm's market capitalisation, while the colour corresponds to the economic sector to which it belongs.

The Ibex 35 as a stock network

FIGURE E1.2.1

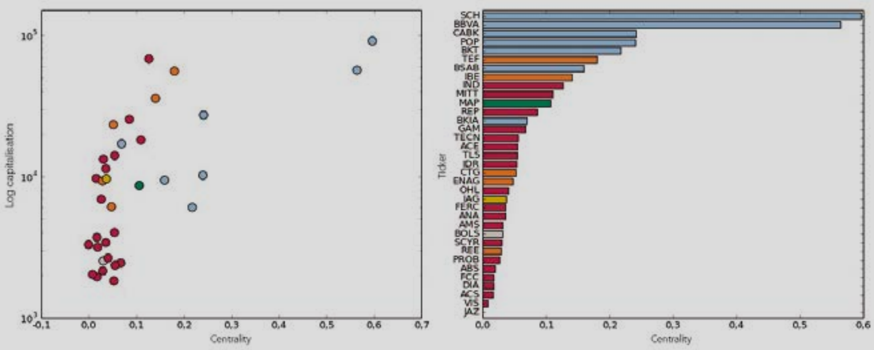


Source: CNMV and Thomson Datastream. The correspondence between colours and industrial sectors runs: industry (red), utilities (orange), transport (yellow), banks (blue), insurance (green), other financial sectors (grey). October 2013-October 2014.

We can see from Figure E1.2.1 that in the Spanish stock market network, companies in the same sector tend to form into communities of closely connected nodes, such that the network as a whole becomes a series of clusters. This squares with the pattern observed in other stock markets and has to do with the fact that firms in the same industrial branch are exposed as a rule to the same risk factors. One of the most striking results is the persistently high connectivity of the banking sector even under the most demanding tests of statistical significance, allowing us to locate the sector at the hub of the Spanish market.

As in the case of social networks, where a person gains influence according to his or her place within the structure, Ibex 35 members also exert more or less influence in the Spanish stock market network according to their relative centrality. There are several ways to measure a node's centrality within a network; in the lines that follow, it is quantified by reference to eigenvector centrality.[4] The left-hand panel of Figure E1.2.2 shows the relationship between the influence/centrality score and market capitalisation of each Ibex 35 firm. The clearly positive association between these two variables indicates a trend whereby market movements are led by the largest cap companies. However, a closer look at this influence measure permits some less obvious conclusions. The right-hand panel of the same figure shows Ibex 35 members ranked in order of centrality. Two things stand out here: i) the high centrality of financial sector firms, despite some having a market capitalisation far lower than that of industrial companies; and ii) the disproportionately high centrality of Banco Santander and BBVA compared to all the rest, corroborating to some extent the intuition widely felt among market agents.

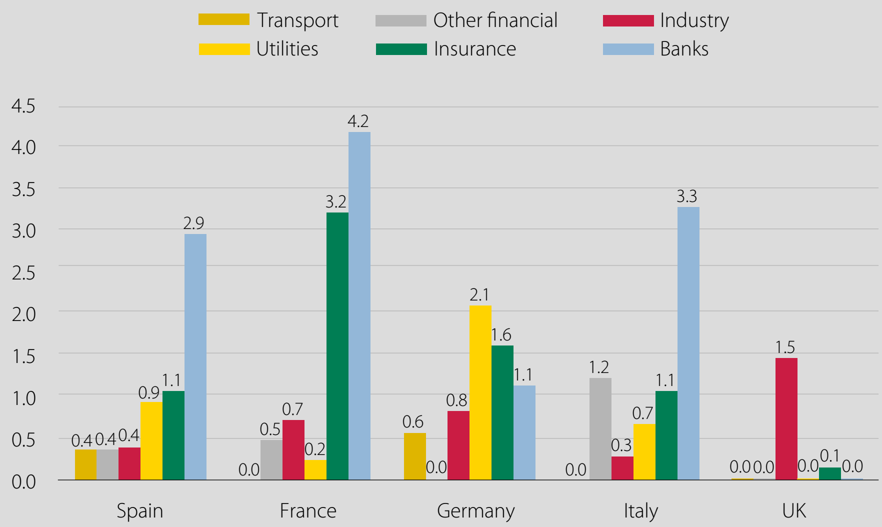
Centrality and market capitalisation of Ibex 35 members FIGURE E1.2.2



Source: CNMV and Thomson Datastream. October 2013-October 2014.

The network-based approach is especially useful when comparing one stock market with another. While such comparisons usually rely on size indicators (number of listed companies, market capitalisation, trading, etc.), network theory allows to highlight differences in their structural organisation. These may be sizeable, as can be seen from Figure E1.2.3 where we plot the average centrality of each economic sector by applying the above methodology to the benchmark indices of France, Germany, Italy and the United Kingdom.[5] The results point up the lead role of the banking sector in Spain, France and Italy in contrast to the German pattern, where the utility sector occupies the position of most centrality. The UK network is without doubt the outlier in this case, with centrality more or less evenly distributed inside the industrial sector and financial sector while stocks are left essentially on the sidelines. One possible explanation for this is the small number of significant partial correlations identified for the British market (only 3% of all those possible).[6]

Centrality by sector and country FIGURE E1.2.3



Source: CNMV and Thomson Datastream. October 2013-October 2014.

In conclusion, although a stock index is an essential tool to summarise a market's overall performance, the inevitable aggregation tends to mask the role played by patterns of component linkage. Network theory would seem to provide an appropriate methodology for revealing these underlying patterns. Despite its newcomer status in financial markets, this approach could prove a valuable alternative to shed light on such key issues as the evaluation of systemic risk.

1 For applications of network theory in such diverse fields as sociology, epidemiology, biology and engineering, see Newman, M.E.J. (2003). "The structure and function of complex networks", in *SIAM Review* 45, p. 167-256.
2 See Peralta, G. (2015). *Network-based Measures as Leading Indicators of Market Instability: The Case of the Spanish Stock Market*. CNMV Working Paper No. 59. Available from http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/Monografia_59en.pdf.
3 The partial correlation between variables A and B measures the degree of linear association between them after eliminating the effect of remaining sample variables.
4 Eigenvector centrality classifies a network node as highly central either because it has numerous links with remaining nodes or has few links but with other nodes that are highly central in their turn.
5 The CAC 40, DAX 30, FTSE MIB and FTSE 100 respectively.
6 This is not to say that assets in this market are not correlated, only that their level of partial correlation may fall short of statistical significance.

The market capitalisation of Spanish listed companies expanded 6.9% in 2014 to 609.38 billion euros. Driving the increase were both share price gains and the numerous capital increases launched in the year, though note that the amount raised in the latter transactions was actually 28.8% lower than in 2013. Public offerings also staged something of a comeback.

Turnover in Spanish listed shares swelled by 24.7% to 864 billion euros. Average daily trading, at 3.39 billion euros, improved substantially on the 2.70 and 2.72 billion of 2012 and 2013 respectively, but has yet to recoup the levels observed at the start of the financial crisis. One notable development was the shift in business away from domestic regulated markets to alternative trading platforms. Spanish securities have been caught up in this broader trend, shared with other European exchanges, since the first quarter of 2013. According to Bloomberg, trades in Spanish shares on these alternative venues accounted for 15.2% of 2014 turnover (10.1% in 2013).

1.3 Economic and financial outlook

In its April forecasts, the International Monetary Fund (IMF) projected global growth quickening from 3.4% in 2014 to 3.5% in 2015 and 3.8% in 2016, in line with its earlier forecasts published in January. Emerging market economies are predicted to grow 4.3% in 2015 and 4.7% in 2016, ahead of the 2.4% projected in both years for the advanced economies.

Among the upside risks to this outlook we can cite, first and foremost, the oil price slide, which will boost the growth rates of importing countries. It is also reasonable to assume that the monetary expansion launched by the ECB will impact positively on euro-area activity. However downside risks are also present in the shape of fresh bouts of financial market turmoil in response to the political uncertainties emanating from Greece and the outcome of its second financial assistance package, on top of other geopolitical conflicts. A further risk relates to the prospect of the United States bringing forward its rates upcycle, and the resulting knock-on effect on risk premiums, particularly damaging to emerging market economies that rely on maintaining stable capital flows. In Europe, doubts persist about the strength of economic recovery, though the ECB's latest decisions may have gone some way to restoring confidence.

The improved macroeconomic indicators for the Spanish economy in the wake of its recent reform drive have boosted expectations for domestic output. The IMF, specifically, is looking for 2.5% growth in 2015 and 2% in 2016 (a mark-up of 0.5 and 0.2 points respectively versus its earlier forecast). Both figures are slightly lower than the rates forecast by other institutions and analysts, for 2015 particularly, which in some cases approach or exceed 2.5%. However certain risks persist related to the need to persevere with fiscal consolidation and the fact that unemployment, despite recent inroads, will remain high for some time to come. The more vigorous private consumption augured for this year and the fact that most of the fall in the CPI has its origin in the energy component (oil) should allay concerns of a deflation risk, as should the extension of the ECB's asset purchase programme to euro-area sovereign bonds.

II Markets and issuers

2 Equity markets

2.1 General overview

Spanish equity markets benefited last year from the climate of greater stability prevailing in financial markets and the fall in the return on fixed-income assets resulting from the more expansive monetary policy and the outlook for moderate growth both in activity and in prices in the euro area. However, we can differentiate between two different periods with regard to price behaviour: a positive first half of the year with significant rises in prices, and an irregular second half of the year, in which the month of December stands out as clearly negative.

Accordingly, while the first half of the year saw a 10% rise in the Ibex 35 index, most of this gain disappeared in the second half of the year, with annual growth at the end of the year standing at 3.66%. As indicated, the worst performance took place in December as a result of the political situation in Greece. As from 9 December, instability spread to the other European markets and there were various highly volatile sessions with prices alternating between significant rises and significant falls.

Nevertheless, it should be pointed out that, as in 2013, the Ibex 35 index saw greater annual growth than that of the main European markets. The implied volatility of the index in 2014 oscillated within a range of 17 percentage points (four points more than in 2013, although well below the range recorded in 2011 and 2012), and closed the year at a level of 23.46%, i.e. 4.7 percentage points up on year-end 2013. Although volatility reappeared somewhat at the start of 2015, the performance of the index over the first quarter of the year has been truly positive, with significant price rises which are also seen in other European stock markets, as a result of improvements in economic expectations and the implementation of new non-conventional monetary policy measures by the ECB.

Stock-market capitalisation at the end of 2014 amounted to 609.38 billion euros, 6.9% up on the previous year. The increase was the result both of the performance of share prices and the capital increases conducted by numerous companies in order to strengthen their financial structure or to raise funds so as to perform corporate operations. However, the amount was 28.8% down on 2013, a year in which significant large-volume capital increases were performed linked to restructuring processes in the banking sector. There was also a certain slowdown seen in public offerings.

The year also witnessed greater trading activity. Trading of securities listed on official Spanish equity markets rose by 31%. Most of the trading continued to be undertaken on Spanish stock markets, but there was once again an increase in the relative weighting of other European regulated markets and multilateral trading facilities, which rose from 10.1% to 15.2%.

There was also noteworthy participation from non-resident investors in the Spanish equity market over the year. These investors accounted for 80% of trading, and their proportion of share ownership stood at around 41.5% in the first half of 2014, compared with 40% at the end of 2013. At a national level, the participation of Spanish families also improved, amounting to 27% of the total, the highest percentage since 2003.

Table 2.1 presents a comparison of the size of the main equity markets, using as an approximation the ratios of capitalisation and trading over nominal GDP. Over the course of 2014, the former rose in most countries presented in Table 2.1. The trading ratios remained relatively stable, except in China, the United States and Spain, where they rose. As can be seen in Table 2.1, the capitalisation of the Spanish market in terms of GDP is among the lowest, together with the German market. However, the trading ratio is at the mid-point in comparison with other European markets.

Market capitalisation and trading on regulated markets as a percentage of nominal GDP TABLE 2.1

	Market capitalisation[1]		Trading volume	
	2013	2014	2013	2014
USA[2]	143.7	151.2	139.2	161.3
Canada	119.9	123.5	75.6	79.6
China[3]	72.4	89.2	92.7	130.8
Japan[4]	98.8	107.4	132.3	118.9
London Stock Exchange[5]	94.6	96.1	49.5	64.7
Euronext[6]	80.8	81.8	38.9	43.5
Germany	51.8	50.9	37.0	39.4
Spain	55.8	59.3	68.8	77.3

Source: World Federation of Exchanges, International Monetary Fund (World Economic Outlook) and CNMV. (1) In local currency, the market capitalisation figures correspond to the last working session of the year. (2) The numerator is the combined total of the NYSE, Euronext US and Nasdaq. (3) Includes data from the Hong Kong, Shanghai and Shenzhen stock markets, as well as the GDP of the People's Republic of China and Hong Kong. (4) Includes data from the Tokyo and Osaka stock exchanges. (5) The London data as from 2010 includes data from the Borsa Italiana, integrated in the London SE Group, and the GDP of both countries. (6) The denominator is the sum of the nominal GDP of France, the Netherlands, Belgium and Portugal.

2.2 Listed companies and capitalisation

At the end of 2014, there were a total of 155 companies listed on Spanish stock markets, two more than at the end of 2013.[1] There were seven new listings, all on the electronic market, of which six corresponded to Spanish companies, four of which were real estate companies, while the remaining new listing corresponded to a foreign company. There were five delistings: one from the electronic market, three from open outcry and the last from the secondary market.[2]

1 This total refers to the official equity markets and hence does not include companies listed on the Latibex or on the MAB, which are multilateral trading facilities.

2 Annex I.3 provides further information on new listings and delistings.

Number of companies listed on Spanish stock markets[1]

TABLE 2.2

	All markets	Electronic market Total	Electronic market Spain	Electronic market Foreign	Open outcry	Second market
Listed at 31/12/2013	153	123	116	7	23	7
Listed at 31/12/2014	155	129	121	8	20	6
New listings in 2014	**7**	**7**	**6**	**1**	**0**	**0**
New listings	7	7	6	1	0	0
Listed due to merger	0	0	0	0	0	0
Change of market	0	0	0	0	0	0
Delistings in 2014	**5**	**1**	**1**	**0**	**3**	**1**
Delistings	5	1	1	0	3	1
Delisted due to mergers	0	0	0	0	0	0
Change of market	0	0	0	0	0	0
Net change in 2014	**2**	**6**	**5**	**1**	**-3**	**-1**

Source: CNMV. (1) Totals do not include MAB, Latibex or ETFs.

The value of shares admitted to trading on Spanish markets amounted to 609.3 billion euros, 6.9% up on year-end 2013. This increase was mainly caused by rising prices, but also by the capital increases conducted over the year (see Section 2.3).

Capitalisation[1] of equity on Spanish stock markets

TABLE 2.3

Million euros

	2011	2012	2013	2014	% change 14/13
All markets	**421,033.8**	**438,188.5**	**570,028.7**	**609,380.0**	**6.9**
Electronic market	417,269.2	434,934.8	567,055.1	606,883.1	7.0
Spain	415,676.7	432,967.8	564,019.8	602,456.7	6.8
Foreign[2]	1,592.5	1,967.1	3,035.2	4,426.4	45.8
Open outcry[3]	3,704.9	3,233.0	2,906.2	2,466.6	-15.1
Madrid	833.3	667.1	519.4	376.5	-27.5
Barcelona	3,242.3	2,945.9	2,749.5	162.5	-11.5
Bilbao	328.8	77.8	183.6	326.4	-4.7
Valencia	240.2	350.9	342.5	326.4	-4.7
Secondary market	59.7	20.6	67.5	30.2	-55.2

Source: CNMV. (1) Only includes capitalisation of companies that were traded at some time during the year. Does not include Latibex, MAB or ETFs. (2)The capitalisation of foreign companies listed on Spanish markets is based on the number of shares registered by Iberclear. (3) The market capitalisation of companies traded by open outcry in more than one market has been included in the figures for each market at the price for that market, but only once in the total for all markets.

By sector (see Table 2.4 and Annexes I.5 and I.7), the greatest growth in capitalisation in percentage terms took place in the real estate sector, with growth of 162.5% on the previous year. There was also a noteworthy rise in the mining, construction and banking sectors. Finally, the metal-mechanical, food (with one company less than in the previous year) and oil sectors suffered the largest falls in capitalisation.

The historical concentration of capitalisation continued in 2014. The six Spanish shares included in the Eurostoxx 50 accounted for 50% of the total capitalisation of Spanish stock markets. In order to reach 75% of the total capitalisation, it is necessary to group together the 19 largest companies included the Ibex 35, a similar number to that of previous years.

Number of listed companies and capitalisation by sector[1] TABLE 2.4

Million euros

Sector	2013	2014	2013	2014	% change 14/13
Oil	1	1	23,861.3	20,989.9	-12.0
Energy & water	8	7	83,516.1	90,329.6	8.2
Mining & base metals	8	8	5,218.7	6,416.4	22.9
Cement & construction materials	4	4	1,842.6	1,725.2	-6.4
Chemical	6	6	3,713.1	3,958.7	6.6
Textile & paper	18	18	87,844.3	86,833.7	-1.2
Metal-mechanical	15	15	12,731.2	10,191.3	-19.9
Food	12	11	8,090.2	6,824.0	-15.7
Construction	8	8	27,410.3	30,766.4	12.2
Real estate	26	25	2,752.4	7,224.5	162.5
Transport & communications	3	4	77,550.2	85,306.5	10.0
Other non-financial	25	24	39,887.9	43,297.8	8.5
Total non-financial sector	**132**	**138**	**374,418.4**	**393,864.3**	**5.2**
Banks	10	10	180,128.0	201,317.6	11.8
Insurance	2	2	12,709.1	11,541.5	-9.2
Portfolio companies	8	8	2,759.7	2,643.0	-4.2
SICAVs	1	1	13.5	13.4	-0.9
Finance houses	0	0	0.0	0	–
Total financial sector	**21**	**21**	**195,610.3**	**215,515.7**	**10.2**
Total	**153**	**155**	**570,028.8**	**609,380.0**	**6.9**

Source: CNMV. (1) Only includes capitalisation of companies that were traded at some time during the year. Does not include Latibex, MAB or ETFs.

2.3 Listings, issues and public offerings

In 2014, a total of 53 companies listed on Spanish stock markets performed 140 capital increases, 14 more than in 2013 (see Annexes I.1 and I.2 for further details). These increases were for a total of 27.9 billion euros, 28.8% down on the previous year. The capital increases associated with scrip dividends continued to rise, reaching a total of 12 billion euros, as shown in Table 2.5.

In line with the sharp increase in initial public offerings in the rest of the world (close to 100%), Spanish markets also saw an upturn in the number of public offerings and rights offerings, with 13 companies raising funds in this way in the different market segments. Seven of the public offerings took place in the electronic market.

The investment flows channelled towards equity (capital increases plus public offerings) totalled close to 32.8 billion euros, the highest figure in the whole of Europe.

A little under half of the funds were raised by credit institutions. Unlike 2012 and 2013, in which these institutions accounted for most of the funds raised through capital increases, in 2014 other sectors also raised significant funds, particularly the real estate and construction sector, in this case to reduce or restructure their debt or to strengthen their capital.

Primary and secondary public offerings[1] TABLE 2.5

Million euros

	2011	2012	2013	2014	% change 14/13
Capital increases	**20,819.8**	**28,290.2**	**39,126.2**	**27,875.5**	**-28.8**
Primary offerings	6,225.4	2,450.5	1,742.8	2,951.5	69.4
Bonus issues	3,862.0	8,424.2	9,932.8	12,650.8	27.4
Of which scrip dividends	3,862.0	8,348.1	9,869.4	12,573.8	27.4
Capital increase by conversion[2]	2,079.4	10,982.4	7,478.8	3,757.9	-49.8
Increases with non-monetary consideration[3]	3,394.9	1,867.5	231.6	2,814.5	1,115.5
With pre-emption right	2,264.1	4,560.6	11,463.1	2,790.8	-75.7
Capital increase without trading warrants	2,994.1	5.0	8,277.1	2,909.9	-64.8
Secondary offerings	**127.0**	**1,231.4**	**0.0**	**4,886.9**	**–**
Total	**20,946.8**	**29,521.6**	**39,126.2**	**32,762.4**	**-16.3**

Source: CNMV. (1) Does not include data from the MAB, ETF or Latibex. (2) Includes capital increases to meet the conversion of bonds and debentures into shares, as a result of conversions of employee stock options and for the execution of warrants. (3) Capital increases with non-monetary consideration have been recorded at market prices.

2.4 Trading

2.4.1 Spot trading

Since entry into force of the MiFID in 2007, the trading of shares has become increasingly fragmented, to the detriment of traditional stock markets, whose market shares have in some cases fallen substantially. This process has encouraged the growth of competing trading venues, especially the new multilateral trading facilities and regulated markets located in the United Kingdom.

This change was less dramatic than in other markets in the case of Spanish shares, in which BME held a market share of over 95% up to two years ago. However, since 2013 BME's market share has fallen significantly, although the levels of fragmentation remain considerably lower than in the United Kingdom, Germany and France. Specifically, in 2014 BME held 85% of the trading in Spanish shares, compared with 90% the previous year. Its main competitor was the British platform Chi-X, which channelled 9.5% of the trading in Spanish shares.

As shown in Table 2.6, the trading of Spanish shares on the SIBE amounted to 849.93 billion euros, 23.6% up on 2013, while the total amount of these shares traded, including other trading venues in the European Union, rose by 31% to over one trillion euros. Although the starting level is much lower than in the SIBE, the trading of Spanish shares grew sharply on Chi-X, Turquoise and BATS.

Total trading in Spanish equity listed on official Spanish markets[1]

TABLE 2.6

Million euros

	2010	2011	2012	2013	2014	% change 14/13
Total	**1,033,574.8**	**928,355.2**	**710,387.1**	**765,502.2**	**1,002,992.8**	**31.0**
Admitted on SIBE	**1,030,330.2**	**926,828.6**	**709,851.7**	**764,933.4**	**1,002,095.8**	**31.0**
BME	1,020,063.2	912,176.9	687,456.1	687,527.6	849,934.5	23.6
Chi-X	8,383.6	11,120.3	16,601.3	53,396.7	95,973.0	79.7
Turquoise	269.1	707.7	3,519.6	11,707.9	28,497.5	143.4
BATS	272.4	1,276.4	2,261.9	10,632.1	18,671.0	75.6
Other[2]	1,341.9	1,547.3	12.8	1,669.2	9,019.8	440.3
Open outcry	**165.4**	**42.8**	**49.9**	**51.4**	**92.5**	**79.8**
Second market	**3.0**	**2.3**	**0.4**	**1.7**	**0.7**	**-61.9**
ETF[3]	**3,076.2**	**1,481.5**	**485.1**	**515.7**	**803.9**	**55.8**

Source: Bloomberg and CNMV. (1) Equity instruments admitted to trading on Spanish official secondary markets and identified by means of an ISIN issued in Spain. This does not hence include foreign securities admitted to trading on those markets whose ISIN is not issued in Spain. (2) It is calculated as the difference between the amount traded of the EU Composite calculated by Bloomberg for each share and the amount traded for the markets and MTF included in the table, and hence includes trading on other regulated markets, MTFs and OTC systems. (3) Only ETFs with Spanish ISIN.

A record number of trades of equity securities took place in 2014: over 71 million, an increase of over 48% on the previous year. The SIBE received 471 million orders, 63% up on 2013, and the order/trade ratio rose to 6.7, i.e. 0.5 percentage points up on 2013. In both years, as has been the case since 2011, the use of algorithmic trading techniques has led to an increase in the entry of orders on the market, many of which are never executed.

Equity trading on markets operated by BME

TABLE 2.7

Million euros

	2011	2012	2013	2014	% change 14/13
Total	**920,455.0**	**694,885.3**	**698,128.2**	**864,536.6**	**24.7**
Official markets	**915,717.4**	**690,242.5**	**691,864.6**	**–**	**–**
SIBE	**915,672.3**	**690,192.2**	**691,811.5**	**864,443.5**	**24.7**
of which ETFs	3,495.4	2,736.0	4,283.9	9,849.4	129.9
Open outcry	**42.8**	**49.9**	**51.4**	**92.4**	**79.8**
Madrid	16.1	3.0	7.3	32.6	349.9
Bilbao	0.1	8.5	0.1	14.3	–
Barcelona	26.4	37.7	44.1	45.1	2.5
Valencia	0.3	0.7	0.0	0.3	–
Secondary market	**2.3**	**0.4**	**1.7**	**0.6**	**-61.9**
Alternative stock market (MAB)	**4,379.9**	**4,329.6**	**5,896.3**	**7,723.2**	**30.9**
Latibex	**357.7**	**313.2**	**367.3**	**373.1**	**1.5**

Source: CNMV.

Market equity trading in BME was once again concentrated in the electronic market in 2014. As shown in Table 2.8, most trading took place in regular trading through orders, followed in importance by block trading. The volume of applications was also very significant. These three categories of trading grew significantly, in contrast with the previous year, when only the volume of order-based trading grew.

Trading on BME in the electronic market by type TABLE 2.8

Million euros

	2010	2011	2012	2013	2014	% change 14/13
Regular trading	983,584.4	873,485.3	658,891.4	668,553.2	831,962.6	24.4
Order-based	541,879.8	505,870.1	299,022.0	346,049.6	453,294.9	30.9
Applications	58,678.1	69,410.4	80,617.0	56,565.3	73,056.8	29.1
Block trades	383,026.5	298,204.9	279,252.4	265,938.3	305,610.8	14.9
Off-hours	17,209.5	9,801.8	9,630.0	7,654.7	7,568.9	-1.1
Other types	25,684.4	34,096.6	23,036.9	16,960.1	24,912.5	47.3

Source: CNMV.

As with capitalisation, stock market trading continued to be highly concentrated in a relatively low number of shares, although to a lesser extent than in 2013. In 2014, 13 Ibex 35 shares, which include the six which also form part of the EuroStoxx 50, accounted for 75% of total trading of Spanish shares in the SIBE, while in 2013 this percentage was reached with nine shares (see Annexes I.6 and I.8 for further details on trading and its distribution).

2.4.2 Margin trading and securities lending

The *crédito* system (for margin trading and securities borrowing) is commonly used by retail investors dealing in Ibex 35 stocks, whereas the *préstamo* system is more commonly used by institutional investors and covers a broader range of securities, including shares traded on the Latibex and exchange traded funds. Unlike the *crédito* system, only part of the securities obtained by securities lending are used to perform transactions on secondary markets.

Margin trading fell once again in 2014 both in terms of trading and in terms of outstanding balances. Trading, which amounted to 511.9 million euros in 2007, fell to 16.2 million euros last year (see Table 2.9).

However, margin trading using the *préstamo* system rose by 30.5% in 2014 to 601.5 billion euros, as shown in Table 2.10. The outstanding balance in the *préstamo* system grew to 60 billion euros at the end of the year. The increase in securities lending at least partly reflects the rise in share prices. Sales under margin trading also rose, although to a lesser extent, both in terms of the balance at the end of the year and in trading (9.5%).

Margin trading[1] TABLE 2.9

Million euros

	Outstanding balance	Trading volume
2010	5.0	65.9
2011	3.9	73.0
2012	2.5	44.4
2013	0.6	34.1
2014	0.4	16.2

Source: CNMV. (1) Transactions performed in accordance with the Order of the Ministry of Economic Affairs and the Treasury, of 25 March 1991, on the margin system in spot transactions.

Securities lending (*crédito* and *préstamo* systems) TABLE 2.10

Million euros

	Securities lending (*crédito* system)[1]		Securities lending (*préstamo* system)[2]	
	Outstanding balance	Trading volume	Outstanding balance[3]	Trading volume
2010	9.9	598.0	36,195.9	556,246.7
2011	7.0	518.3	35,626.7	493,602.4
2012	1.2	199.2	34,915.1	395,859.3
2013	7.3	326.8	43,398.9	464,521.5
2014	12.7	357.9	60,042.6	601,557.1

Source: CNMV. (1) Transactions performed in accordance with the Order of the Ministry of Economic Affairs and the Treasury, of 25 March 1991, on the margin system in spot transactions. (2) Regulated by Article 36.7 of the Securities Market Act and Order ECO/764/2004. (3) Total balance less amount of re-lending.

2.5 Takeover bids (OPAs)

Seven bids were authorised in 2014 with a potential amount of 478 million euros (644 million euros if we include previously-agreed acquisitions). The amount of the transactions effectively performed stood at 45.2% of the potential amount (59.3% taking into account the previously-agreed acquisitions).

Two of the bids were mandatory as a result of a prior taking of control: that of Businessgate for Dogi International Fabrics and that made jointly by the Sigma and WH groups for Campofrío Food Group.

Another four of the bids were mandatory as a result of the request for delisting of Inmolevante, Companyia d'Aigües de Sabadell, Ahorro Familiar and Grupo Tavex. The last two bids were made by their respective controlling shareholders, while in the other bids the buyer was the issuer of the shares to be delisted.

All the mandatory bids were made with payments in cash at the price classified as fair in accordance with applicable legislation and demonstrated by means of the corresponding valuation report. The valuation rules applicable to delisting bids were also applied to the bid for Dogi International Fabrics, as this was a company in serious financial difficulties, and in the case of Campofrío Food Group, which was subject to the bid as a result of two successive takeovers, one by the WH group and another direct takeover by the Sigma group. Both entities ended up making a joint delisting bid.

The only voluntary bid was that made by Ole Investments for Deoleo. The price finally offered in this case was the minimum that could be classified by regulation as fair price (see Section 10.2).

The significant difference which can be seen in Table 2.11 between the amount of the bids made in 2014 and the potential amount is chiefly because the offer for Deoleo, whose potential amount accounted for almost 67% of the total, had a poor uptake and accounted for approximately 38% of the effective amount of the seven transactions.

In the last quarter of the year, another four bids were submitted and accepted for processing, one delisting bid made by Sociedad Anónima Damm, one mandatory bid as a result of the takeover of the Orion and Cerberus funds through Sotogrande Luxco for Sotogrande and the two voluntary bids of Hispania Real, SOCIMI for Realia Business and of Orange for Jazztel.

Takeover bids TABLE 2.11

Million euros

	2010	2011	2012	2013	2014
Authorised[1]					
Number	4	3	3	6	7
Potential amount	1,127	3,984	1,402	395	478
Potential amount plus agreements prior to acquisition[2]	1,127	3,984	1,426	395	644
Carried out[3]					
Number	4	3	2	6	7
Amount	1,040	3,873	1,282	351	216
Amount plus agreements prior to acquisition[2]	1,040	3,873	1,306	351	382

Source: CNMV. (1) Authorised during the year. (2) Potential amount of takeover bids plus cash volume of acquisitions agreed prior to each bid. (3) All bids authorised during the year, even if completed in the following year, except where the bid was unsuccessful or was withdrawn. Does not include the amounts for squeeze outs.

2.6 Multilateral trading facilities

2.6.1 Latibex

The price of shares traded on Latibex rose substantially over the two middle quarters of 2014, but these gains were not enough to offset the negative figures of the first and, particularly, the last quarter, with falls of 25.6% (FTSE Latibex All-Share) and 20.5% (FTSE Latibex Top) recorded in the year.

In terms of the capitalisation of the different companies listed on Latibex, the falls in share prices were offset by the increase in value of the Brazilian real and the Mexican peso with regard to the US dollar and the euro.

At year-end 2014, a total of 26 companies were admitted to this market, the same number as in 2013. As shown in Table 2.12, the country with the largest number of companies was Brazil, followed by Mexico. Capitalisation of this market at the end of the year totalled 204.4 million euros, 56.9% up on 2013. The rise in capitalisation can mainly be explained by the rise in prices in the home market and the appreciation of the euro against the reference currencies. Brazilian companies accounted for 66.3% of total capitalisation, followed by Mexican and Argentinean companies.[3]

Trading in 2014 rose to 373.1 million euros, 1.6% up on 2013. Brazilian companies accounted for 82.2% of total trading and in 2014 were, together with Argentinean companies, the only companies which recorded an increase in the traded amount on the previous year.

Companies listed on Latibex, by country TABLE 2.12

Million euros

	No. of companies		Market capitalisation[1]			Trading volume		
Country	**2013**	**2014**	**2013**	**2014**	**% change**	**2013**	**2014**	**% change**
Argentina	2	2	4.8	13.6	181.5	0.1	0.2	91.0
Brazil	12	12	115.1	135.8	18.0	195.8	306.8	56.6
Chile	2	2	2.6	1.9	-28.1	7.1	5.3	-25.3
Colombia	1	1	1.4	1.0	-26.2	5.4	3.5	-35.7
Mexico	8	8	4.8	51.1	963.3	155.6	54.7	-64.9
Peru	1	1	1.6	1.0	-34.7	3.2	2.7	-14.9
Total	**26**	**26**	**130.3**	**204.4**	**56.9**	**367.3**	**373.1**	**1.6**

Source: CNMV. (1) Securities deposited in Iberclear.

2.6.2 The Alternative Stock Market (MAB)

The MAB is a multilateral trading facility managed by BME which hosts trading in different segments for growth stocks, investment companies (SICAVs), venture capital entities, hedge funds and SOCIMIs (Spanish REIT companies).

The number of companies listed on the MAB rose to 3,276 at the end of 2014. Capitalisation totalled 34.3 billion euros, a rise of 6.6% on year-end 2013. Trading also rose and amounted to 7.7 billion euros, 30.9% up on the previous year. The SICAV segment is the largest in terms of number of companies, capitalisation and trading, as shown in Table 2.13.

The number of companies listed in the growth stocks segment totalled 26, three more than in 2013.

3 Annex I.10 offers information on the distribution of trading and capitalisation by sector on Latibex.

Companies listed on MAB, by segment TABLE 2.13

Million euros

	No. of companies		Market capitalisation[1]			Trading volume		
	2013	2014	2013	2014	% change	2013	2014	% change
Venture capital companies	1	1	49.3	79.6	61.5	0.3	97.0	3,023.0
Growth stocks	23	26	1,677.7	1,799.9	7.3	279.2	1,683.9	503.0
SICAVs	3,035	3,229	27,572.2	31,482.0	14.1	5,594.1	5,940.9	6.1
Hedge funds	5	11	2,747.9	806.0	-70.6	22.0	86.8	399.0
SOCIMIs	2	3	124.3	137.8	10.8	0.2	1.8	658.0
Total	**3,066**	**3,276**	**32,171.2**	**34,306.6**	**6.6**	**5,896.0**	**7,723.0**	**30.9**

Source: CNMV. (1) Includes only the value of those entities for which there was trading during the year.

Five new companies joined this segment in 2014. NPG Technology was listed in April, Facephi and Only Apartments in July, Euroconsult in November and finally Home Meal Replacement in December. The BME board agreed the delisting of Grupo Nostrum and Negocio & Estilo de Vida. At the end of 2014, Bodaclick (since 17/02/14), Zinkia (since 26/02/14), Let's Gowex (since 06/07/14) and Carbures Europe (since 08/10/14) remained suspended from trading. The suspension from trading of the first three companies remained in force at the end of the first quarter of 2015.

Total capitalisation at the end of the year amounted to 1.8 billion euros, 7.3% up on 2013, although the increase is much lower than in the previous year, when capitalisation rose by 300%. The price rises in 2013 were particularly significant in some of the companies which were suspended from trading last year. The amount traded rose to 1.68 billion euros, well above the 279.2 million euros of the previous year, in which there had also been a significant rise on 2012.

Exhibit 10.1 shows a summary of the amendments to the Regulation of multilateral trading facilities which are contained in Law 5/2015, of 27 April, on promoting business financing.

2.7 Exchange-traded funds (ETFs)

There were 70 ETFs traded on Spanish markets at year-end 2014, one more than the previous year. Of the listed and active ETFs at the end of 2014, three were managed by a Spanish entity, 27 by a German entity and 40 by a French entity.

The trading of ETFs on the SIBE in 2014 totalled 9.85 billion euros, compared with 4.28 billion euros in 2013, a rise of 130%. 2014 also saw a record for trading in this segment since 2008, as well as in the number of transactions performed: over 115,000. The assets under management in ETFs referenced to the Ibex 35 rose by 60% to over 2 billion euros.

Most of the ETFs were referenced to equity indices, and most of these are linked to the performance of shares traded in Europe. Most strategies involve tracking a particular index (passive management). Only a few funds use inverse tracking strategies or other complex strategies.

3 Fixed income

3.1 General overview

Gross issues of securities fell by 4.3% in 2014 on the previous year and net issues, i.e. the difference between gross issues and redemptions, were negative for the second consecutive year. Gross issues fell both in the area of public authorities and in the area of financial institutions.

As indicated in Chapter 1, the improvement in the outlook for the Spanish macroeconomic situation triggered new falls in risk premiums and, together with the clearly expansive monetary policy implemented by the European Central Bank (ECB) and the ample liquidity in financial markets, contributed towards reducing benchmark interest rates, both for public and private debt, to historic lows. In the case of public authorities, this scenario has made it possible to reduce the average cost of outstanding debt and to extend maturities. For their part, financial institutions have been able to place non-strategic loan packages amongst private investors and to diversify their sources of funding, reducing their dependence on financing provided by the ECB.

As in the previous year, the public sector was responsible for a greater proportion of gross issues than the private sector, accounting for 57.4% of the total nominal amount. Financial institutions accounted for the bulk of the final volume of private sector issues, specifically 94.5%, despite the lower level of activity recorded over the year. Especially important was the role played by the Asset Management Company for Assets Arising from Bank Restructuring (SAREB), which was responsible for a third of the long-term fixed-income securities placed in the market, with three issues made over the course of 2014. There was also a noteworthy presence of structured products in the issues of financial institutions over the year. As shown in Table 3.1, gross issues of non-financial companies recorded a significant increase, although net issues fell sharply on the previous year. Another of the significant aspects relating to issues over the course of 2014 is the increase in issues in international markets, above all in the commercial paper segment.

Gross public sector issues fell by 7.4%, which, together with ordinary maturities and early amortisation of certain debt packages, meant that net issues were much lower in 2014 (45.1% down on 2013). Regional governments also reduced their issues and managed to reduce the balance of their outstanding debt.

Issues and outstanding balances: breakdown by issuer

TABLE 3.1

Nominal amount in million euros

	Amount[1]		Change (%)	*Pro memoria*: Euro area	
	2013	2014	14/13	2014	% var. 14/13
Gross issues[2]	**460,197**	**440,305**	**-4.3**	**6,972,747**	-14.8
Public authorities	273,136	252,937	-7.4	2,415,538	-2.9
Financial institutions	179,039	177,094	-1.1	3,945,509	-21.6
Non-financial companies	8,022	10,274	28.1	611,699	-8.1
Net issues[2]	**-127,309**	**-100,058**	**21.4**	**30,949**	81.8
Public authorities	85,635	47,038	-45.1	260,030	-24.1
Financial institutions	-216,596	-148,138	31.6	-290,798	29.3
Non-financial companies	3,652	1,042	-71.5	61,717	-28.2
Outstanding balances[3, 4]	**1,731,659**	**1,669,063**	**-3.6**	**16,273,886**	-1.8
Public authorities	822,937	870,288	5.8	7,373,443	0.6
Financial institutions	888,637	777,634	-12.5	7,845,928	-4.8
Non-financial companies	20,086	21,141	5.3	1,054,515	5.6

Source: Bank of Spain, CNMV and ECB. (1) Includes issues in Spain and abroad. (2) For currency issues of public authorities, the exchange value in euros is used by applying the average exchange rate for the month published by the ECB. For currency issues of financial institutions and non-financial companies, the exchange value in euros is used by applying the exchange rate for the last day of the month published by the ECB. (3) For the outstanding balances of currency issues, the exchange value in euros is used by applying the exchange rate of the ECB at the end of the period. (4) Outstanding balances cannot be adjusted with net issues because of the use of different exchange rates for currency issues.

Among official secondary fixed-income markets, the public debt book-entry market remained the most active in terms of traded volume and the only market which recorded an increase in trading, which is concentrated in the State *bonos* [bonds] and *obligaciones* [debentures] segments (see Table 3.3). In the AIAF market, where the bulk of trading in private fixed-income securities is concentrated, trading fell substantially as a result of the fall in the number of listed issues and a lower level of activity in liquidity auctions by the Treasury, which operates as a member of this market in order to manage its cash surpluses. Nevertheless, the cash management operations performed by the Treasury had a significant weighting in the market as they accounted for 49.8% of the total amount traded. The fixed-income trading volume in stock markets rose, although its importance in secondary fixed-income markets as a whole remains very low.

Trading on official secondary markets

TABLE 3.2

Nominal amount in million euros

By market	2010	2011	2012	2013	2014	% change 14/13
Public debt book-entry	18,584,073	20,371,117	14,425,644	15,113,111	17,231,749	14.0
AIAF	4,383,119	7,388,186	3,119,755	1,400,758	1,118,964	-20.1
Stock markets	68,915	69,656	60,141	46,159	49,072	6.3
Total	**23,036,107**	**27,828,959**	**17,605,540**	**16,560,028**	**18,399,785**	**11.1**

Source: CNMV and Bank of Spain.

Finally, it should be pointed out that in 2014 the market prices of some debt instruments reached very high levels, in line with the trend in international markets. The improvement in the key figures of the Spanish economy or the creditworthiness of issuers might explain part of the price increase, but the main reason is the fall in interest rates and the likelihood that these will remain at very low levels, and in some cases even negative levels, over a fairly long time. Against the backdrop of these characteristics, securities may prove to be more sensitive to periods of market instability or unanticipated increases in interest rates.

3.2 Public debt

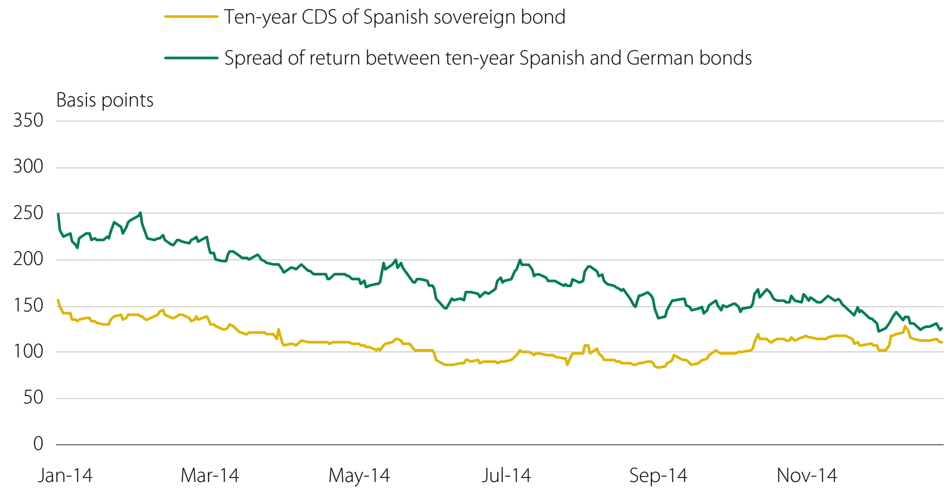
3.2.1 Primary market

Gross issues by public authorities in 2014 amounted to 252.94 billion euros, 7.4% down on the previous year. This fall was mainly the result of the 7.2% fall in issues by the central government, which accounted for 96.2% of the total (243.37 billion euros). Issues by regional governments fell for the third consecutive year to 9.51 billion euros, 11.7% down on the previous year. Unlike previous years, when short and long-term issues were fairly balanced, long-term issues by regional governments accounted for 97% of the total in 2014. Local authorities increased their issuing activity by more than 100%, although the amount remained very low: 53 million euros (see Annex I.11).

Net issues by public authorities fell by 45.1% to 47.04 billion euros. The central government made net issues of 49.63 billion euros in 2014 (45.6% down on the previous year), while net issues by regional governments and local authorities were negative, as in 2013 (see Annex I.12 for further details). The reduction in the public deficit, – 5.7% in 2014 compared with 7.1% in 2013 – contributed to the fall in net issues. As a result of favourable market conditions, the Treasury was also able to increase amortisations during the year, especially in order to soften the debt maturities and cancel the Fund for Financing Payments to Suppliers (Spanish acronym: FFPP). Both this fund and the Regional Liquidity Fund were used to convert bank loans and debt to suppliers of regional governments and local authorities into debt of the central government as a result of the difficulties faced by regional governments and local authorities in obtaining financing.

The State was able to issue debt under more favourable conditions than in previous years thanks to the significant decrease in the risk premium. The ten-year CDS on Spanish debt fell by 45 basis points (bp) in 2014, ending the year slightly above 110 bp, while the spread between the rates of ten-year Spanish and German bonds began the year at around 250 bp and ended the year at around 125 bp (see Figure 3.1). It is important to remember that the spread exceeded 400 bp in the first quarter of 2013 and that at other times of greatest market tension it exceeded 600 bp.

Ten-year CDS of sovereign Spanish debt and the adjusted spread over the yield on the German ten-year bond[1] FIGURE 3.1



Source: Thomson Datastream. (1) The ten-year CDS on German bonds is added to the spread of the Spanish ten-year bond and the German bond. This spread, adjusted as indicated, is an approximation of the risk premium of the ten-year Spanish bond.

3.2.2 Secondary market

Public debt book-entry market, AIAF and stock markets

In Spain, the public debt of public authorities can be traded on three official markets: the public debt book-entry market, AIAF and stock markets. The first of these is by far the most important in terms of volume of trading, accounting for 99% of the total. This market recorded an increase in trading of 14.0% in 2014 on the previous year, with a total amount of 17.2 trillion euros. As shown in Table 3.3, the growth was due to the 23.2% increase in training of long-term debt (State *bonos* and *obligaciones*) to 15 trillion euros. This rise took place in the three types of trades performed in these instruments: outright, repos and sell-buybacks/buy-sellbacks. In contrast, the trading of short-term debt fell by 25.8% to 2.1 trillion euros. Consequently, the weighting of long-term securities in this market rose to 88% (81% in 2013).

Trading between account holders rose to 8.2 trillion euros, 47.4% of the market total, almost six percentage points lower than in the previous year. The rest of the trading, nine trillion euros, corresponded to trading between account holders and third parties (see Annexes I.13 and I.14 for further details).

Trading on the public debt book-entry market

TABLE 3.3

Million euros

	2010	2011	2012	2013	2014	% change 14/13
Treasury bills	**3,319,700**	**3,692,347**	**2,954,645**	**2,781,259**	**2,064,817**	**-25.8**
Outright	430,541	900,845	831,616	911,021	743,594	-18.4
Spot	420,292	876,841	815,335	891,504	719,005	-19.3
Maturity	10,249	24,004	16,281	19,518	24,589	26.0
Repos	1,594,756	1,213,816	682,733	553,084	553,607	0.1
Sell-buybacks/Buy-sellbacks	1,294,403	1,577,686	1,440,296	1,317,155	767,616	-41.7
Bonds and debentures	**15,232,470**	**16,603,741**	**11,418,697**	**12,283,376**	**15,131,203**	**23.2**
Outright	4,360,430	6,262,733	4,064,927	4,414,951	5,931,558	34.4
Spot	4,214,730	6,081,059	3,932,284	4,193,827	5,591,243	33.3
Maturity	145,700	181,674	132,643	221,124	340,315	53.9
Repos	4,181,103	2,993,210	2,259,542	2,268,423	2,834,777	25.0
Sell-buybacks/Buy-sellbacks	6,690,937	7,347,798	5,094,228	5,600,001	6,364,868	13.7
Debt of regional governments and other public institutions	**31,903**	**75,029**	**52,303**	**48,476**	**35,774**	**-26.2**
Outright	11,564	33,473	17,538	29,008	32,440	11.8
Spot	7,268	28,621	15,223	25,906	24,902	-3.9
Maturity	4,296	4,852	2,315	3,102	7,538	143.0
Repos	19,439	38,285	32,602	13,449	2,569	-80.9
Sell-buybacks/Buy-sellbacks	900	3,271	2,163	6,019	765	-87.3
Total	**18,584,073**	**20,371,117**	**14,425,644**	**15,113,111**	**17,231,794**	**14.0**

Source: Bank of Spain.

Trading of public debt on AIAF and on stock markets

TABLE 3.4

Million euros

By market	2010	2011	2012	2013	2014	% change 14/13
AIAF	**52**	**7**	**92**	**177**	**264**	**49.5**
Treasury bills	0	0	0	12	31	163.3
State *bonos* and *obligaciones*	0	0	0	144	213	47.8
Regional government *bonos* and *obligaciones*	0	0	0	0	0	–
Local authority *bonos* and *obligaciones*	2	3	1	4	0	-100.0
State entity *bonos* and *obligaciones*	6	2	29	6	0	-100.0
Other public body *bonos* and *obligaciones*	44	2	62	11	20	79.1
Stock markets	**61,180**	**64,400**	**55,223**	**41,363**	**42,848**	**3.6**
Treasury bills	34	19	18	12	0	-100.0
State *bonos* and *obligaciones*	297	865	1,171	102	0	-100.0
Regional government *bonos* and *obligaciones*	59,958	62,196	52,820	40,100	42,048	4.9
Local authority *bonos* and *obligaciones*	163	267	136	51	0	-100.0
State entity *bonos* and *obligaciones*	727	1,054	1,079	1,099	800	-27.2
Other public body *bonos* and *obligaciones*	0	0	0	0	0	–
Total	**61,284**	**64,413**	**55,407**	**41,716**	**43,376**	**4.0**

Source: CNMV.

SENAF

SENAF (Electronic System for Trading in Financial Assets) is a multilateral trading facility operated by BME and aimed at institutional investors. It offers an electronic platform for spot trading, repos and sell-buybacks/buy-sellbacks of State debt, as well as some assets listed on AIAF. The amount traded in 2014 amounted to 103.04 billion euros, 60.9% up on 2013, a year in which a similar rise was recorded.

3.3 Private fixed income

3.3.1 Primary market

Gross private fixed-income issues amounted to 186.37 billion euros in 2014, practically the same as that recorded in the previous year. This amount includes issues in Spain, which are registered with the CNMV, and those made abroad, which are not registered with the CNMV.

As usual, the bulk of the issues arose from financial institutions. However, for the third consecutive year, the rate of debt cancellation by financial institutions remained above the level of debt generation, which is reflected in the negative balance of net issues in 2014 (-148.14 billion euros). The existence of a positive gap between bank deposits and loans and the availability of surpluses of securities to be used, as the case may be, as collateral with the Eurosystem, favoured lower use of fixed-income markets by credit institutions. However, there was a significant rise in gross issues by non-financial companies, which rose by 28.1% (see Table 3.1).

The spread between long-term and short-term debt issued by Spanish companies was similar to that recorded in 2013, with 70.5% of the debt being long term and the rest short term.

Issues made in Spain, which are registered with the CNMV, amounted to 130.26 billion euros, a fall of 6.2% on 2013. 74.2% of this amount corresponded to long-term issues, with the remainder corresponding to commercial paper. As shown in Table 3.5, non-convertible bonds and debentures were the securities with the greatest relative weight among long-term issues (42.6%), followed by securitisation bonds (30%) and mortgage bonds (24.7%). Among these instruments, only non-convertible bonds and debentures recorded a significant rise.

Issues of non-convertible bonds and debentures amounted to 41.16 billion euros, a rise of 26.5% on the previous year. As indicated, the SAREB, whose issues accounted for 72.4% of the total amount issued in this segment, played a key role in this increase: 29.8 billion euros over 2014, 21.3% up on the previous year. Without taking into account the figures of the SAREB, the amount corresponding to other issuers of non-convertible bonds and debentures was 11.36 billion euros, 42.5% up on 2013. There was a noteworthy increase in the issues of structured bonds, which amounted to 1.49 billion euros, twice the figure recorded the previous year. The Official Credit Institute (Spanish acronym: ICO) also participated as sole subscriber in a high number of placements of issues of non-convertible bonds and debentures, for a total amount of 2.3 billion euros (5.5% of total).

Issues of covered bonds fell for the third consecutive year, with territorial bonds falling by 77.2%, the amount of which is very low, and mortgage bonds falling by 3.9%. As has been the case with securitisation bonds, the demand for these types of securities, used to a great extent by financial institutions during the crisis as collateral for obtaining financing from the ECB, has fallen as banks have substantially reduced their use of financing from the ECB. At year end, the net debt of Spanish entities with the ECB totalled 141.34 billion euros, a fall of 30% on the previous year.

Issues of securitisation bonds remain at low levels compared with those seen prior to, and in the first years of, the crisis. They rose in 2014 by 1.5% on the previous year. If we break down these issues according to the type of securitised asset, we can see that those backed by mortgage loans once again took on greater importance, accounting for 59.7% of all securitisation bonds issued, followed by securitisations of loans to SMEs, accounting for 30.2%, and, finally, those backed by debt securities for financing the electricity deficit, which accounted for 6.4% of the total. Annexes I.19 y I.20 provide additional information on securitisation bond issues registered with the CNMV. As in recent years, securitisation-bond issues were mostly retained by the originating financial institutions for use as collateral in funding operations with the ECB (79.9%), although these types of operations were used less often in 2014.

Gross issues registered at the CNMV: breakdown by instrument TABLE 3.5

Nominal amount in million euros

	2010	2011	2012	2013	2014
Long-term	**128,863**	**183,989**	**224,948**	**94,848**	**96,604**
Non-convertible bonds and debentures	24,356	18,692	86,442	32,537	41,155
Subordinated debt	4,540	5,421	0	0	1,000
Convertible bonds and debentures	968	7,126	3,563	803	750
Mortgage bonds	34,378	67,227	102,170	24,800	23,838
Territorial bonds	5,900	22,334	8,974	8,115	1,853
Securitisation bonds	63,261	68,410	23,800	28,593	29,008
asset-backed (ABS)	63,261	66,310	23,800	28,593	29,008
mortgage-backed (MBS)[1]	0	2,100	0	0	0
Preferred shares	0	200	0	0	0
Other issues	0	0	0	0	0
Short term[2]	**97,586**	**103,501**	**132,882**	**43,991**	**33,654**
Commercial paper	97,586	103,501	132,882	43,991	33,654
asset-backed	5,057	2,366	1,821	1,410	620
Total	**226,449**	**287,490**	**357,830**	**138,839**	**130,258**

Source: CNMV. (1) Issued by mortgage securitisation funds. (2) The figures for commercial paper issues correspond to the amounts placed.

Within the area of securitisation, it is also noteworthy that in the second half of 2014 two new bank asset funds (Spanish acronym: FAB) promoted by the SAREB were registered.[1] The bonds issued by these funds amounted to 101 million euros

1 FABs are separate asset pools with no legal personality and are made up of assets and liabilities transferred by the SAREB. They are investment vehicles with an advantageous tax regime which can only be created by the SAREB. The aim is to group together assets depending on criteria

and were initially retained by the SAREB, although part of the securities are expected to be subsequently transferred to two foreign companies specialised in the acquisition of real estate assets.

One single issue of bonds convertible into shares, for 750 million euros, was registered. Finally, it should be pointed out that no issue of preferred shares was registered in 2014.

Placements of commercial paper corresponding to issues or issue programmes registered with the CNMV fell again in 2014, specifically by 23.5%. Since the start of the recession, with the exception of 2011 and 2012,[2] the fall in economic activity has resulted in lower demand for short-term financing by financial institutions and large non-financial companies, the segment's main issuers. The increase in economic activity seen in 2014 has not yet been sufficient to reactivate issues.

Annexes I.16, I.17 and I.18 provide greater detail about private fixed-income issues registered with the CNMV.

The fixed-income issues of Spanish companies abroad grew notably in 2014 and accounted for 30.3% of the total amount issued by Spanish companies over the year, compared with 25.6% in 2013. In particular, short-term issues in international markets grew significantly by 60.1% (see Table 3.6).

Gross private fixed income issued by Spanish issuers in foreign markets TABLE 3.6

Nominal amount in million euros

	2010	2011	2012	2013	2014	% var. 14/13
Long-term	**51,107**	**51,365**	**50,312**	**34,452**	**35,281**	**2.4**
Preferred shares	0	0	0	1,653	5,602	238.9
Subordinated debt	0	242	307	750	3,000	300.0
Bonds and debentures	50,807	51,123	50,005	32,049	26,679	-16.8
Securitisation bonds	300	0	0	0	0	–
Short-term	**76,624**	**68,677**	**41,570**	**13,400**	**21,455**	**60.1**
Commercial paper	76,624	68,677	41,570	13,400	21,455	60.1
asset-backed	248	322	11,590	0	0	–
Total	**127,731**	**120,043**	**91,882**	**47,852**	**56,736**	**18.6**

Source: Bank of Spain.

determined by SAREB (for example, nature of the assets or geographic location) in order to facilitate their divestment. Management of FABs is restricted to the securitisation management companies registered with the CNMV. The basic regulation of FABs is established in Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions, as well as in its implementing regulation, Royal Decree 1559/2012, of 15 November, which establishes the legal regime for asset management companies.

2 The temporary upturn in 2011 and 2012 is mainly explained by the difficulties faced by financial institutions in obtaining funding over that period. In this context, financial institutions used commercial paper more aggressively by offering very attractive interest rates compared with other financial assets so as to raise funds not only from the segment's traditional investors, but also from customers in their retail network.

3.3.2 Secondary market

AIAF and stock markets

Spain has two official secondary markets on which private fixed-income securities are traded: AIAF and the stock markets. At year-end 2014, the outstanding balance of fixed-income securities admitted to trading on both markets amounted to 584.87 billion euros, a fall of 18.4% on the previous year. The fall in the outstanding balance of listed securities is, firstly, the result of a slower pace of security issues over recent years, which do not manage to offset the ongoing maturities and, secondly, the early amortisation of some products, such as securitisation bonds, which financial institutions no longer needed in their financing strategies. The AIAF market accounted for around 99.4% of the total outstanding balance of traded securities at the end of the year. The breakdown and trend in the number of issuers, the number of issues and the outstanding balance of the securities listed in each one of the markets are shown in Tables 3.7 and 3.8, respectively.

The outstanding balance of securities listed on AIAF at year-end 2014 was 581.36 billion euros, notably down on the figure recorded at the end of the previous year. As shown in Table 3.7, the fall affected all traded fixed-income instruments, although it was particularly notable in absolute terms in bonds and debentures, which include securitisation bonds, as well as in mortgage bonds. In relative terms, there was a noteworthy 29.34% fall in the outstanding balance of commercial paper. Securitisation bonds remained the securities with the greatest relative weight in the outstanding balance admitted to trading (43.5%), followed by mortgage bonds (35.8%).

The outstanding balance of private fixed-income issues admitted to trading on stock markets fell by 57.8%, as a result of maturities over the year. As shown in Table 3.8, all the stock market balance corresponds to financial-sector issues.

Issuers, issues and outstanding balances of private fixed income on AIAF TABLE 3.7

Nominal amount in million euros

	No. of issuers		No. of issues		Outstanding balance		
	2013	2014	2013	2014	2013	2014	% change 14/13
Commercial paper	30	9	1,130	456	28,816	20,362	-29.34
Bonds and debentures	454	423	1,721	1,931	401,827	327,443	-18.51
Securitisation bonds	341	329	1,188	1,120	269,177	253,045	-5.99
Mortgage bonds	48	49	283	256	246,968	208,314	-15.65
Territorial bonds	12	9	39	34	29,794	24,671	-17.19
Matador bonds	9	9	10	9	695	574	-17.31
Total	**487**	**460**	**3,183**	**2,686**	**708,099**	**581,364**	**-17.90**

Source: AIAF and CNMV.

Issuers, issues and outstanding balances of private fixed income on stock markets

TABLE 3.8

Nominal amount in million euros

	No. of issuers		No. of issues		Outstanding balance		
							% change
	2013	2014	2013	2014	2013	2014	14/13
Financial institutions	25	18	88	67	8,306	3,509	-57.8
Credit institutions	8	4	19	10	5,843	1,616	-72.3
Other financial institutions[1]	17	14	69	57	2,463	1,893	-23.1
Non-financial companies	2	0	2	0	2	0	-100.0
Barcelona Stock Exchange	25	18	86	65	8,048	3,508	-56.4
Bilbao Stock Exchange	9	4	19	9	5,695	1,723	-69.8
Madrid Stock Exchange	8	4	18	9	5,695	1,723	-69.8
Valencia Stock Exchange	12	4	21	11	5,906	1,723	-70.8
Total	**27**	**18**	**90**	**67**	**8,308**	**3,509**	**-57.8**

Source: Stock markets and CNMV. (1) Includes the European Investment Bank and the securitisation bonds guaranteed by the Generalitat de Catalunya (Regional Government of Catalonia).

Fixed-income trading on AIAF and the stock markets totalled 1.12 trillion euros, 20% down on 2013. This amount is similar to that recorded prior to the crisis, specifically in 2007. Almost all the trading on both markets, specifically 99.4%, corresponded to the AIAF market, where trading fell by 20% on the previous year. The drop in trading particularly affected commercial paper and bonds and debentures, for which trading fell by 56.6% and 28.8%, respectively. In contrast, transactions with mortgage bonds rose by 10%.

Private fixed-income trading on AIAF

TABLE 3.9

Nominal amount in million euros

By type of asset	2010	2011	2012	2013	2014	% change 14/13
Commercial paper	385,239	227,535	199,795	112,560	48,817	-56.6
Bonds and debentures	3,711,752	5,953,570	1,329,754	859,492	611,566	-28.8
Securitisation bonds	2,784,775	5,462,806	1,136,966	538,065	341,828	-36.5
Mortgage bonds	271,442	662,177	994,071	341,674	376,273	10.1
Territorial bonds	14,458	544,781	595,600	86,759	82,023	-5.5
Matador bonds	176	116	443	97	21	-78.8
By type of transaction						
Outright	288,875	343,093	428,746	290,457	396,077	36.4
Repos	304,493	198,515	108,772	69,063	29,800	-56.9
Sell-buybacks/Buy-sellbacks	3,789,698	6,846,571	2,582,145	1,041,061	692,822	-33.5
Total	**4,383,066**	**7,388,179**	**3,119,663**	**1,400,581**	**1,118,700**	**-20.1**

Source: AIAF and CNMV.

76.6% of trading on the AIAF market corresponded to trades between account holders, while the rest corresponded to trades with third parties. Within own-account trading, bonds and debentures remained the most used assets, accounting for 54.4% of the total. With regard to the other assets, trading in mortgage bonds rose by 6.43% on the previous year and accounted for 33.4% of total own-account trading.

Transactions using sell-buybacks/buy-sellbacks were the most commonly used type of own-account trading, accounting for 61.9% of the total amount traded on the market. As in recent years, most of these transactions were linked to the use of instruments listed on AIAF as collateral in the auctions of the ECB and to the cash operations conducted in the market by the General Secretariat of the Treasury and Financial Policy. The trading of the General Secretariat accounted for 80.5% of the total amount traded in sell-buybacks/buy-sellbacks performed with bonds of financial institutions, although this amount fell by 432.38 billion euros on 2013.

Trading with third parties fell by 4.9% as a result of the lower level of trading of commercial paper and territorial bonds. Transactions with securitisation bonds and mortgage bonds, however, rose compared with the previous year to a nominal amount of 92.56 billion euros and 90.35 billion euros, respectively. This type of trading remained low as a proportion of the total amount traded, specifically 23.4%, although this percentage exceeds the 19.7% recorded in 2013.

The Sistema Electrónico de Negociación de Deuda (electronic debt trading system, SEND) is an electronic platform for trading debt listed on AIAF aimed at retail investors. The amount traded through this platform fell from 2.62 billion euros in 2013 to 1.89 billion euros in 2014. Bonds and debentures were once again the most traded securities on SEND, accounting for 90% of the total amount.

Finally, private fixed-income trading on stock markets remained at very low levels compared with AIAF, although it rose by 29.8% due to transactions carried out with securitisation bonds. As in previous years, the Barcelona Stock Exchange accounted for the bulk of trading in this market segment.

Private fixed-income trading on the stock markets

TABLE 3.10

Nominal amount in million euros

	2010	2011	2012	2013	2014	% change 14/13
Financial institutions	7,703	5,238	4,896	4,792	6,224	29.9
Credit institutions	228	208	712	1,743	849	-51.3
Other financial institutions[1]	7,475	5,030	4,183	3,049	5,375	76.3
Non-financial companies	33	17	22	4	0	-99.8
Barcelona Stock Exchange	7,165	4,912	3,477	4,057	5,437	34.0
Bilbao Stock Exchange	5	2	3	4	1	-68.2
Madrid Stock Exchange	480	291	1,079	401	142	-64.5
Valencia Stock Exchange	86	58	359	335	644	92.2
Total	**7,735**	**5,256**	**4,918**	**4,796**	**6,224**	**29.8**

Source: Stock markets and CNMV. (1) Includes the European Investment Bank and the securitisation bonds guaranteed by the Generalitat de Catalunya (Regional Government of Catalonia).

Alternative Fixed-Income Market (MARF)

The MARF, which began operating on 7 October 2013, is a multilateral trading facility established with the aim of promoting the use of fixed income as an instrument for companies to raise funding. The issues admitted to this market are aimed at institutional investors.

Placements were made through MARF in 2014 for a total nominal amount of 489 million euros. 11 of these placements corresponded to bonds and debentures and were made by seven different issuers for a total amount of 278 million euros. There were 24 placements of commercial paper made by five different issuers, which totalled 211 million euros.

Trades were carried out on the secondary market in 2014 for a nominal amount of 1.6 million euros. At year end, 11 issuers had outstanding issues admitted to this market, with a total outstanding balance of 500 million euros. It should also be pointed out that 18 registered advisers and 11 new members joined the market in 2014.

Exhibit 10.1 offers additional data on the performance of this market in 2014, as well as a summary of the amendments to the Regulation of multilateral trading facilities provided for in the Draft Bill on Promoting Business Financing.

4 Derivatives markets

This chapter reviews the activity in Spanish organised derivative markets over the course of 2014: MEFF Exchange (financial derivatives and electricity contracts), the stock market for warrants and certificates and the Olive Oil Futures Market (Spanish acronym: MFAO).

4.1 MEFF Exchange

4.1.1 Financial derivatives

According to data from the Futures Industry Association, organised derivatives markets traded a total of 218.7 billion contracts worldwide in 2014, 1.5% up on 2013. However, the major European markets recorded a fall in trading for the second consecutive year, as shown in Table 4.1. This might reflect, at least in part, a lower demand for hedging transactions linked to the reduction in volatility in the spot market (see Chapter 1). Trading in US markets fell by 11%, while trading in the Asia and the Pacific region rose by 23.4%.

Trading on European financial derivatives markets TABLE 4.1

Thousands of contracts

	2012	2013	2014	% change 14/13
Eurex	2,291,465	2,190,727	2,097,974	-4.2
Intercontinental Exchange	2,425,271	2,558,489	2,276,171	-11.0
Nasdaq OMX	1,115,529	1,142,955	1,127,130	-1.4
MEFF	61,208	48,250	46,600	-3.4

Source: Eurex, Futures Industry Association, Intercontinental Exchange and CNMV.

MEFF Exchange also recorded a fall in the number of traded contracts, specifically of -3.4%. As shown in Table 4.2, the fall was once again concentrated in contracts on individual shares, while the other major segment of trading in this market – Ibex 35 products – grew by 25%. The reduction of the activity in futures and options on individual shares was also seen in MEFF's competitor markets, especially in Intercontinental Exchange, which recorded even higher falls both in markets located in the United States and those located in Europe.

Activity in the public debt segment, which accounts for a negligible proportion of total trading, fell once again following the upturn recorded in 2012 as a result of lower volatility and a reduction in the risk premium, which reduces hedging needs and limits trading opportunities.

Trading on MEFF Exchange[1]

TABLE 4.2

Thousands of contracts

	2011	2012	2013	2014	% change 14/13
Debt contracts	**18**	**45,238**	**13,667**	**4,690**	**-65.7**
Ten-year bond Future[3]	18	45,238	13,667	4,690	-65.7
Ibex 35 contracts	**5,814,233**	**5,410,311**	**6,298,106**	**7,984,894**	**26.8**
Ibex 35 futures[2]	5,594,337	4,989,706	5,780,863	7,252,898	25.5
Plus	5,281,218	4,745,067	5,578,607	6,924,068	24.1
Mini[2]	309,965	242,477	198,736	304,891	53.4
Dividend impact	3,154	2,162	3,520	23,939	580.1
Ibex 35 options[2]	219,897	420,606	517,243	731,996	41.5
Contracts on shares	**56,989,129**	**55,753,236**	**41,938,920**	**38,611,291**	**-7.3**
Stock futures	27,578,789	21,220,876	14,927,659	12,740,105	-14.7
Dividend futures	–	25,000	66,650	236,151	254.3
Stock options	29,410,340	34,507,360	26,944,611	25,635,035	-4.9
Total	**62,803,380**	**61,208,785**	**48,250,693**	**46,600,875**	**-3.4**

Source: CNMV. (1) The differences in the nominal value of the different products make it impossible to compare them based on the number of contracts traded. However, the evolution of trading over time in each type of product can be tracked. (2) In the case of Mini futures and options, the number of contracts traded is calculated by dividing by ten so as to standardise the individual size of the contract with those of the Ibex 35 Plus future (it is taken into account that the multiplier of the index used to calculate nominal value of the contract is one euro in the first two cases and ten euros in the last case). (3) Until 2012, trading corresponds to MEFF Fixed Income.

The volumes traded followed different patterns over the year in the two main segments of the market. The number of contracts traded in Ibex 35 derivatives basically followed an upward trend from the first quarter. In contrast, trading of equity contracts, which had also suffered a sharp fall in 2013, did not react in the same way, and instead continued the downward trend until the fourth quarter of the year, in which there was significant growth. The data from the first quarter of 2015 confirm the health of the segment of Ibex 35 products.

Trading of futures and options on individual shares was concentrated in a small number of underlying assets. The five share future contracts with greatest activity (Banco Santander, Telefónica, BBVA, Iberdrola and Repsol) accounted for over 84% of the total. The concentration is even greater in share options, where contracts on the five aforementioned shares account for over 91% of total trading. Within the segment of share contracts, there was also a noteworthy increase in trading in stock dividend futures. This instrument was introduced to the market in 2012 and the volume of activity has increased every year since then.

MEFF Exchange offers trading of one single public debt derivative, the contract on the ten-year bond. Trading in this instrument has been symbolic since the adoption of the euro at the start of the last decade. However, the high level reached in the spread of Spanish debt triggered an upturn in this contract in 2012, although with low trading volumes. The fall in the spread of the last two years has led to a reduction in trading of this product as hedging needs and its appeal as an investment instrument have fallen.

New developments in the financial derivatives segment

The most important new development in 2014 in this segment was the authorisation in December of the amendment to the general conditions of stock dividend futures plus, which as from 27 January 2015 can be traded with a multiplier of 25,000 shares, in addition to the current multiplier of 1,000 shares.

Another new aspect was the introduction in September 2014 of the functionality of strategy trading, which allows the simultaneous buying and selling of several contracts with different maturities or strike prices by means of one single order for a predetermined set of hedging or investment strategies. This functionality will be completed over the first quarter of 2015 with the addition of new strategies.

4.1.2 MEFF Power

The total volume registered in this segment fell by 4.7% on 2013, with 32.2 TWh compared with 33.7 TWh in the previous year. The effective amount of the contracts registered totalled 1.45 billion euros compared with 1.68 billion euros in 2013.

The volumes, which recorded positive year-on-year rates of change until May, started to fall as from that month. This fall meant that, as from October, aggregate volumes fell below the 2013 levels.

Quarterly energy contracts recorded the highest volume, with 38% of the total (similar to the percentage in 2013), although daily contracts remain the most traded in terms of number of trades (47% of the total in 2014, compared with 37% in 2013).

The open position rose by 12.7% and ended the year at over 2.6 TWh, although the average open position fell from 3.6 TWh in 2013 to 3.3 TWh in 2014. At the end of the year, 86% of the open position was concentrated in quarterly contracts (50%) and monthly contracts (36%).

New developments in MEFFPower

In February 2014, MEFF Exchange requested authorisation of the general conditions for trading of the energy contracts which were admitted to clearing and settlement in BME Clearing.

The aim of the request was to adapt to the legislative changes resulting from the EMIR Regulation[1] in order to allow the transactions registered in MEFFPower to be considered as transactions performed in a regulated market so that they would not be taken into account in the calculation for determining whether non-financial companies exceed the clearing threshold of 3 billion euros in open position in OTC commodities trading.

From the entry into force of the new general conditions, the trades agreed between members with regard to MEFFPower contracts are communicated as applications in

1 Regulation (EU) No. 648/2012, of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories.

the regulated market for their immediate subsequent clearing in BME Clearing, without there being an actual order book in this segment.

As the contracts are exactly the same as those previously admitted to registration in BME Clearing, the activity volumes have been calculated ignoring whether they were registered in this central counterparty up to 22 June or if they correspond to regulated market applications as from that date.

4.1.3 Market members

With the start of the registration of energy contracts in MEFF Exchange, the participants in this segment of the CCP in turn had to register as market participants. This explains most of the new members shown in Table 4.3. The 26 new proprietary trading members (four of which were entities registered as participants in 2014) and six of the non-clearing members, correspond to the energy segment. The four members leaving in 2014 correspond to the financial derivatives segment.

Number of members in MEFF Exchange TABLE 4.3

	31/12/2013	31/12/2014	Members joining in 2014	Members leaving in 2014
Trading members	59	68	10	3
Proprietary trading members	14	37	26	1
Total	**73**	**105**	**36**	**4**

Source: MEFF Exchange and CNMV.

4.2 Warrants and certificates

There was a fall in issues in the warrants market in 2014, while the primary market for certificates remained inactive, as it had been in the previous year. Trading in both types of contracts fell in the secondary market. As with other derivative instruments, the reduction in uncertainty and volatility in share and debt markets reduced the need for hedging and, consequently, the trading figures.

Warrant issues registered with the CNMV TABLE 4.4

Thousand euros

	Number		Amount of premium				
	Issuers	Issues	Total	Shares	Indices[1]	Currencies	Commodities
2010	9	8,375	4,915,297	2,537,377	1,852,552	371,084	154,285
2011	9	9,237	5,544,579	3,211,742	1,786,793	228,172	317,873
2012	7	7,073	3,834,332	2,231,665	1,273,550	76,584	252,533
2013	7	8,347	3,621,169	2,211,777	1,122,621	141,402	145,369
2014	6	8,574	3,644,239	1,770,915	1,697,295	99,964	76,065

Source: CNMV. (1) Includes baskets of securities and of indices.

Issues

Six entities issued warrants in 2014, one fewer than in the previous year. As shown in Table 4.3, the number of issues rose from 8,347 in 2013 to 8,574 in 2014. The premiums paid by the investors remained practically the same, amounting to 3.64 billion euros, 0.6% up on the previous year. Issues with shares and currencies as underlying assets fell, while issues with indices as underlying assets grew.

As indicated, no certificates were registered with the CNMV in 2014. The last registered issue dates back to 2010 (see Table 4.5).

Certificate issues registered with the CNMV TABLE 4.5

Thousand euros

	Number		Amount of premium				
	Issuers	Issues	Total	Shares	Indices[1]	Currencies	Commodities
2010	1	1	10,136	0	0	0	10,136
2011	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0

Source: CNMV. (1) Includes baskets of securities and of indices.

Secondary market

The trading of warrants in the secondary market rose by 8.6% after six consecutive years in which trading had fallen substantially. Total premiums rose from 752.7 million euros in 2013 to 817.7 million euros in 2014. The increase came from index warrants, where the amount of traded premiums increased by 42.6%. In the other underlying assets, this amount fell on the previous year, as shown in Table 4.6.

Trading in warrants on the electronic market TABLE 4.6

Premiums traded, in thousand euros

		Premiums traded, by type of underlying				
	No. of issues	Indices[1]	Shares	Currencies[2]	Commodities	Total
2010	7,750	689,565	820,500	33,176	59,970	1,603,211
2011	8,328	518,219	751,968	34,096	245,916	1,550,200
2012	7,419	268,621	436,586	18,214	42,016	765,437
2013	7,299	255,411	465,674	15,415	16,213	752,713
2014	7,612	364,302	430,984	14,209	8,202	817,698

Source: CNMV. (1) Includes baskets of securities and of indices. (2) Includes fixed-income warrants in the years in which these were traded.

As shown in Table 4.7, the trading of certificates rose in 2014 from 0.9 million euros to 1.6 million euros, with trading exclusively concentrated in commodities contracts.

Trading in certificates on the electronic market TABLE 4.7

Premiums traded, in thousand euros

		Premiums traded, by type of underlying				
	No. of issues	Indices[1]	Shares	Currencies	Commodities	Total
2010	16	10,563	1,542	0	9,910	22,015
2011	13	3,856	240	0	87,960	92,055
2012	4	546.1	0	0	16,232	16,778
2013	2	0	0	0	966.3	966.3
2014	2	0	0	0	1,682.5	1,682.5

Source: CNMV. (1) Includes baskets of securities and of indices.

New developments in the segment of warrants, certificates and other items

Noteworthy among the legislative developments was a new operating instruction implementing Sociedad de Bolsas Circular 1/2002, which regulates the operations of specialists in the segment for trading warrants, certificates and other products. An additional provision was added to this instruction for the circumstances in which the specialist considers that the price of a security is lower than 0.01 and in which it is therefore exempt from entering the purchase position. In these situations, the sales position entered by the specialist may not exceed 0.02 euros.

It also established the presence parameters applicable to specialists of the new issues of stayhigh and staylow warrants. The maximum spread between the best buy and sell price of the specialist is set based on the type of underlying asset, and is 0.15 euros for stock market indices and 0.20 euros for listed shares.

4.3 Other financial contracts

No issues of option contracts were registered with the CNMV in 2014. The last registered issue dates from 2010 (see Table 4.8).

Issues of call and put options registered with the CNMV TABLE 4.8

Thousand euros

	Number		Amount of premium				
	Issuers	Issues	Total	Shares	Indices[1]	Commodities	Exchange rates
2010	1	7	64,000	47,000	17,000	0	0
2011	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0

Source: CNMV. (1) Includes baskets of securities and of indices.

4.4 Olive Oil Futures Market

A total of 46,250 contracts were traded on the Olive Oil Futures Market (MFAO) in 2014, 57.6% down on the previous year. Trading and the open position gradually fell as there were fewer and fewer open contracts left after the successive maturity dates. Nevertheless, between May and September, average daily trading stood at levels close to those of the previous year as a result of the sharp upward trend in the price of oil. The number and distribution by category of the market members remained unchanged with regard to the previous year.

MFAO membership figures TABLE 4.9

	2013	2014
Custodian clearing members	5	5
Clearing members	3	3
Non-clearing members	2	2
Industrial members	7	7
Total	**17**	**17**

Source: MFAO and CNMV.

New developments in the MFAO market

On 31 July 2013, the MFAO board decided that this market would not be adapted to comply with the requirements of the EMIR Regulation and that the maturity of September 2014 would be the last one open to trading. As indicated in Chapter 10, this resolution was ratified in September by the general meeting.

Subsequently, the ordinary general shareholders' meeting, held on 24 April 2014, voted to ratify a resolution of the executive committee of the governing company on the opening of a contract with maturity in November 2014. The new maturity was opened, among other reasons, due to the fall in liquidity and the interest of participants in opening positions in that maturity in response to the uncertainty relating to the following campaign.

Once the contract of November 2014 reached its maturity date, trading on this market ceased.

5 Registry, counterparties, clearing and settlement

This chapter reports on the securities registry, clearing and settlement activities entrusted to the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, which operates under the business name of Iberclear. This entity performs its functions in Spain for stock markets, public debt markets and AIAF. The chapter also reports on the activity performed by BME Clearing, an entity which, like Iberclear, belongs to the BME group and acts as a central counterparty in the financial derivatives and electrical power derivatives segments operated by MEFF Exchange, as well as in the public debt repos market. This entity was authorised to provide this type of service in September last year.

5.1 Iberclear

At year-end 2014, Iberclear had 167 participating entities, six fewer than at the end of 2013 (see Table 5.1). The number of participants in stock markets fell by three and in Latibex by one. In the area of fixed income, the number of participants in public debt settlement activities fell by seven, while the number of participants in AIAF rose by one.

Iberclear members TABLE 5.1

	2013	2014
Total Iberclear[1]	**173**	**167**
Members of:		
Stock markets	74	71
Latibex	63	62
AIAF	89	90
Public debt	141	134

Source: Iberclear. (1) The total is lower than the sum of the number of clearing members in the various markets since some firms are members of more than one market.

5.1.1 Iberclear-CADE

Iberclear-CADE is Iberclear's clearing and settlement platform in the area of securities listed on the public debt market and on AIAF.

The number of issues registered on this platform at year end amounted to 3,170, 12.2% down on the same date of the previous year. The total nominal amount fell by 3.8% to close to 1.5 trillion euros (see Table 5.2). Specifically, the number of issues admitted to trading on the AIAF market fell by 14.3% on 2013, while their nominal amount fell by 15.5%. The number of issues on the public debt market rose by 5.1% and the nominal issued amount rose by 6.9%.

86.9% of issues were admitted to trading on the AIAF market and the rest on the public debt market. In contrast, 58.2% of the nominal amount was from issues listed on the public debt market, while the remaining 41.8% was from issues listed on AIAF.

Iberclear-CADE. Registry TABLE 5.2

Million euros

	Public debt		AIAF		Total		% change
	2013	2014	2013	2014	2013	2014	14/13
Number of issues	393	413	3,218	2,757	3,611	3,170	-12.2
Nominal amount	793,594	847,982	720,477	608,603	1,514,071	1,456,585	-3.8

Source: Iberclear.

Tables 5.3 and 5.4 show the figures for settlement in 2014. The number of transactions settled in the AIAF market fell by 51.5%, although the fall in nominal volume was only 5.0%. While there were falls in transactions in all settlement segments of this market, except in outright transfers between accounts of the same owner, the trends in settled volumes showed greater diversity. There was a noteworthy contrast between the change in the number of transactions and the change in volumes in the segment of outright trades. While the former fell by 68.3%, mainly as a result of a fall in transactions performed with commercial paper and preferred shares, the nominal value grew by 48.8%, above all as a result of the transactions with mortgage bonds.

Iberclear-CADE. Number of trades settled TABLE 5.3

	Public debt		AIAF		Total		
	2013	2014	2013	2014	2013	2014	% change
Outright trades	617,386	726,600	1,221,820	386,708	1,839,206	1,113,308	-39.5
Repos and sell-buybacks and buy-sellbacks	2,582,898	2,330,960	41,621	27,841	2,624,519	2,358,801	-10.1
Outright transfers (between accounts of the same owner)	499,598	638,863	306,601	318,997	806,199	957,860	18.8
Temporary transfers (between accounts of the same owner)	15,386	16,296	945	493	16,331	16,789	2.8
Transfers of held-to-maturity securities	681,172	788,799	76,466	64,426	757,638	853,228	12.6
Transfers for collateral (to a different owner)	2,356	2,399	3,390	2,691	5,746	5,090	-11.4
Total	**4,398,796**	**4,503,917**	**1,650,843**	**801,159**	**6,049,639**	**5,305,076**	**-12.3**

Source: Iberclear.

The number of trades and settled amount in the public debt market increased in all segments except in the repos and sell-buybacks and buy-sellbacks segment. The overall number of trades rose by 2.4% and the settled amount by 13.2%.

If we consider both markets, the total number of trades settled fell by 12.3%, while the settled amount rose by 12.0%.

Iberclear-CADE. Amount of settled trades[1] TABLE 5.4

Million euros

	Public debt		AIAF		Total		
	2013	2014	2013	2014	2013	2014	% change
Outright trades	5,997,395	8,212,660	318,506	473,936	6,315,901	8,686,596	37.5
Repos sell-buybacks and buy-sellbacks[2]	24,967,280	24,962,829	2,001,771	1,399,272	26,969,051	26,362,101	-2.2
Outright transfers (between accounts of the same owner)	6,527,745	8,339,278	719,824	1,029,918	7,247,569	9,369,196	29.3
Temporary transfers (between accounts of the same owner)	154,247	438,903	42,913	39,566	197,160	478,469	142.7
Transfers of held-to-maturity securities	10,475,872	12,556,526	399,586	343,517	10,875,458	12,900,043	18.6
Transfers for collateral (to a different owner)	124,436	119,983	58,855	79,463	183,291	199,446	8.8
Total	**48,246,975**	**54,630,179**	**3,541,455**	**3,365,672**	**51,788,430**	**57,995,851**	**12.0**

Source: Iberclear. (1) Effective amount, in the case of outright trades, repos and sell-buybacks/buy-sellbacks; nominal amount, transfers to different accounts of the same owner and to different owners. (2) For sell-buybacks and buy-sellbacks, both the amount of the purchase and of the sale are recorded.

5.1.2 Iberclear-SCLV

Iberclear-SCLV is Iberclear's stock market securities clearing and settlement platform.

At year-end 2014, a total of 6,493 stock-market issues were registered on Iberclear-SCLV, an increase of 9.4% on the same date of the previous year. The nominal amount totalled 121.46 billion euros, an increase of 3.6% on the previous year. The rise in the number of stock market issues registered is mainly due to the increase in the number of warrant issues.

Iberclear-SCLV. Registry TABLE 5.5

Million euros

	Stock market			Latibex		
	2013	2014	% change	2013	2014	% change
Number of issues	5,934	6,493	9.4	30	30	0.0
Registered amount[1]	117,199	121,460	3.6	130	205	57.9

Source: CNMV. (1) Nominal amount, in the case of the stock market; effective amount, in the case of Latibex.

The number of trades settled in 2014 on the stock market and Latibex stood at 44,474,014, with an effective value of 1.76 trillion euros, an increase of 22.5% and 25.2%, respectively.

In general terms, the changes both in number of trades and in effective value were significant compared with the previous year, as shown in Table 5.6. The most important settlement segment – that of stock market purchases and sales – was the most dynamic area of stock market activity (see Chapter 2). The number of trades in this segment rose by 22.6%, and the volume by 25.2%.

Free-of-payment transfers of securities between accounts of the same owner in different entities fell significantly (by 56.6%), while transfers against payment rose by 45.9%. It is important to bear in mind that in 2013 the number of free-of-payment transfers was very high mainly as a result of the transfer of issues between entities due to the restructuring of the financial system.

With regard to the settlement of OTC trades, there was a sharp increase in trades against payment through a central counterparty (CCP), both in the number of trades (49.6%) and, above all, in the effective amount (144.7%). In contrast, the number of OTC trades free of payment through a CCP fell significantly from 132,371 to 70,615. This reduction was due to the publication of Sociedad de Sistemas Instruction 01/2014, of 3 March, "Procedure for communication, settlement and registration of transactions under Title V of the Sociedad de Sistemas Regulation from a Central Counterparty", which limits the scope in which entities can execute orders for delivery or receipt of securities free of payment.

Iberclear-SCLV. Trades settled TABLE 5.6

Million euros

	Stock market				Latibex			
	No. of trades		Amount		No. of trades		Amount	
	2013	2014	2013	2014	2013	2014	2013	2014
Purchases and sales	36,231,184	44,433,390	1,407,791	1,763,221	46,939	40,624	731	750
Failed settlements	32,701	51,965	3,613	6,773	1,180	2,030	19	59
Buy-ins	185	289	11	23	15	34	0.3	0.3
Transfers f.o.p.	821,708	356,313	–	–	370	493	–	–
Transfers a.p.	1,059,270	1,544,621	420,552	543,326	1,180	2,333	22	134
OTC a.p.	12	2	159	0	–	--	–	–
OTC f.o.p.	205	240	–	–	–	--	–	–
OTC CCP a.p.	482,692	722,298	70,428	172,362	–	--	–	–
OTC CCP f.o.p.	132,371	70,615	–	–	–	--	–	–
Total	**38,727,442**	**47,127,479**	**1,898,931**	**2,478,910**	**48,489**	**43,450**	**753**	**884**

Source: Iberclear. Transfers f.o.p. = transfers free-of-payment. Transfers a.p. = transfers against payment. OTC CCP = bilateral transactions through central counterparties.

The efficiency indicators for settlement in Iberclear-SCLV fell somewhat in 2014. The amount of failed settlements stood at 0.78% of the total settled amount, compared with 0.52% in 2013. The number of non-settled trades on D+3 amounted to 0.34% of total trades, compared with 0.26% in 2013. However, these percentages remain low and Iberclear-SCLV may therefore be considered to maintain a high level of efficiency.

5.1.3 Technical enhancements

Iberclear introduced various technical enhancements in its services in 2014 which are summarised below.

Iberclear-SCLV

Iberclear Circular 1/2014, of 29 April: Amendment to the Circular on settlement of effective amounts

This circular allows Iberclear to contract accounts, deposits or any other financial product with the Bank of Spain or with financial institutions of recognised solvency. The aim of these accounts is to provide liquidity in response to non-payment by any settling participant.[1] It also makes it possible to obtain a greater return on deposited assets.

Iberclear-CADE

Iberclear Circular 2/2014, of 28 May: Procedure applicable to pledges of securities accounts regulated in the last paragraph of subsection 2.b) of the sixth additional provision of Law 13/1994, of 1 June, on the Autonomy of the Bank of Spain

Royal Decree-Law 2/2012, of 3 February, on restructuring the financial sector, amended the sixth additional provision of Law 13/1994, of 1 June, on the Autonomy of the Bank of Spain, so as to facilitate the management of the guarantees which financial institutions grant in favour of the Bank of Spain, the European Central Bank or other national central banks of the European Union.

The legal framework for pledges of securities accounts contained in the Law on Autonomy of the Bank of Spain expressly establishes that when a securities account is pledged, the provision of the collateral and the recording of such provision in writing or in a legally equivalent form required by the aforementioned Law will be made by recording the pledge in the pledged account. It also provides that from the moment of their recording, the securities appearing at any time in the pledged account will, for the simple fact of being paid into the account, be irrevocably pledged, without any limitation whatsoever, as security for the full performance of the secured obligations. Similarly, the collateral provider, as from the recording of a pledge, may not order the transfer of the securities without the prior consent of the beneficiary of the pledge, unless otherwise agreed by the parties.

This circular establishes the procedure applicable to the recording of pledges created on proprietary accounts of the participating entities open in the clearing and

1 Immediately after a default situation becomes clear, Iberclear will execute the guarantee deposits provided by the non-paying entity and give the order to sell the necessary securities until the unpaid amount is covered. The recovery of the debt carried out in order to conclude the multilateral settlement must be conducted with the amount of the sale of the securities, i.e. at three days after the non-payment situation becomes clear. The guarantee deposits provided by the non-complying entity, exercised on the day of the failure, will compensate any price differences.

settlement system relating to trading performed on the public debt book-entry market or on the AIAF Fixed-Income Market under the responsibility of Iberclear.

Iberclear Circular 3/2014, of 28 May: Services of automatic collateral management for participating entities in the clearing and settlement system relating to trading performed on the public debt book-entry market or on the AIAF Fixed-Income Market

Through this circular, which supplements the above circular, Iberclear establishes a procedure for providing the service of automatic collateral management for the activities of participating entities in the clearing and settlement system relating to trading performed on the public debt book-entry market or on the AIAF Fixed-Income Market.

The collateral management service offered by Iberclear allows participating entities to delegate to Iberclear the processes for selecting and managing the securities provided as collateral for a risk exposure between two counterparties which contract this service. This procedure leads to a reduction in the cost and operating risk that result from the manual allocation currently performed by the entities themselves.

5.2 BME Clearing

BME Clearing provides central counterparty services in three segments: financial derivatives (BME Clearing Derivados Financieros), the repo market (BME Clearing Repo) and the market for electrical power derivatives (BME Clearing Power).

In September 2013, BME Clearing, S.A.U. made an application to the CNMV for authorisation as a central counterparty under the EMIR Regulation. Following the assessment of the documentation provided by the entity and the request for successive clarifications, in March 2014 the CNMV ruled that the application was complete. Accordingly, in April 2014, a college of supervisors was established with the CNMV as chair and comprising the Bank of Spain, ESMA and the financial authorities of the United Kingdom and France.

The CNMV and the college of supervisors performed a thorough review of the application of BME Clearing and the manner for verifying compliance with all the requirements established in the European Regulation. Following this review, and with the favourable opinion of the college of supervisors, BME Clearing was ratified as an authorised entity providing central counterparty services in September 2014 and registered in ESMA's CCP register.

In order to comply with the EMIR provisions, the entity has had to adapt its internal regulation and some of its circulars, as well as to obtain approval from the CNMV for the outsourcing of the internal audit function to the Internal Audit Department of the BME Group.

At the end of December, BME Clearing filed an application to extend its clearing services to interest-rate swaps (IRS) and to shares. These extensions are the result of, on the one hand, the expected establishing of the obligation for centralised clearing of IRS and, in the case of shares, the fact that the reform process of the Spanish clearing, settlement and registration system currently in progress provides for their clearing in a CCP. The application has been passed on to the college of supervisors in order to begin the authorisation process.

Table 5.7 shows the changes in the number of active members in BME Clearing.

Number of members in BME Clearing by segment TABLE 5.7

	2013	2014
Total segment financial derivatives	**73**	**75**
General clearing members	7	7
Individual clearing members	35	35
Proprietary non-clearing members	14	14
Non-clearing members	17	19
Total segment MEFFPower	**34**	**36**
Total segment MEFFRepo	**30**	**29**

Source: BME Clearing and CNMV.

5.2.1 BME Clearing Repo

Unlike the other two segments of BME Clearing (BME Clearing Derivados Financieros and BME Clearing Power), BME Clearing Repo does not act as a central counterparty for instruments admitted to trading on MEFF Exchange, but as a CCP for trading in public debt repos.

The registered nominal amount in this segment, a little over one trillion euros, fell by 19.6% on 2013. As has been the case for several years, all the registered volume corresponded to bilateral trades, with no transactions traded on electronic platforms incorporated into the central counterparty. A total of 10,573 trades were registered, a fall of almost 13% on 2013. The number of sell-buybacks and buy-sellbacks as a percentage of total trades fell from 21.5% in 2013 to 19% in 2014. The high for the year was reached in December, with a percentage of 27.6%, one percentage point above the high for 2013.

The average nominal amount per trade stood at around 90 million euros throughout the year, slightly exceeding 100 million euros in January, February, April and December. The average period of sell-buybacks and buy-sellbacks stood at eight days and did not reach ten days in any month. The average risk registered also fell, although it reached a historic record of 40.79 billion euros in the session of 24 February.

Activity in MEFFRepo TABLE 5.8

Million euros

	2013	2014
Nominal volume	1,258,180	1,011,385
Number of transactions	12,099	10,560

Source: CNMV and BME Clearing.

5.3 European initiatives in changing registration, counterparty, clearing and settlement services

Within this section, we highlight the progress in deployment of the TARGET2-Securities (T2S) pan-European security settlement platform and in implementing Regulation (EU) No. 648/2012 on OTC derivatives, central counterparties and trade repositories.

TARGET2-Securities (T2S)

In 2014, the CNMV participated in a pre-assessment of TARGET2-Securities (T2S) based on criteria developed by the European System of Central Banks and the former Committee of European Securities Regulators in May 2009.[2] This work was performed by the group responsible for coordinating the supervision and oversight of central securities depositories participating in the T2S pan-European platform.

In Spain, the supervisory authorities have continued paying special attention to matching the amendments proposed in the reform of the Spanish clearing and settlement system with the model proposed by T2S. The aim is to ensure compatibility of the proposed measures so that they facilitate the interoperability of the settlement system with the systems existing in Europe.[3]

Progress in implementation of the European Regulation on OTC derivatives, central counterparties and trade repositories (EMIR)

Further progress continued to be made in 2014 in implementing the EMIR requirements. This Regulation, which entered into force on 16 August 2012, establishes a series of obligations relating to the post-trade sector of OTC derivative contracts, in line with the G-20 agreement to reform the functioning of this section of the financial market.

The main progress has been made in the following areas:

– Trade repositories (TR).

  The first stage of the process of compliance with the obligation of reporting transactions to TRs, regulated by Article 9 of the EMIR, entered into force on 12 February 2014, thus beginning the activity of these entities. To date, ESMA has authorised six TRs, including Regis-TR, an entity owned 50% by Iberclear and 50% by Clearstream.

  Trade reporting requires notification of a series of details relating to OTC derivative contracts, particularly the ID of each one of the parties involved in the contract. European legislation requires each counterparty to use a legal entity

2 *Recommendations for Securities Settlement Systems and Recommendations for Central Counterparties in the European Union* (https://www.ecb.europa.eu/pub/pdf/other/pr090623_escb-cesr_recommendationsen.pdf).

3 Section 10.1.4 offers a summary of the main progress made over the year in the reform process of the registration, clearing and settlement system in Spain.

identifier (LEI) which must be issued by an entity attached to the global LEI system. In Spain, on 5 March 2014, the Companies Registry was formally recognised by the body responsible for supervision and good functioning of the global LEI system as the local entity authorised for issuing such codes. However, with the aim of facilitating the punctual reporting of contracts, the Registry began to assign codes to entities as from 11 February 2014.

The second stage of the process of compliance with the obligation to report to trade repositories entered into force on 11 August 2014. In this stage, financial and non-financial counterparties that exceed certain clearing thresholds must also report certain data relating to the value of their contracts and the collateral posted so as to mitigate the existing counterparty risk.

Since entry into force of the reporting obligation, both national authorities and ESMA have tried to guide the industry with regard to complying with the requirements established in the EMIR. ESMA brought together the questions put forward by users of derivatives in a questions and answers document. During this process of interaction with users, the supervisory authorities realised the need to make the guidance given more binding. To this end, in November 2014, ESMA submitted a draft proposal for a review of the technical standards which regulate the content of the reporting to trade repositories to public consultation.

In addition, the national authorities and ESMA have observed that the information reported to trade repositories is not always at the desired quality level as established in the EMIR. Despite being aware of the difficulties faced by entities in implementing the mechanisms necessary to ensure that this reporting is conducted correctly, in October 2014 the supervisory authorities decided to increase the level of requirements for the quality of the reporting. They established that TRs must validate the content of certain fields in the reports, rejecting those which have not been correctly completed. The level of accuracy with which entities must perform their reporting for it to be accepted by the trade repositories will be gradually increased in 2015.

– Introduction of centralised clearing obligations

In line with Article 5 of the EMIR, over 2014 the national authorities and ESMA have implemented several initiatives with the aim of establishing centralised clearing obligations for certain types of OTC contracts. These initiatives have been carried out alongside the progressive authorisation by national authorities of central counterparties under the terms provided for in the EMIR.

ESMA submitted the first draft technical standards, which propose establishing clearing obligations for several types of interest-rate derivatives: IRS, forward rate agreements, basis swaps and overnight index swaps to public consultation.

It also submitted to public consultation two other draft technical standards, which proposed including certain CDS and cash-settled foreign exchange forward contracts in the list of contracts which may be subject to mandatory clearing through CCPs.

In October 2014, the ESMA Board of Supervisors approved sending the first draft of technical standards, relating to interest-rate contracts, to the European

Commission. In December 2014, the European Commission notified its intention to adopt it with amendments. Once the actions provided for in Article 10 of Regulation (EU) No. 1095/2010, of the European Parliament and of the Council, establishing ESMA, relating to the adoption of technical standards by the European Commission have been performed, these will enter into force and constitute the first group of centralised clearing obligations issued in the EU.

Entry into force of these technical standards will be staggered over a period of three years. Four different groups of entities have been categorised, which will be subject to different deadlines for centrally clearing the OTC contracts which they conclude. The first group basically includes entities which are already members of a central counterparty and which provide services in the categories of contracts determined as requiring mandatory clearing. For these entities, the obligation will be effective as from six months following entry into force of the technical standards. The second category corresponds to those financial institutions whose position in derivatives not cleared centrally exceeds eight billion euros. For these entities, the obligation will be effective as from 12 months following entry into force of the clearing obligations. The third category will be made up of other financial institutions, with the clearing obligation becoming effective as from 18 months following entry into force of the technical standards. Finally, non-financial entities whose level of activity exceeds the clearing threshold set in accordance with EMIR will be subject to the clearing obligation as from three years following entry into force of the technical standards.

– ESMA guidelines and recommendations regarding the implementation of the CPMI-IOSCO principles for financial market infrastructures in respect of central counterparties established in the EU.

  ESMA issued these guidelines in September 2014, in which it proposes that the competent national authorities, in the discharge of their functions resulting from application of the EMIR, ensure that CCPs comply with the principles jointly prepared by the Committee on Payment and Market Infrastructures (CPMI) and IOSCO and that they operate in a manner consistent with such principles.

  The CNMV adopted the ESMA guidelines in November 2014. It also issued a communication highlighting its commitment to ensure full compliance with the international standards of CPMI-IOSCO by CCPs established in Spain. This thus guarantees full convergence of Spanish infrastructures with similar infrastructures in other jurisdictions and establishes a more secure environment for them to conduct their activities.

III Financial institutions and investment services

6 Collective investment

The trend in collective investment over the course of 2014 confirms that the sector is recovering from the negative impact of the financial crisis, which led to a sharp fall in managed assets. The recovery comes together with a significant change in the composition of available funds. In particular, there was noteworthy recovery in the categories of fixed income and mixed fixed income, as well as confirmation of the takeoff of passively managed funds, the large majority of which are non-guaranteed funds with a specific target return. In contrast, guaranteed funds, which during the crisis accounted for a significant proportion of the sector, continue to lose ground. The increase in assets under management has affected both mutual funds and SICAVs and has resulted in a significant improvement in the profits of management companies.

6.1 Mutual funds

In line with the expansive trend which began in 2013, the assets managed by mutual funds rose by 26.8% in 2014 to 198.72 billion euros. As in 2013, this significant growth was chiefly the result of high contributions from investors. Net subscriptions for the period accounted for 85.1% of the rise in assets managed of approximately 42 billion euros, while returns on the portfolio contributed the remaining 14.9%.

The rise in assets managed by mutual funds was mostly concentrated in the fixed income and mixed fixed-income categories, where new contributions from unit-holders were particularly high. Specifically, assets grew by 15.27 billion euros in the former category and by 16.18 billion euros in the latter. In net terms, subscriptions contributed 13.82 billion euros and 15.69 billion euros to this increase, respectively. The assets of mixed fixed-income funds tripled compared with the previous year.

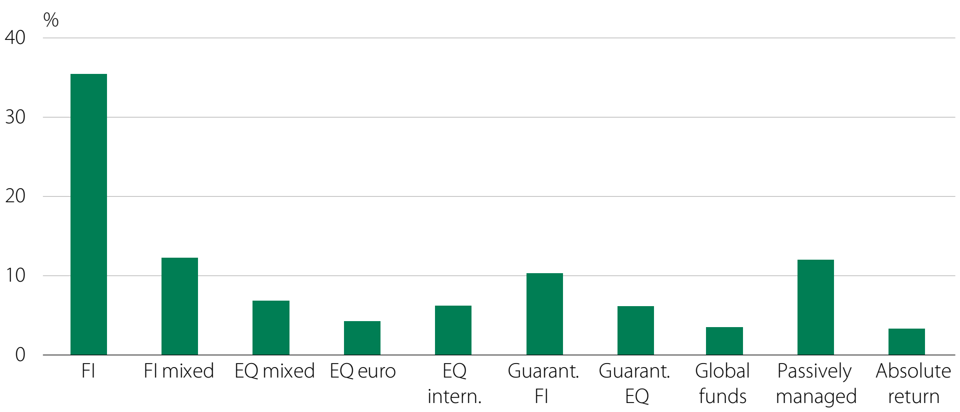
There was also a significant increase in the assets managed by passively managed funds (7.32 billion euros), essentially made up of funds with a non-guaranteed specific target return. These funds had recorded an even greater increase in 2013 (13.53 billion euros), partly driven by the acquisition of unit-holders who had previously invested in guaranteed funds.

The other categories also underwent increases in managed assets, except for equity funds and guaranteed equity and fixed-income funds. Assets managed by equity funds fell by 231 million euros, assets managed by guaranteed equity funds fell by 307 million euros, and assets managed by guaranteed fixed-income funds fell by 11.06 billion euros. In all three cases, the fall was solely due to redemptions, which totalled a net amount of 338 million euros, 652 million euros and 11.76 billion euros, respectively, as the returns on the portfolio were positive (107 million, 344 million and 697 million euros, respectively). We can therefore see that the recent trend in the sector is both for growth in assets under management and a significant change in the composition of available funds. Fixed-income funds, which in the first few years of the crisis fell significantly, accounted for 35.4% of total assets under management at year-end 2014, 0.3 percentage points up on the previous year and 2.6 percentage points up on 2012. For their part, mixed fixed-income funds rose from 5.2% in 2013 to 12.2% in 2014 (4.4% in 2012) and passively managed funds rose from 10.5% to 12% (2.4% in 2012). In contrast, the relative weight of guaranteed fixed-income funds fell from 30% in 2012 to 20.1% in 2013 and to 10.3% in 2014.

Although investors continue showing a clear preference for conservative options (guaranteed, fixed-income and mixed fixed-income funds), the relative weighting of these categories in the total assets managed by funds has been falling over recent years from 82.1% in 2009, the year in which it reached its highest level, to 64% in 2014. This fall is chiefly the result of the drop in the expectations of the return of the assets in which many of these more conservative funds invest and the active marketing strategies carried out by financial institutions to retain their customers, by making other collective investment alternatives available.

The average yield of mutual funds in 2014 stood at 3.67%, which is below that obtained in the two previous years (5.5% in 2012 and 6.5% in 2013), but clearly above that recorded in the first few years of the crisis. The reduction is chiefly due to the irregular performance of equity markets over the year. Euro equity funds underwent the largest fall in yield, which went from over 28% in 2013 to 2.1% in 2014, and was negative in the last two quarters of the year. Passively managed funds obtained the highest yield, specifically 7.7% (8.9% in 2013), followed by international equity funds, with 6.6%, although the yield in this category had been 20.3% in 2013 (see Annex II.4).

Mutual fund asset breakdown FIGURE 6.1



Source: CNMV.

The distribution by asset of the aggregates assets of mutual funds shows a significant displacement in favour of foreign securities, the opposite of what occurred in the previous year. As shown in Table 6.1, the proportion of the foreign portfolio rose from 26.2% of total assets in 2013 to 36.8% in 2014, while the proportion of the domestic portfolio fell from 69.1% to 57.7%. Both portfolios increased in absolute terms, as did their main headings. Within the foreign portfolio, the most significant increase took place in debt securities, which rose from a little over 20 billion euros to more than 38 billion euros, and in investments in other CIS, which rose by over

11 billion euros, to almost 21 billion euros. The heading of cash, which current regulation requires to be a minimum of 3%, rose from 4.5% of assets at the end of 2013 to 5.5% at year-end 2014.

Mutual fund asset breakdown[1] TABLE 6.1

Million euros

	2013	%	2014	%	% change 14/13
Assets	**156,680**	**100.0**	**198,719**	**100.0**	**26.83**
Financial investment portfolio	**149,343**	**95.3**	**187,694**	**94.5**	**25.68**
Spanish securities	108,313	69.1	114,645	57.7	5.85
Debt securities	79,480	50.7	79,694	40.1	0.27
Equity instruments	5,367	3.4	8,448	4.3	57.39
Collective investment schemes	4,498	2.9	6,065	3.1	34.84
Deposits in credit institutions	18,444	11.8	19,927	10.0	8.04
Derivatives	523	0.3	495	0.2	-5.28
Other	0	0.0	14	0.0	–
Foreign securities	41,030	26.2	73,048	36.8	78.04
Debt securities	20,313	13.0	38,582	19.4	89.94
Equity instruments	11,034	7.0	13,043	6.6	18.20
Collective investment schemes	9,286	5.9	20,864	10.5	124.68
Deposits in credit institutions	46	0.0	243	0.1	433.55
Derivatives	351	0.2	311	0.2	-11.48
Other	0	0.0	5	0.0	–
Doubtful, delinquent or in litigation investments	1	0.0	1	0.0	0.00
Cash	**5,375**	**4.3**	**7,062**	**4.5**	**31.39**
Net balance (debtors/creditors)	**219**	**0.2**	**274**	**0.2**	**25.11**

Source: CNMV. (I) Excluding hedge funds and funds of hedge funds.

Despite the positive performance of assets over the last two years, management companies continue to reduce the number of mutual funds which they market, although at a much slower rate than in previous years. A total of 244 mutual funds were withdrawn in 2014, mostly as a result of mergers between funds belonging to the same management company. A total of 150 new funds were registered, a similar figure to that recorded in 2013 and considerably higher than that recorded in the first few years of the crisis. Consequently, at year-end 2014 a total of 1,949 mutual funds were registered with the CNMV, compared with 2,043 funds in 2013 (see Table 6.2). As a consequence of this reduction and the increase in assets managed by mutual funds, average assets per fund rose substantially from 76.7 million euros in 2013 to 101.9 million euros in 2014.

In line with the growth in assets under management, the number of unit-holders rose by 26.9% over the year to more than 6.4 million (see Annex II.1). All categories saw a rise in the number of unit-holders except for guaranteed funds, in which the number of unit-holders fell by 384,000 (333,000 in guaranteed fixed-income funds and 51,000 in guaranteed equity funds). Fixed-income and mixed fixed-income funds underwent the highest growth, with 434,000 and 362,000 more unit-holders, respectively. The percentage of unit-holders in mutual funds who were natural persons stood at 97.3%, and they accounted for 80.2% of total assets. Both these percentages are very similar to those recorded in 2013. Average assets per unit-holder hardly changed on 2013 and remained slightly above 31,000 euros.

Registrations and de-registrations in 2014 TABLE 6.2

Type of firm	Firms registered at 31/12/2013	New registrations	De-registrations	Firms registered at 31/12/2014
Total financial CIS	**5,129**	**395**	**292**	**5,232**
Mutual funds	2,043	150	244	1,949
Investment companies	3,035	234	41	3,228
Funds of hedge funds	22	0	4	18
Hedge funds	29	11	3	37
Total real estate CIS	**16**	**1**	**6**	**11**
Real estate mutual funds	6	0	2	4
Real estate investment companies	10	1	4	7
Total foreign UCITS marketed in Spain	**780**	**80**	**57**	**805**
Foreign funds	408	36	40	405
Foreign companies	372	44	17	400
CIS management companies	**96**	**2**	**2**	**96**
Depositories	**77**	**1**	**8**	**70**

Source: CNMV.

6.2 Investment companies (SICAVs)

The number of SICAVs registered with the CNMV rose once again in 2014 to 3,228, up 6% on 2013. The number of SICAV shareholders at year-end 2014 stood at 450,211, 9% up on the previous year. Almost all SICAVs were listed on the Alternative Stock Market.

The assets managed by SICAVs rose by 14% to 31.49 billion euros. Both the average assets per SICAV and the average assets per shareholder grew at a similar rate over the year (12%) to 10.37 million euros and 76,191 euros, respectively.

As shown in Table 6.3, in the case of SICAVs there was also a displacement of investments in favour of the foreign portfolio, which accounted for 62% of their financial investments, 6.6 percentage points up on the previous year. There were significant increases in the main investment products: debt securities recorded the largest year-on-year change (49.1%) and investments in other CIS, the largest change in absolute terms: 1.66 billion euros. Equity instruments of foreign companies became the main financial product by volume, with a specific weighting of 21% of the investment portfolio of SICAVs. In contrast, the domestic portfolio shrank by 8.7% as a result of the divestments in Spanish debt instruments and the cancellation of deposits in credit institutions: 1.66 billion euros in total. The volume of equity instruments and investments in CIS rose by 10.6% and 26.3%, respectively, although this was insufficient to offset the fall in the above headings. The percentage of the cash heading at the end of the year stood at 7% of total assets, a rise on the figure for the previous year.

Investment company assets breakdown[1] TABLE 6.3

Million euros

	2013	%	2014	%	% change 14/13
Assets	27,621	100.0	31,487	100.0	14.0
Financial investment portfolio	26,106	94.5	29,081	92.4	11.4
Spanish securities	12,119	43.9	11,064	35.1	-8.7
Debt securities	6,304	22.8	5,116	16.2	-18.8
Equity instruments	3,006	10.9	3,324	10.6	10.6
Collective investment schemes	1,135	4.1	1,433	4.6	26.3
Deposits in credit institutions	1,645	6.0	1,169	3.7	-28.9
Derivatives	1	0.0	-11	0.0	-1,200.0
Other	27	0.1	32	0.1	18.5
Foreign securities	13,985	50.6	18,015	57.2	28.8
Debt securities	2,614	9.5	3,897	12.4	49.1
Equity instruments	5,086	18.4	6,228	19.8	22.5
Collective investment schemes	6,120	22.2	7,784	24.7	27.2
Deposits in credit institutions	5	0.0	2	0.0	-60.0
Derivatives	153	0.6	94	0.3	-38.6
Other	8	0.0	10	0.0	25.0
Doubtful, delinquent or in litigation investments	2	0.0	2	0.0	0.0
Intangible assets	**0**	**0.0**	**0**	**0.0**	–
Property, plant and equipment	**0**	**0.0**	**0**	**0.0**	–
Cash	**1,302**	**4.7**	**2,198**	**7.0**	**68.8**
Net balance (debtors/creditors)	**213**	**0.8**	**209**	**0.7**	**-1.9**
***Pro memoria*: no. of shareholders**	**413,264**		**450,211**		**8.9**

Source: CNMV.

6.3 Hedge funds

Hedge funds account for less than 1% of total assets managed by Spanish collective investment schemes. This collective investment segment is made up of two types of vehicle: hedge funds and funds of hedge funds. In both cases, the vehicle may be a fund or a company. The aggregate assets of all types of vehicle rose by 21.1% in 2014 to 1.68 billion euros. This increase was due to the significant growth in hedge funds, which managed assets of 1.34 billion euros at the end of the year, 28.8% up on 2013. Assets managed by funds of hedge funds fell by 1.4% to 345 million euros. At the end of the year, hedge funds accounted for 72.9% of assets in the segment, while funds of hedge funds accounted for 5.7%. Companies operating in both sectors accounted for the remaining 21.4% (see Annexes II.1 and II.4).

The performance of the portfolio was positive for both types of vehicle, with returns of 5.3% for hedge funds and 8.5% for funds of hedge funds. The number of unit-holders rose by 2.1% to 5,553. This growth was solely due to hedge funds, which underwent growth of 16.7% to 2,819 unit-holders. The number of unit-holders of funds of hedge funds fell by 9.5%.

The total number of these vehicles registered with the CNMV rose on the previous year from 51 to 55, as a result of 11 new registrations and seven de-registrations (see Table 612). The 11 new registrations all corresponded to hedge funds, while four of the seven de-registrations corresponded to funds of hedge funds and three to hedge funds. At the end of the year, 16 funds were in the process of liquidation.

6.4 Real estate CIS

Six real estate CIS were withdrawn in 2014 and only one new entity was registered. Therefore, the assets of real estate CIS fell substantially. Two real estate funds were de-registered at the end of the year, after they split, with a partial segregation of assets, into the corresponding financial mutual funds. In February, another fund had also agreed to split, without dissolving and with a segregation of assets, into a financial mutual fund. This real estate fund de-registered in January 2015 to convert into a real estate company.[1] Four real estate companies de-registered and there was one new registration.

All these changes, together with the ongoing depreciation of the funds' asset portfolios, led to a drastic reduction in the assets managed by real estate funds of 88.6% on 2013 to 420 million euros. These factors also contributed towards the return for the year being negative (-5.9%) and the number of unit-holders falling by 30.1% to 4,021.

The number of real estate companies at year-end 2014 stood at seven, three fewer than in 2013 as a result of one new registration and four de-registrations. Their assets managed fell by 5.5% to 806.5 million euros, and the number of shareholders fell by 17.4% to a total of 845 at year-end 2014.

The above data demonstrate that collective investment in the real estate sector is being channelled through other recently-created vehicles, particularly SOCIMIS (Spanish REIT companies).

6.5 Foreign UCITS marketed in Spain

The total volume of investments in foreign UCITS marketed in Spain rose for the third consecutive year, specifically by 44.2%. At year-end 2014, the total investment in these entities amounted to 78.9 billion euros, equivalent to 33.8% of the total assets of Spanish CIS, 5.1 percentage points up on 2013 (see Figure 6.2).

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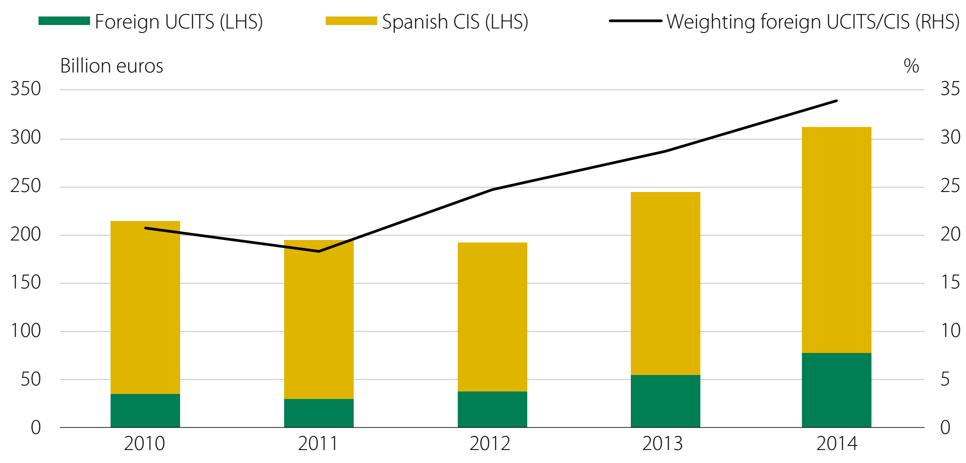
1 Despite not having de-registered by January 2015, the aforementioned fund did not file statements with the CNMV in December of the previous year and therefore the information relating to year-end 2014 in the subsequent paragraphs no longer includes this fund.

Following the trend of recent years, the number of foreign UCITS registered with the CNMV rose from 780 in 2013 to 805 in 2014. Of all the registered undertakings, 405 were funds (three fewer than the previous year) and 400 were companies (28 more than in 2013). Most of the new registrations corresponded to vehicles from Luxembourg and Ireland (see Annex II.5).

Assets of foreign UCITS marketed in Spain FIGURE 6.2



Source: CNMV.

6.6 Collective investment scheme management companies

In December 2014, there were a total of 96 CIS management companies registered with the CNMV, the same number as in 2013. There were two de-registrations and two new registrations over the course of the year (see Annex II.6). This indicates that the sector might have reached a certain level of stability after the movements which took place as a result of the restructuring process undertaken by the Spanish financial system in recent years. Assets managed by CIS management companies grew considerably (50.7%) to 230.56 billion euros. This growth was due to the good performance shown by mutual funds over the year. The sector continued to be extremely concentrated: the three largest management companies held a combined share of 41.6% of total assets managed.

The positive evolution of collective investment over the year was reflected in the income statement of CIS management companies. CIS management commissions, which account for 91% of the commissions received by management companies, rose by 25.7%. As a whole, management commissions received accounted for less than 1% of assets under management, a similar percentage to that recorded in previous years. As shown in Table 6.4, marketing commissions paid to other entities also rose, although this did not prevent the aggregate gross margin of the sector rising by 14.5%. General expenses rose at a higher rate than that recorded last year. However, net operating profit improved for the second consecutive year, although at a more moderate rate (64.06% in 2013 compared with 20.47% in 2014). Finally, the aggregate profit before tax stood at 545 million euros, 20.3% up on 2013.

Income statement of CIS management companies

TABLE 6.4

Thousand euros

	2013	2014	Change (%)
Interest margin	**22,359**	**13,223**	**-40.86**
Net commissions	690,000	888,250	28.73
Commission revenue	1,729,079	2,196,841	27.05
CIS management	1,594,176	2,004,110	25.71
Front-end and back-end fees	29,941	46,389	54.93
Other	104,962	146,343	39.42
Commission expenses	1,039,078	1,308,591	25.94
Profit from net financial investments	61,213	7,197	-88.24
Earnings on capital instruments	16,737	559	-96.66
Net exchange differences	-368	321	–
Other products and net operating charges	-916	-6,444	-603.49
Gross profit	**789,025**	**903,107**	**14.46**
Operating expenses	323,062	351,357	8.76
Personnel	201,103	219,934	9.36
General expenses	121,959	131,423	7.76
Depreciation, amortisation and other provisions	15,066	8,800	-41.59
Impairment losses on financial assets	288	105	-63.54
Net operating profit	**450,610**	**542,845**	**20.47**
Other gains/losses	2,381	2,097	-11.93
Profit (loss) before tax	**452,991**	**544,942**	**20.30**
Income tax expense	-114,917	-161,395	40.44
Profit from continuing operations	**338,074**	**385,547**	**13.45**
Profit from discontinued operations	0	-542	–
Net profit (loss) for the year	**338,084**	**384,089**	**13.61**

Source: CNMV.

The year ended with 14 loss-making firms, three more than in 2013. Aggregate losses also increased to 2.83 billion euros (see Table 6.5).

Profit before tax, number of loss-making firms and amount of loss

TABLE 6.5

Thousand euros

	Profit before tax	No. of loss-making firms	Amount of loss
2010	293,545	34	20,235
2011	278,649	32	11,361
2012	286,014	28	10,164
2013	453,001	11	2,102
2014	545,484	14	2,828

Source: CNMV.

6.7 CIS depositories

The number of CIS depositories registered with the CNMV at the end of 2014 stood at 70, seven fewer than in the previous year after one new registration and eight de-registrations. Most of these de-registrations took place in the context of the restructuring process of credit institutions.

Banking groups clearly predominate in this sector as they account for 97.8% of the total assets deposited by CIS at the end of 2014. Of this percentage, around 10% was deposited in branches of foreign financial institutions, mostly from Member States of the European Union. The remaining 2.2% was divided among credit cooperatives and broker-dealers.

7 Provision of investment services

In 2014, entities which provide investment services benefited from the increase in activity in securities markets, thus confirming the trend seen in 2013. In the specific case of broker-dealers and brokers, the profits of the sector increased significantly, with improvements seen in most entities. The number of loss-making firms continued to fall and the sector as a whole continued to enjoy a large surplus equity over minimum requirements. There was also a noteworthy improvement in revenue for underwriting services (in broker-dealers) and in the placement of issues and for marketing collective investment products. In contrast, despite the increase in brokered volumes in secondary markets, the revenue from this activity fell slightly as a result of the reduction in the brokerage fees applied.

The improvement in activity also extended to portfolio management companies and financial advisory firms. In both cases, there was a notable increase in assets managed (in portfolio management companies) and assets under advice, as well as in results.

7.1 Credit institutions[1]

The number of Spanish credit institutions (banks, savings banks and credit cooperatives) registered with the CNMV to provide investment services stood at 136 (two of which were in the process of liquidation) at the end of 2014, 11 fewer than in 2013. This fall is still linked to the conversion and concentration process undertaken in the banking sector. A total of 462 foreign credit institutions were authorised to provide investment services in Spain, one more than in the previous year. 400 of the registered foreign credit institutions operated under the free provision of services regime and 62 through branches. Almost all of them were from other Member States of the European Union (453 institutions).

Table 7.1 shows the total revenue of credit institutions from the provision of securities services and marketing of mutual funds and non-bank financial products. As shown, the revenue from securities services in 2014 rose by 25.2% on the previous year, while the revenue from marketing mutual funds rose by 30.2%, in line with the growth in collective investment over the period (see Chapter 6). These two types of revenue together as a proportion of total revenue stood at 23.6%, 4.8 percentage points up on 2013. This percentage therefore starts to recover levels similar to those recorded prior to the crisis (26.4% in 2007).

1 Credit institutions are allowed to provide investment services provided that the legal regime under which they operate, their articles of association and a specific authorisation allow them to do so. The CNMV supervises their activities in this area.

Credit institution revenue from the provision of securities services and marketing of non-bank financial products

TABLE 7.1

Million euros

	2011	2012	2013	2014	% of total commissions
Securities services	**1,399**	**1,214**	**1,195**	**1,479**	**10.8**
Placement and underwriting	426	299	188	301	2.2
Securities trading	398	366	391	477	3.5
Administration and custody	509	479	531	583	4.2
Asset management	68	67	84	119	0.9
Marketing of non-bank financial products	**3,064**	**2,927**	**3,263**	**3,689**	**26.9**
Mutual funds	1,228	1,157	1,353	1,762	12.8
Pension funds	462	453	468	482	3.5
Insurance	1,252	1,159	1,187	1,235	9.0
Other	122	156	255	209	1.5
***Pro memoria*:**					
For securities services and marketing of mutual funds	2,627	2,371	2,548	3,241	23.6
Total revenue from commissions	14,343	13,955	13,524	13,735	100.0

Source: Bank of Spain.

The comparison of the commissions received by credit institutions and investment firms shows the dominance of the former in providing investment services. As shown in Table 7.2, the former exceeded the latter even in services for processing or executing securities trading, a segment which was traditionally dominated by investment firms.

Commissions received for investment services. 2014

TABLE 7.2

Million euros

	Broker-dealers and brokers	Portfolio management companies	Credit institutions (CI)	Total	% CI/total
Total investment services	**572**	**14**	**3,242**	**3,828**	**84.7**
Placement and underwriting	25	–	301	326	92.3
Securities trading	383	–	477	860	55.5
Asset management	34	14	119	167	71.3
Administration and custody	23	–	583	606	96.2
Mutual fund marketing	107	0	1,762	1,869	94.3

Source: CNMV and Bank of Spain.

7.2 Investment service firms[2]

7.2.1 Broker-dealers and brokers

Authorisation and registration

At the end of 2014, a total of 78 broker-dealers and brokers were registered with the CNMV, four fewer than in 2013. It is important to highlight that the sector has been adjusting as a result of the crisis. In 2008, there were a total of 101 broker-dealers and brokers.

As shown in Table 7.3, four new firms registered and eight firms de-registered over the year. All the new registrations corresponded to independent entities. Five of the de-registrations corresponded to independent entities, two corresponded to entities belonging to Spanish financial groups and the remaining de-registration corresponded to a group from the Spanish insurance sector (see Annex II.8).

In 2014, there were also several significant changes in the controlling interests of broker-dealers and brokers. Specifically, there were five changes of control, of which two affected broker-dealers, two affected brokers and one affected a portfolio management company. The buyers of the broker-dealers and the portfolio management company were three Spanish credit institutions. Ownership of the brokers was transferred to independent companies (see Annex II.9).

As usual, very few broker-dealers and brokers use the Community passport to operate in other countries of the European Union by means of a physical presence. At the end of 2014, six institutions had branches in other countries (the United Kingdom, Italy, Portugal and Sweden), that is, one more than in 2013. There were 41 institutions authorised at the end of the year under the free provision of services regime, one more than in 2013. There were no changes with regard to the previous year in the list of countries in which these institutions provide services (see Annex II.10).

Registrations and de-registrations of firms TABLE 7.3

Type of firm	Firms at 31/12/2013	New registrations	De-registrations	Firms at 31/12/2014
Spanish firms	**82**	**4**	**8**	**78**
Broker-dealers	41	1	2	40
Brokers	41	3	6	38
Foreign firms	**2,655**	**215**	**203**	**2,667**
With a branch	38	5	4	39
Free provision of services	2,617	210	199	2,628
***Pro memoria*:**				
Representatives	6,792	662	674	6,780

Source: CNMV.

2 In accordance with Article 64 of the Securities Market Act, investment services firms cover broker-dealers, brokers, portfolio management companies and financial advisory companies.

As shown in Table 7.3, 215 entities authorised in other Member States informed the CNMV of their intention to begin providing investment services in Spain. A significant number of entities notified that they were ceasing to operate, with a total of 203 de-registrations. Most of these notifications, both for registrations and de-registrations, corresponded to entities under the free provision of services regime, which increased in number from 2,617 in 2013 to 2,628 in 2014. The number of foreign institutions with a branch rose from 38 to 39. Most of the new entities registered were authorised in Cyprus, while most of the entities which de-registered were authorised in the United Kingdom (see Annex II.7).

Results

Broker-dealers and brokers obtained profit before tax of 300.5 million euros in 2014, 40.5% up on the previous year. The rise was greater in broker-dealers (41.6%) than in brokers (28.8%). A large part of the increase in profits of the former came from two entities: Santander Investment Bolsa, S.A., S.V. and Bestinver, S.V., whose profits from proprietary trading rose sharply. As usual, broker-dealers generated most of the profit before tax for the sector, specifically 91.7%.

The increase in the profits of broker-dealers was mainly the result of a significant increase in revenue associated with the entities' ordinary activities (gross margin) and a fall in operating expenses (-3.3%). As shown in Table 7.4, the main component of revenue – commissions from providing services to third parties – rose by 11.9%. This increase was mainly the result of the increase in commissions for underwriting and placement of issues and for marketing CIS. The interest margin and commissions for deposit and entry of securities also contributed, although to a more modest extent, towards the increase in gross margin. On the downside of the entities' revenue, we should highlight the 13.3% fall in the profit from financial investments.

Commissions from order processing and execution remained the most important among the sources of revenue from the provision of services to third parties. These commissions, which fell very slightly in 2014, mainly come from brokering in Spanish equity markets. Brokered volumes in these markets rose in 2014, thus breaking the downward trend recorded since the start of the crisis. Average brokerage fees suffered a fall somewhat larger than the increase in volume, which led to the revenue for this item falling slightly (-1.5%) (see Figure 7.1).

With regard to other commissions, and as commented above, there was a noteworthy rise in commissions for placement and underwriting of securities and for marketing funds. Also noteworthy, although to a lesser extent, was the increase in commissions received for the deposit and entry of securities and portfolio management. Commissions paid to other entities grew by 5.3% on the previous year, in line with the increase in activity in the sector. These payments were the equivalent of 29.7% of the commissions received.

Income statement for broker-dealers[1]

TABLE 7.4

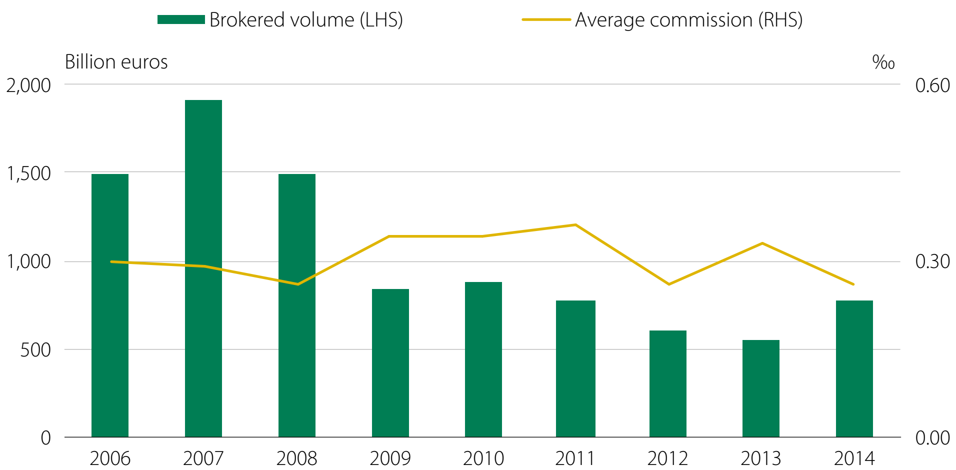
Thousand euros

	2013	2014	% change 14/13
Interest margin	**67,334**	**74,177**	**10.2**
Net commissions	**387,217**	**445,317**	**15.0**
Commission revenue	565,787	633,263	11.9
Order processing and execution	347,522	342,462	-1.5
Placement and underwriting	4,824	21,414	343.9
Deposit and entry of securities	17,987	22,347	24.2
Marketing CIS	51,766	62,948	21.6
Portfolio management	15,581	21,046	35.1
Investment advisory services	10,500	10,638	1.3
Other	117,607	152,408	29.6
Commission expenses	178,570	187,946	5.3
Profit from financial investments	**256,110**	**222,077**	**-13.3**
Net exchange differences	-149,034	-110,808	25.6
Other products and operating charges	10,566	14,383	36.1
Gross profit	**572,193**	**645,146**	**12.7**
Operating expenses	384,641	372,003	-3.3
Personnel	254,606	242,097	-4.9
General expenses	130,035	129,906	-0.1
Depreciation, amortisation and other provisions	-609	6,197	–
Impairment losses on financial assets	3,123	1,437	-54.0
Net operating profit	**185,038**	**265,509**	**43.5**
Other gains/losses	9,531	10,120	6.2
Profit (loss) before tax	**194,569**	**275,629**	**41.7**
Income tax expense	53,763	83,162	54.7
Profit from continuing operations	**140,806**	**192,467**	**36.7**
Profit from discontinued operations	**0**	**0**	**–**
Net profit (loss) for the year	**140,806**	**192,467**	**36.7**

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

Broker-dealers which are stock market members: brokered volume and average effective commission in Spanish equity

FIGURE 7.1



Source: CNMV.

Operating expenses of broker-dealers fell by 3.3%. This fall suggests that the sector continues with the adjustment that it has been carrying out over recent years to adapt to current conditions in financial markets. Depreciation, amortisation and other provisions also fell, as well as net impairment losses on financial assets. The widening of the gross margin and the reduction in expenses led to a 43.5% increase in the operating profit, which rose from 185.0 million euros in 2013 to 265.5 million euros in 2014.

As has increasingly been the case in recent years, a small number of firms generated most of the profits in this sub-sector. Specifically, four broker-dealers obtained 62.4% of the aggregate profits of all the profit-making broker-dealers. Another noteworthy figure is that, in line with the evolution of the sector's aggregate results, most companies (60%) increased their profits in the year.

Profit before tax, no. of loss-making broker-dealers and amount of the losses before tax TABLE 7.5

Thousand euros

	Profit before tax (total)[1]	No. of loss-making firms	Amount of the losses before tax
Broker-dealers			
2011	217,240	13	-22,193
2012	41,753	15	-147,679
2013	194,566	5	-6,502
2014	275,629	3	-4,623

Source: CNMV. (1) Includes results from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

The improvement in the sector's results led to a fall in the number of broker-dealers which recorded losses before tax, as shown in Table 7.5. Only three companies (two fewer than in the previous year) closed the year with losses, of which two had already recorded losses in 2013. Two of the three companies are independent firms and the third belongs to a Spanish credit institution. The amount of accumulated losses fell from 6.5 million euros in 2013 to 4.6 million euros in 2014.

Unlike broker-dealers, brokers can not invest on their own account. Therefore, their revenue almost exclusively comes from providing services to third parties. While some of the brokers obtain the bulk of their revenue from processing and executing orders, most of them tend to specialise in certain services, such as marketing CIS, portfolio management and others. Most brokers are independent firms (21 out of a total of 38 brokers), unlike broker-dealers, which are mostly controlled by a financial group (only eight firms out of a total of 40 are independent).

Aggregate profits before tax of brokers rose by 28.8% to 24.8 million euros. The improvement in results is partly due to the increase in net commissions for providing investment services, which are the main source of revenue for the sub-sector. In addition, the increase in profits was also due to the good performance of the results from financial investments, net exchange differences and revenue for other products and operating costs.

Net commissions rose by 9.3% on the previous year. Commissions received rose in all headings except for commissions for portfolio management. Accordingly, the most important headings, such as marketing of CIS, order processing and execution and others, rose by 30.0%, 3.9% and 1.0% to 46.5 million, 41.7 million and 26.5 million euros, respectively. Commissions for marketing became the most important in terms of amount in 2014. There was also noteworthy growth in the commissions for placement and underwriting, which rose by 72.4% to 8.1 million euros. Commissions paid to other entities rose by 30.5%. The positive performance of the headings of revenue for services allowed the aggregate gross margin of these entities to rise by 11.8%.

Expenses incurred by brokers rose by 7.7% on the previous year. Similarly, the main heading – operating expenses – grew by 7.7% due to the rise in personnel and general expenses. Depreciation, amortisation and other provisions also rose, specifically by 8.7%. The changes in ordinary revenue and expenses led to a net operating profit of 24.4 million euros, 32.3% up on 2013. Finally, it is important to point out the positive contribution of the heading "Other gains/losses" to the aggregate profit before tax although it was lower than in the previous year.

Income statement for dealers[1]

TABLE 7.6

Thousand euros

	2013	2014	% change 14/13
Interest margin	**1,799**	**1,119**	**-37.8**
Net commissions	**110,421**	**120,634**	**9.3**
Commission revenue	130,737	147,137	12.5
Order processing and execution	40,196	41,745	3.9
Placement and underwriting	4,715	8,129	72.4
Deposit and entry of securities	505	567	12.3
Marketing CIS	35,823	46,565	30.0
Portfolio management	16,267	15,062	-7.4
Investment advisory services	5,707	7,260	27.2
Other	27,524	27,809	1.0
Commission expenses	20,316	26,503	30.5
Profit from financial investments	**6**	**775**	**15,400.0**
Net exchange differences	-237	498	–
Other products and operating charges	-1,396	604	–
Gross profit	**110,593**	**123,626**	**11.8**
Operating expenses	89,725	96,616	7.7
Personnel	56,040	60,036	7.1
General expenses	33,685	36,580	8.6
Depreciation, amortisation and other provisions	2,419	2,630	8.7
Impairment losses on financial assets	25	13	-48.0
Net operating profit	**18,424**	**24,366**	**32.3**
Other gains/losses	853	466	-45.4
Profit (loss) before tax	**19,277**	**24,832**	**28.8**
Income tax expense	4,954	4,910	-0.9
Profit from continuing operations	**14,323**	**19,922**	**39.1**
Profit from discontinued operations	**0**	**0**	**–**
Net profit (loss) for the year	**14,323**	**19,922**	**39.1**

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, not only at year-end.

61.8% of brokers which were registered both at the end of 2013 and the end of 2014 saw their profit before tax increase. The number of loss-making firms fell from eight to five, although accumulated losses rose from 1.5 million euros in 2013 to 2.1 million euros in 2014 (see Table 7.7). Three of the five loss-making brokers at the end of the year had also suffered losses in the previous year.

Profit before tax, no. of loss-making brokers and amount of the losses before tax — TABLE 7.7

Thousand euros

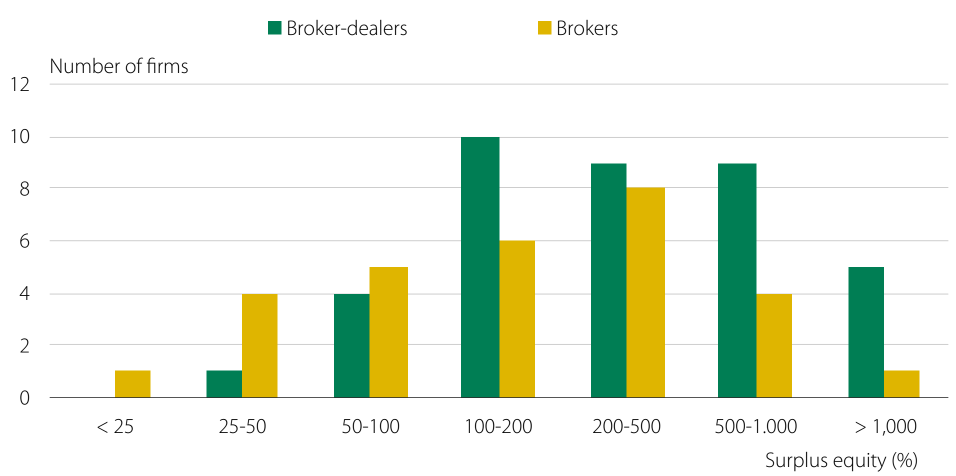
	Profits before tax[1]	No. of loss-making firms	Amount of the losses before tax
Brokers			
2011	8,170	17	-4,465
2012	6,969	14	-7,593
2013	19,276	8	-1,588
2014	24,832	5	-2,111

Source: CNMV. (1) Includes results from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

Solvency

As usual, the solvency of the sector as a whole remained high in 2014. Specifically, at the end of the year, the equity surplus of the sector was 4.0 times the capital requirements (3.4 times in 2013). This margin was generally greater in broker-dealers than in brokers. While the equity surplus for broker-dealers was around 4.1, for brokers it remained at 2.1. With regard to the distribution of this ratio, Figure 7.2 shows that most broker-dealers at the end of 2014 had surplus equity greater than 200%, while brokers showed a greater spread. No broker-dealer or broker closed the year with an equity deficit.

Surplus equity over minimum requirements for broker-dealers and brokers — FIGURE 7.2



Source: CNMV.

7.2.2 Portfolio management companies

At the end of 2014, five portfolio management companies were registered with the CNMV, the same number as in 2013. The assets managed by portfolio management companies totalled 4.82 billion euros, 13.8% up on the previous year. Profit before tax of portfolio management companies in 2014 amounted to 5.8 million euros, a rise of 64.5% on 2013. This increase reflects a rise in net revenue and a substantial fall in expenses.

The increase in revenue occurred in net commissions and was due to the 53.4% fall in commissions paid to other entities. This fall more than offset the 17.2% drop in commissions received. There was a noteworthy 20.3% fall in commissions for portfolio management and a drop of 46.1% in commissions received for investment advisory services.

Expenses also fell. Specifically, personnel expenses fell by 4.7% and general expenses by 22.1%. Consequently, net operating profit rose by 64.9%.

Income statement of portfolio management companies[1] TABLE 7.8

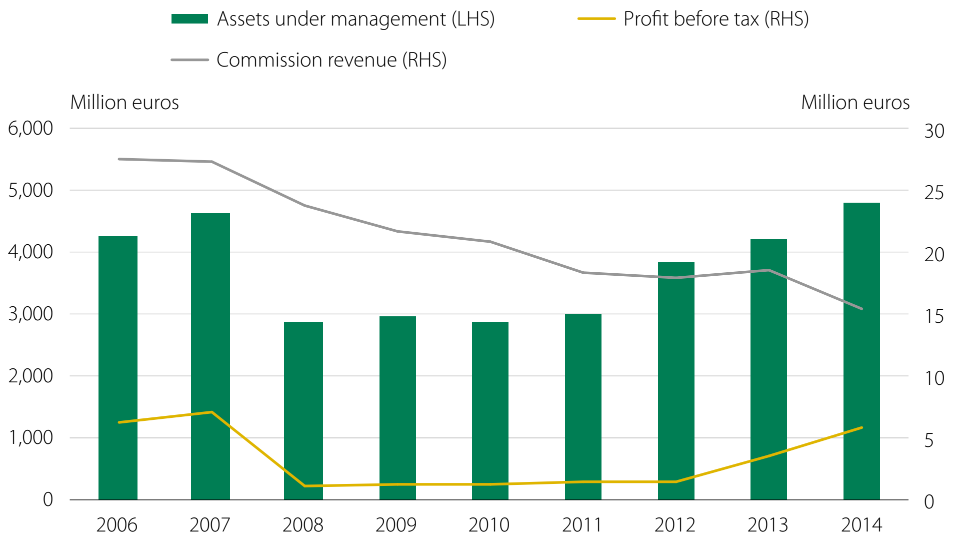
Thousand euros

	2013	2014	% change 14/13
Interest margin	**667**	**574**	**-13.9**
Net commissions	**9,362**	**11,104**	**18.6**
Commission revenue	18,603	15,411	-17.2
Marketing CIS	17,028	13,572	-20.3
Portfolio management	0	0	–
Investment advisory services	1,575	849	-46.1
Other	0	990	–
Commission expenses	9,241	4,307	-53.4
Profit from financial investments	**9**	**-5**	**–**
Net exchange differences	-24	131	–
Other products and operating charges	-8	-369	-4,512.5
Gross profit	**10,006**	**11,435**	**14.3**
Operating expenses	6,388	5,530	-13.4
Personnel	3,182	3,032	-4.7
General expenses	3,206	2,498	-22.1
Depreciation, amortisation and other provisions	64	45	-29.7
Impairment losses on financial assets	0	0	–
Net operating profit	**3,554**	**5,860**	**64.9**
Other gains/losses	9	0	-100.0
Profit (loss) before tax	**3,563**	**5,860**	**64.9**
Income tax expense	1,091	1,725	58.1
Profit from continuing operations	**2,472**	**4,135**	**67.3**
Profit from discontinued operations	**0**	**0**	**–**
Net profit (loss) for the year	**2,472**	**4,135**	**67.3**

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

The changes in revenue from commissions, commissions paid to other entities and operating expenses suggest that entities paid lower costs to their suppliers and passed part of that fall onto their final customers. This explains how, despite the increase in assets under management, the commissions charged to their customers fell notably (see Table 7.8 and Figure 7.3).

Assets under management, commission revenue and profit before tax of portfolio management companies FIGURE 7.3



Source: CNMV.

7.3 Financial advisory firms

Financial advisory firms are a type of investment services firm which began operating in 2009 under Spanish legislation which transposed the Markets in Financial Instruments Directive (MiFID). These firms offer their clients the advisory service provided for in this Directive.

Financial advisory firms: number of contracts and volume of assets under advisory services TABLE 7.9

Thousand euros

	2013	2014	% change 14/13
Number of contracts			
Retail clients	3,738	4,323	15.6
Non-retail clients	264	316	19.7
Total	**4,002**	**4,639**	**15.9**
Assets under advisory services (thousand euros)			
Retail clients	4,991,653	5,719,292	14.6
Non-retail clients	12,638,428	15,672,218	24.0
Total	**17,630,081**	**21,391,510**	**21.3**

Source: CNMV. All portfolio management companies recorded profits at year-end 2014. Furthermore, all but one of them recorded an increase in profits on the previous year.

At the end of 2014, 143 financial advisory firms were registered with the CNMV, 17 more than in 2013. There were 25 new registrations and nine de-registrations, all of which were independent firms. Total assets under advisory services amounted to 21.39 billion euros, a rise of 21.3% on the previous year. Although the bulk of the advisory service contracts signed corresponded to retail clients (93.2% of a total of 4,639), these contracts only accounted for 26.7% of the assets under advisory services. However, the assets under advisory services for retail clients once again rose in 2014 (see Table 7.9). Finally, it is important to point out that the overall profit of these firms grew significantly, from 6.9 million euros in 2013 to 12.0 million euros in 2014.

8 Venture capital firms

Sector data indicate that venture capital activity recovered significantly in 2014, in terms of both foreign and Spanish firms. This improvement was reflected in the CNMV register, where the number of new firms registered was the highest since 2008.

2014 was also an important year with regard to venture capital regulation in Spain. The new Law 22/2014, of 12 November, regulating venture capital entities, other closed-ended collective investment schemes and their management companies, which will provide the sector with a new framework for operations, entered into force on 14 November.

The new Law reforms the current venture capital regulatory framework in several significant aspects, for example, by simplifying the rules on administrative intervention or through the creation of new types of entities and increased flexibility in mandatory investment coefficients. In addition, it incorporates into Spanish law Directive 2011/61/EU, of the European Parliament and of the Council, of 8 June 2011, on alternative investment fund managers, with the aim of implementing harmonisation of the conditions for authorisation, marketing, conduct of business rules and organisation of these entities in Europe. Exhibit 11.3 offers a more thorough description of the new Law.

8.1 Venture capital firms registered with the CNMV

There was a change in trend in the activity of the venture capital sector in 2014 following six years of recession, which was reflected in the increase in the number of registered firms. A total of 30 new firms registered with the CNMV in 2014 (including venture capital firms and management companies), 11 more than in 2013, the largest increase since 2008. There were 20 de-registrations, five fewer than in the previous year, which were mostly due to a failure to meet the promoters' expectations. As shown in Table 8.1, the largest number of new registrations took place in venture capital funds, while the largest number of de-registrations took place in venture capital companies. There were 344 firms registered at the end of 2014, ten more than in 2013.

One noteworthy aspect is that for the first time since 1999, the year in which the CNMV became responsible for venture capital issues, the number of venture capital funds exceeds the number of venture capital companies.

Registrations and de-registrations in 2014 TABLE 8.1

Type of firm	Firms at 31/12/2013	New registrations	De-registrations	Firms at 31/12/2014
Venture capital management companies	78	3	7	74
Venture capital companies	130	6	11	125
Venture capital funds	126	21	2	145
Total	**334**	**30**	**20**	**344**

Source: CNMV.

Other significant aspects relating to the venture capital firms registered with the CNMV are as follows:

– The selection of 15 new venture capital funds in two processes conducted by the Fond-Ico Global fund of funds, which is promoted by the Official Credit Institute (Spanish acronym: ICO). In 2014, this investment vehicle conducted two new auctions to select various venture capital firms with the aim of co-investing both in the form of private equity and venture capital, which mobilised investment of over 1.35 billion euros during the period if we also take into account the contribution from private investors.

– The registration of three new management companies with very different investment objectives, such as investment in medium-sized venture capital, investment in renewable assets in Spain with operational or management problems, or investments in technological companies and the digital sector in Spain with a global vision.

The main characteristics of the new firms registered in 2014 are as follows:

– Legal system: as has been the case since entry into force of Law 25/2005, most new firms (venture capital funds and companies) adopted the simplified system (almost 90% of the cases).

– Registered address: most of the venture capital firms and management companies of venture capital firms are registered in Madrid (60%) and Barcelona (30%).

– Investment policy: the new firms mostly focus on technology-based companies, although the health sector also accounts for a significant share. Renewable energies have practically disappeared from the investment policies of new firms.

– Stage of the business project in which they invest: the focus continues to be on the initial growth stages, with investments generally placed in small and medium-sized companies through minority holdings. In addition, several entities have registered which are focused on investments in companies in special situations or processes of financial restructuring.

– Geographical scope of activity: very diversified. Although most of them invest throughout Spain, there are also several vehicles promoted by the public sector which are restricted to certain autonomous regions.

8.2 Sector data

According to data published by the ASCRI (Association of Spanish venture capital firms), investment in venture capital in Spain in 2014 was slightly above three billion euros, compared with 1.7 billion euros in 2013. The fourth quarter accounted for 40% of the volume invested over the year, which seems to indicate that the outlook for 2015 for the sector is very favourable. International funds accounted for 78% of total investments.

Although 90% of the deals did not exceed five million euros of invested capital, there were also some large-scale deals made in 2014 (above 100 million euros invested in capital), specifically nine, all of which were conducted by international venture capital funds. Only five deals of this type were performed in 2013.

With regard to investment stages, the most common deals were those relating to capital expansion, which accounted for 63.5% of the total number of deals and, secondly, those aimed at initial stages, which accounted for 30% of the total, although these continue to account for a low proportion of the total investment volume.

Investments were made across various sectors, with no particular sector predominating. The sectors which received the highest shares were the consumer products sector (24%), health and medicine (15%), and communications and industrial products and services (9% in both cases).

The improvement in venture capital was also noted in the funds raised from investors, which amounted to 4.29 billion euros, an increase of 88.5% on 2013. 54.7% of this amount came from the application of foreign funds, 39.4% was raised by private Spanish operators and the rest by public operators. The co-investment activities of the fund of funds promoted by the ICO – Fond-Ico Global – played an essential role in the upturn in the funds raised in Spain, which were seriously affected during the crisis.

Finally, it is important to highlight the sharp increase in divestments, which amounted to 4.67 billion euros (at cost price), a rise of 198% on 2013 and a historic record in Spain. The improvement in the outlook for divestments, also negatively affected during the crisis due to the fall in the prices of investees or the need to undertake restructuring processes, strengthens the growth expectations for the sector over the medium term. Among the various divestment formulas used, particularly noteworthy was the reappearance of public offerings (eDreams and Applus).

IV The regulation and supervision of securities markets

9 Issuers' financial and corporate governance disclosures

This chapter highlights the work of the CNMV aimed at verifying compliance with the requirements for disclosures to the market by issuers of securities, which include annual financial reporting, which in turn includes audit reports and corporate governance reports. The CNMV also verifies compliance with the disclosure requirements relating to significant holdings of significant shareholders and directors.

Financial information must comply with the European legislative framework, in particular the Transparency Directive.[1] In this regard, in October 2014 ESMA published guidelines, summarised in Exhibit 9.1, aimed at ensuring consistent enforcement of the requirements established in said Directive throughout the European Union. The CNMV informed ESMA in December 2014 of its intention to comply with these guidelines.

Furthermore, in February 2015 the CNMV approved the new Good Governance Code of Listed Companies, which replaced the Unified Code approved in 2006 and amended in 2013. The new Code completes the reform of the legislative framework for corporate governance in Spain, following the amendment of the Capital Companies Act in December last year.[2] Exhibit 9.2 highlights its main new features.

9.1 Financial disclosures

9.1.1 Annual financial reporting[3]

Issuers of securities listed on an official secondary market or any other regulated market domiciled in the European Union which have Spain as their home Member State are obliged to file an annual financial report with the CNMV, comprising their annual financial statements, auditor's report, management report and statements of responsibility for their content, with the exceptions provided for in current legislation.[4]

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1 Directive 2004/109/EC, of the European Parliament and of the Council, of 15 December 2004, on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (amended by Directive 2013/50/EU, of the European Parliament and of the Council, of 22 October 2013).

2 Law 31/2014, of 3 December, amending the Capital Companies Act to improve corporate governance.

3 The annual financial reporting Information is available at www.cnmv.es, in the section "Registration files", under the headings "Issuers Filings: Information under regulation and other" and "Annual accounts".

4 See Article 35 of the Securities Markets Act 24/1988, of 28 July. Entities exempt from this obligation are "[…] Member States of the European Union, regional governments, local authorities and other similar entities […],international public organisations of which at least one Member State of the European Union is a member, the European Central Bank, and the national central banks of Member States […]; issuers which only have outstanding issues of debt securities listed on an official secondary market […] whose denomination unit is at least 100,000 euros […] and those which only have outstanding issues of

Main characteristics of the information presented

The CNMV received 353 annual financial reports from 201 issuers, excluding securitisation funds, corresponding to separate and consolidated annual financial statements for the financial year 2013. This was 10.6% fewer than in the previous year, mainly as a result of the fall in the number of financial institutions.

The percentage of auditor's reports with an unqualified opinion corresponding to the 2013 accounts was similar to that recorded in 2012 (see Table 9.1). For the sixth year running, all the auditor's reports of Ibex 35 companies contained an unqualified opinion.

Three auditor's reports included a disclaimer of opinion as a result of the importance of the limits to the scope and the uncertainties outlined in the auditor's report. These correspond to two companies (one company in 2012), one in liquidation and the other undergoing insolvency proceedings, which were suspended from trading as from October 2013 and February 2014, respectively.

Regarding the reason for qualifications, 11 auditor's reports included a limitation of scope opinion (ten in 2012), corresponding to six companies. Scope limitations are important, since they denote that the auditor was unable to follow the procedures specified in the Technical Auditing Standards as insufficient information was available to arrive at an opinion. The CNMV sends deficiency letters to issuers ordering them to immediately rectify the limitations attributable to the issuer.

Initially, 15 auditor's reports were received with limitations of scope, corresponding to eight securities issuers. In response to the deficiency letters sent by the CNMV, and once the procedures set out in the Technical Auditing Standards were applied, express statements were received from the auditors removing the limitations in four of these reports, corresponding to two companies. In another two reports, the limitations were corrected after the entity published financial information in the first half of 2014, restating the comparative figures at 31 December 2013 to include the effect resulting from the analysis of the documentation provided to the auditor in order to remove the limitations.

The number of auditor's reports with qualifications for errors or non-compliance with generally accepted accounting principles and standards (opinion with exceptions) rose to seven in 2013 compared with six reports in 2012.

An auditor is required to include an emphasis of matter paragraph on detecting significant going concern uncertainties and to assess this possibility in the event of uncertainties for other reasons. 85 auditor's reports included emphasis of matter paragraphs drawing attention to one or more uncertainties (110 in 2012). For the first time since 2010, the number of auditor's reports which included emphasis of matter paragraphs in which the auditor declared doubts about the ongoing concern fell, going from 86 in 2013 to 60 in 2014.

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debt securities listed on an official secondary market […] before 31 December 2010, whose denomination unit is at least 50,000 euros […]".

Summary of issuer audits received by the CNMV

TABLE 9.1

(excluding asset securitisation funds)

	2011		2012		2013	
	No.	%	No.	%	No.	%
Documentos received by the CNMV	**402**	**100**	**395**	**100**	**353**	**100**
Separate accounts	238	59.2	234	59.2	201	56.9
Consolidated accounts	164	40.8	161	40.8	152	43.1
Special reports under Ministerial Order 30/9/92	21	–	11	–	10	–
Audit opinion						
Unqualified opinion	387	96.3	382	96.7	341	96.6
Qualified opinion	15	3.7	11	2.8	9	2.5
Denial of opinion or adverse opinion	0	0.0	2	0.5	3	0.8
Type of qualification						
Audits with exceptions	3	0.7	6	1.5	7	2.0
Audits with scope limitations	12	3.0	10	2.5	11	3.1
Effects of exceptions						
Effects on profit						
Audits with positive effects	0	0.0	0	0.0	0	0.0
Audits with negative effects	0	0.0	2	0.5	2	0.6
Effects on equity of exceptions						
Audits with positive effects	0	0.0	0	0.0	0	0.0
Audits with negative effects	0	0.0	2	0.5	2	0.6
Nature of emphasis of matter paragraphs						
Going concern related	68	16.9	86	21.8	60	17.0
Asset recovery related	18	4.5	32	8.1	29	8.2
Other circumstances	13	3.2	31	7.8	24	6.8

Source: CNMV.

The number of auditor's reports for asset securitisation funds stood at 466, 9.6% down on the previous year, with all the funds receiving an unqualified opinion. However, 267 fund reports included some type of emphasis of matter paragraph, mainly relating to the use of credit enhancements (reserve fund, line of credit) by the fund, early liquidation of the fund or the measurement of assets held for sale.

Actions of the CNMV

The Securities Market Act entrusts the CNMV with the task of verifying that the periodic public information included in annual financial statements has been prepared in accordance with applicable standards. In order to perform this duty, the CNMV is empowered to require listed companies to publish additional information, reconciliations, corrections or, if necessary, reformulations of their published financial information.

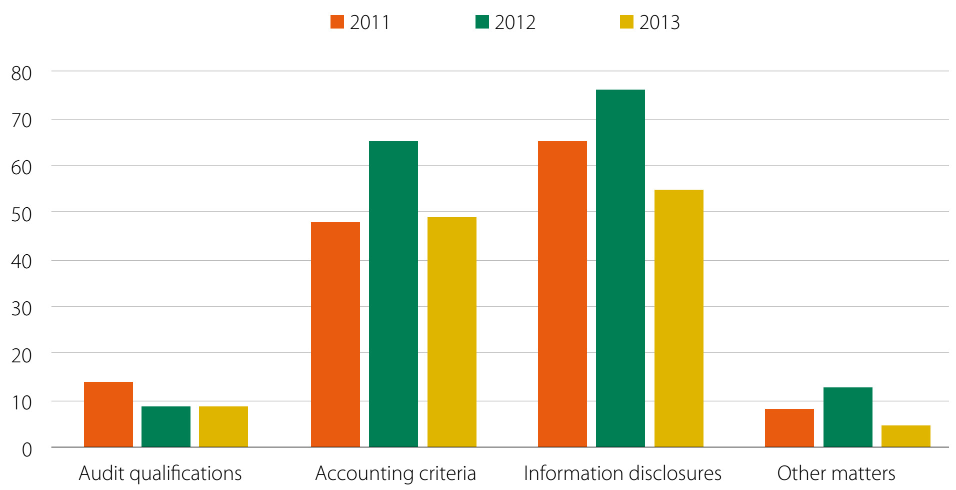
What this means in practice is that the CNMV approaches issuers requesting written clarifications or data on specific issues. The additional information companies provide in response to such letters is published in the official registers and can be consulted on the CNMV website.

Firstly, all reports received by the CNMV are submitted to review, focusing on their formal correctness and compliance with the applicable rules and standards, as well as other questions relating to specific regulatory changes. In the review of financial statements and management reports, this involved checking at least the following points: i) that the statement of responsibility for the content of the annual financial statements is signed by the directors (Article 8 of Royal Decree 1362/2007, of 19 October); ii) that the Annual Corporate Governance Report forming part of the management report provides a "description of the main characteristics of the company's internal control and risk management systems in respect of financial reporting";[5] iii) that there are no differences between the annual financial statements and the financial reporting of the second half-year submitted previously; and iv) that, where called for, the auditor has been duly rotated (Article 19 of the consolidated text of the Account Auditing Act). Furthermore, audit report contents are analysed in order to follow up incidents detected in previous reviews. In addition, a review is made of the level of compliance by issuers with the *Guide for the preparation of management reports of listed companies,* published by the CNMV in 2013, in preparing their management reports.

Secondly, the CNMV performs a substantive review of a certain number of audited annual accounts. Entities are chosen to be the subject of this substantive review on the basis of a mixed selection technique based on risk and random rotation, in accordance with the principles set out in standard No. 1 of the Committee of European Securities Regulators (predecessor of ESMA).[6] In this regard, it should be pointed out that in 2012 European supervisors agreed to establish annually, in coordination with ESMA, common supervisory priorities for financial statements so as to promote consistent application of international financial reporting standards (IFRS) throughout the European Union. In addition, the CNMV has incorporated other critical review areas into its work plan which supplement or extend the priorities established by ESMA.

This formal and substantive review led to 64 companies, excluding asset securitisation funds, being sent deficiency letters in 2014 in respect of qualifications or requesting supplementary information on the 2013 annual financial reports. Figure 9.1 shows the main reasons deficiency letters were sent to listed companies over the last three years.

Reason for deficiency letters sent to issuers (excluding securitisation funds) FIGURE 9.1



Source: CNMV. The deficiency letters include those sent to issuers subject to a formal and substantive review.

5 Article 61 *bis* of the Securities Markets Act was repealed as from 24 December 2014, with the content of the ACGR being regulated by Article 540 of the consolidated text of the Capital Companies Act and its inclusion as part of the management report by Article 538 of the same act.

6 This selection criterion also complies with the ESMA Guidelines on Enforcement of Financial Information, in force as from 29 December 2014.

For the purpose of facilitating the dissemination of financial information, the CNMV publishes on its website (www.cnmv.es), the full text of annual financial statements, management reports, and the auditor's reports of issuing companies, both separate and consolidated, accompanied by a summary of audit qualifications, the supplementary information that issuers supply in response to deficiency letters or other supplementary information linked to the accounts and special audit reports.

In accordance with ESMA recommendations, it also publishes an annual report on the supervision of the financial statements received each year, which sets out the main incidents detected in the review of annual and interim financial statements. A key section of this report identifies the priority areas which will be subject to closer scrutiny in the following year's review process, including both the common review priorities established by ESMA and the specific areas selected by the CNMV with regard to the economic climate, changes in accounting regulations and the experience acquired in prior-year reviews.[7]

Information required on accounting policies and disclosures TABLE 9.2

		No. of companies sent deficiency letters	
Nature of deficiency letter	**Standard**	**Accounting principles**	**Disclosures**
1. Priority areas for review			
Impairment of non-financial assets	IAS 36	25	34
Employee benefits	IAS 19	1	4
Fair value	IFRS 13	21	24
Disclosures on accounting policies, judgements and estimates[1]	IAS 1	1	17
Financial Instruments	IAS 32, IAS 39, IFRS 7, IFRS 9	21	35
Accounting of contingent convertibles (Cocos)	IAS 32, IAS 39	–	-
Corporate operations	IFRS 3, IAS 27, IAS 28, IAS 31	19	27
Tax credit and tax impact of balance sheet revaluation	IAS 12	13	13
2. Other deficiency items			
Related-party transactions	IAS 24	1	12
Going concern and liquidity	IAS 1, IFRS 7	–	13
Property, plant and equipment and intangible assets	IAS 16, IAS 38	10	7
Segment reporting	IFRS 8	2	7
Correction of errors and events after the reporting period	IAS 8, IAS 10	2	4
Revenue recognition	IAS 18	9	11
Share-based payment transactions	IFRS 2	–	3
Related-party transactions	IAS 24	1	12

Source: CNMV. (1) Includes 13 entities sent deficiency letters for going concern and liquidity.

7 The *Report on the review of the annual financial reports filed with the CNMV. 2013* sets out the main areas for review in annual accounts corresponding to the year 2014. This article is available at: https://www.cnmv.es/DocPortal/Publicaciones/Informes/IA_2013_en.pdf

Table 9.2 shows the main areas giving rise to the largest number of deficiency letters sent to listed companies, itemising separately the deficiency letters relating to priority review areas highlighted in the *Report on the review of the annual financial reports filed with the CNMV. 2012* and other issues coming to light.

As a result of the supervisory actions performed on the qualified opinions for exceptions, two issuers restated their annual accounts. One of the issuers did so in order to register the effects of qualifications initially revealed by the auditor. Specifically, the company had not registered the debt interest accrued as from the declaration date of voluntary insolvency proceedings and a liability relating to a claim. In the other case, the CNMV has not yet received the restated accounts with regard to which the auditor gave a disclaimer of opinion and in which the company undertook to restate the accounts so as to resolve the situation, which it communicated by means of a significant event. With regard to another three auditor's reports, corresponding to two issuers, the auditor declared that the qualifications were fully corrected in the financial statements at 30 June 2014, with the restating of the comparative figures at 31 December 2013.

In addition, breaches were detected in the annual accounts of two issuers, which will be corrected at year-end 2014 by restating the comparative information. In both cases, the issuers set out the effect of correcting the error included in the 2013 financial statements in their deficiency letter responses, and have undertaken to amend the accounting treatment in the 2014 annual financial report, in accordance with IAS 8: Accounting policies, changes in accounting estimates and errors.

Since 2010, the financial disclosures of securitisation funds are also subject to two levels of review: formal and substantive. As a result of the issues identified in the substantive review, conducted on a sample of funds, letters of recommendation for future accounting closes were sent to the managers of securitisation funds, in addition to six deficiency letters for them to: i) provide additional information on presentation, recognition or measurement policies; ii) enlarge on the itemised information published in the notes to the annual accounts; and iii) correct accounting errors of registration, presentation or measurement at future accounting closes, which, for their immateriality, do not require the restating of the current year's accounts or correction of the half-yearly financial reports.

9.1.2 Half-yearly and quarterly reporting

Issuers of securities listed on an official secondary market or on any other regulated market domiciled in the European Union, where Spain is the home Member State, are obliged to send financial information to the CNMV on a quarterly and half-yearly basis.[8] The review of this information has a narrower scope than that of the annual accounts (interim financial statement forms contain summarised information). As a result of this review, 12 companies were sent letters requiring them to supplement or amend their periodic statements.

44.6% of issuers (40.6% in the same period of 2013) submitted their abridged financial statements for the first half of 2014 to some type of review by auditors. This percentage climbs to 91.2% if we only consider Ibex 35 companies (85.3% in

8 Article 35 of the Securities Markets Act 24/1988, of 28 July.

2013). When full audits are performed (11 companies), the auditor provides reasonable assurance regarding the reliability of the interim financial statements, while in limited reviews (75 companies) the assurance is only moderate. No qualified opinions were issued by the auditors.

9.1.3 Other key issues related to financial reporting

Listed companies undergoing insolvency proceedings

In the exercise of its powers, and given the significant impact which it may have on the financial statements of affected listed companies, in 2014 the CNMV sent notices to five companies that had applied for a voluntary creditors' meeting or availed themselves of the provisions of Article 5 *bis* of the Insolvency Act[9] requesting additional information on their financial position and net worth.

In addition, the CNMV proposed the appointment of an insolvency administrator at four listed companies (seven in 2013) in accordance with Articles 27 and 28 of the Insolvency Act.[10] Furthermore, the CNMV held several meetings in 2014 with the insolvency administrators of listed companies undergoing insolvency proceedings so as to learn about the development of these processes.

Working group on overlapping

A working group was set up in 2014 to identify possible overlapping in the regulated information published by issuers and to propose recommendations to avoid duplication in the different items of information which listed companies are required to publish. This working group was included in the CNMV's Plan of Activities for the year.

The programme of the working group has been to: i) analyse the European and Spanish regulatory framework with regard to preparing the main documents making up the regulated financial reporting by issuers, ii) identify overlaps or duplication existing between them and iii) propose legislative changes and recommendations necessary for their elimination.

Numerous meetings were held during the year in order to specify the group's recommendations. However, following the recent publication of Law 31/2014, of 3 December, amending the Capital Companies Act for the improvement of corporate governance, the group has considered it appropriate to reassess its impact and the final recommendations are expected to be published in 2015.

9 Notification by the debtor to the competent court that it has begun negotiations with creditors in order to secure a refinancing agreement.

10 In the case of companies issuing securities listed on an official secondary market, the insolvency administrator shall be a member of the CNMV's technical staff or some other person it proposes, provided that person is an economist, business graduate or account auditor with five years of professional experience, and proven specialisation in insolvency matters.

Guidelines on enforcement of financial information

EXHIBIT 9.1

On 28 October 2014, ESMA published a document with guidelines on the enforcement of financial information[1] which entered into force on 29 December. These guidelines replace Standards 1 and 2 on the enforcement of financial information published by the Committee of European Securities Regulators (predecessor of ESMA) in March 2003 and April 2004, respectively.

The guidelines apply to all competent authorities in Member States of the European Union supervising the enforcement of financial information under the Transparency Directive.[2] They are also applicable to the competent authorities of countries from the European Economic Area which are not EU Member States, in so far as the Transparency Directive is applicable in these countries. Their aim is to ensure that the financial information contained in the harmonised documents published by issuers whose securities are admitted to trading on a regulated market comply with the requirements resulting from said Directive.

Their aim is to establish effective supervisory practices which ensure the common, uniform and consistent application of EU legislation. The objective is to ensure a common approach to the enforcement of financial information in the European Union under the Transparency Directive with the aim of achieving a proper and strict enforcement regime to underpin investors' confidence in financial markets and to avoid regulatory arbitrage.

The guidelines are principle-based and are therefore flexible in their application. They set out what characteristics enforcers should possess, describe selection techniques that should be followed and other aspects of enforcement methodology, describe the types of enforcement actions that should be made use of by enforcers and explain how enforcement activities are coordinated within the framework of ESMA.

The document makes reference to the background, objective and concept of enforcement and includes 18 guidelines on the following areas: i) scope of enforcement, ii) European enforcers, iii) pre-clearance, iv) selection methods, v) examination procedures, vi) enforcement actions, vii) European coordination, viii) emerging issues and decisions, and ix) reporting.

In accordance with Article 16 (3) of Regulation (EU) No. 1095/2010,[3] the competent authorities shall make every effort to comply with ESMA guidelines, incorporating them into their supervisory practices. In addition, each competent authority subject to application of the guidelines should indicate to ESMA whether it complies or intends to comply with the guidelines, and in the event that it does not comply or does not intend to comply, it should state its reasons. In this regard, on 15 December 2014, the CNMV informed ESMA of its intention to comply with these guidelines.

1 http://www.esma.europa.eu/system/files/2014-esma-1293en.pdf.

2 Directive 2004/109/EC, of the European Parliament and of the Council, of 15 December 2004, on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (amended by Directive 2013/50/EU, of the European Parliament and of the Council, of 22 October 2013).

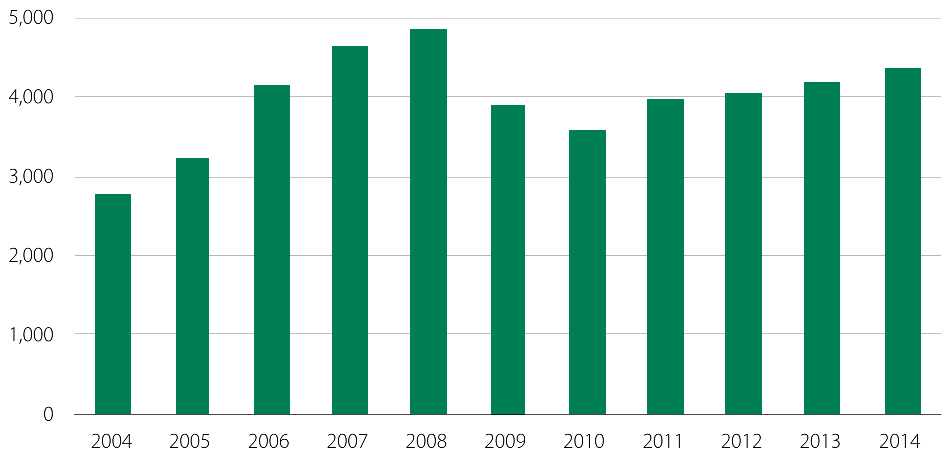
3 Regulation (EU) No. 1095/2010, of the European Parliament and of the Council, of 24 November 2010, establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/77/EC.

9.2 Information relating to significant shareholders, directors, senior officers and treasury shares

The reporting of significant shareholdings and director and senior officer transactions, and the disclosure of listed company own share transactions (hereinafter notifications) are governed by Royal Decree 1362/2007, of 19 October, implementing the Securities Market Act 24/1988, of 28 July, with regard to the transparency requirements of issuers whose securities are listed on an official secondary market or on another regulated market of the European Union (Royal Decree on Transparency), and by Royal Decree 1333/2005, of 11 November, implementing the Securities Market Act 24/1988, of 28 July, with regard to matters of market abuse (Royal Decree on Market Abuse).

A total of 4,366 notifications were validated in 2014, an increase of 4.5% on 2013. By subject, 54% corresponded to directors (60% in 2013), 27% to non-director significant shareholders (20% in 2013), 14% to senior officers (15% in 2013) and the remaining 5% to treasury share transactions (same percentage as in 2013).

No. of notifications registered FIGURE 9.2



Source: CNMV.

Notifications cancelled and rectified

Validated notifications accounted for 90% of all those received (4,850), with the remainder either cancelled or replaced by new notifications. The number of notifications cancelled due to error was 4.72% lower than in 2013.

Most cancelled notifications are cancelled at the request of the CNMV when it detects errors, omissions or inconsistencies in the course of its supervisory work. As in previous years, the most common reasons for rectification were: i) errors in the date, price or volume of reported transactions; ii) incomplete information regarding the indirect ownership of voting rights, caused, for example, by a failure to identify the chain of control of the companies through which the obligated party exercises control of the declared voting rights; and iii) inconsistency between the initial position declared by the obligated party in its new notification with the final position declared in the last notification registered. Another frequent error is that, after increases or reductions in the listed company's capital, obligated parties make erroneous disclosures of the total number of the issuer's voting rights and/or their own percentage holding.

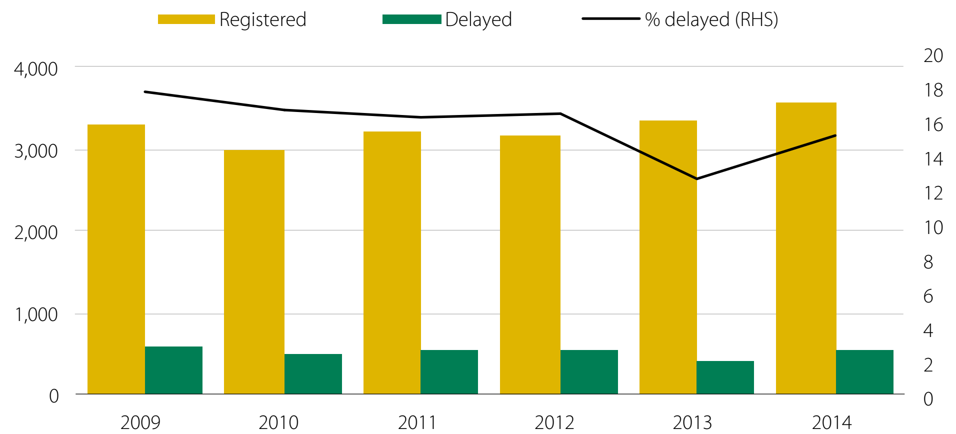
44% of cancelled notifications were filed by directors, 42% by significant shareholders, 8% corresponded to company declarations of treasury share transactions and the remaining 6% to members of the listed company's senior management.

Notifications submitted late

A total of 631 notifications (517 in 2013) were received outside the maximum time frame established by the regulations, equating to 14% of the total compared with 12% in 2013. 84% of late notifications were submitted by directors and significant shareholders (81% in 2013).

The proportion of notifications filed in 2014 with a delay of fewer than seven days was 45.6% (43.9% in 2013). Delays exceeding 90 days fell to 19.0% (24.1% in 2013).

Director and significant shareholder notifications submitted late FIGURE 9.3



Source: CNMV.

Notifications relating to non-director significant shareholders

Under the Royal Decree on Transparency, the first notification threshold for significant shareholder voting rights is set at 3% of share capital. If the shareholder is resident in a tax haven, this notification threshold drops to 1% and its respective multiples. The average annual number of notifications per significant shareholder stood at four (three in 2013). The 1,187 notifications received in 2014 (800 in 2013) concerned significant shareholdings at 111 listed companies (the same number as in

2013) and were submitted by 290 separate shareholders (238 in 2013). Table 9.3 gives a breakdown of notifications received, grouped by intervals of voting rights and the market capitalisation of the companies involved.

No. of notifications regarding significant shareholder voting rights TABLE 9.3

	Total notifications	Under 5%	5% to 30%	30% to 50%	Over 50%
Ibex 35	359	256	77	5	21
Over 500 million euros	384	216	94	69	5
Under 500 million euros	440	270	147	8	15
Other notifications[1]	4	1	3	–	–
Total	**1,187**	**743**	**321**	**82**	**41**
% of total	**100**	**63**	**27**	**7**	**3**

Source: CNMV. (1) EDP/Saint Croix.

Shareholders must also notify the CNMV of the purchase or transfer of financial instruments which entitle the holder to acquire a significant shareholding in terms of voting rights. 12 notifications of this type were received in 2014 (14 in 2013).

Notifications relating to directors

The Royal Decree on Market Abuse obliges directors of listed companies to disclose all transactions involving shares or financial instruments whose underlying instrument is shares of the listed company on whose board they sit. Such transactions are notifiable whether the director makes them directly or indirectly through third parties or persons with whom they are closely linked. In addition, the Royal Decree on Transparency obliges directors to disclose their final position in voting rights or financial instruments. As shown in Table 9.4, in 2014 a total of 716 directors submitted 2,095 notifications on 122 companies, a fall of 9.1% on the number of notifications received in 2013.

No. of notifications regarding director voting rights TABLE 9.4

	Issuers			Notifications			Directors		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Ibex 35	34	30	34	1,203	1,230	1,203	327	265	322
Over 500 million euros	17	20	26	254	433	331	118	122	161
Under 500 million euros	72	68	60	849	615	555	305	260	250
EDP/Saint Croix	1	4	2	10	27	6	9	22	6
Total	**124**	**122**	**122**	**2,316**	**2,305**	**2,095**	**749**	**669**	**739**[11]

Source: CNMV.

11 The number of directors shown in the table differs from the 716 indicated in the preceding paragraph as the data in the table takes into account directors who exercise their office in different companies which may belong to different capitalisation groups.

A total of 249 notifications received in 2014 referred to financial instruments (225 in 2013) affecting 25 listed companies (same number as in 2013), 20 of which are Ibex 35 members. The Royal Decree on Transparency also makes it mandatory to disclose delegations of voting rights received or granted for general shareholders' meetings. In 2014, the CNMV received 11 notifications relating to proxy voting rights for the general shareholders' meetings of four companies (13 notifications about seven companies in 2013).

Notifications relating to senior officers

The Royal Decree on Market Abuse obliges the senior officers of listed companies to disclose all acquisitions or transfers, whether direct or indirect (through closely related third parties), of financial instruments whose underlying instrument is shares in the listed company where they work. They are exempt from disclosing the final position. A total of 626 senior officer notifications were received in 2014 (627 in 2013). This type of communication affected the shares of 42 companies (43 in 2013).

Disclosure of treasury share transactions

According to the Royal Decree on Transparency, issuers of securities listed on an official secondary market or any other regulated market domiciled in the European Union which have Spain as their home Member State are obliged to notify the CNMV of the share of voting rights in their possession when they make acquisitions amounting to or exceeding 1% of the company's total voting rights. Since April 2009, the ceiling for treasury shareholdings under the Corporate Companies Act stands at 10% versus 5% previously. In 2014, the CNMV validated a total of 197 notifications of treasury share transactions (208 in 2013) which affected 58 issuers (55 in 2013). Table 9.5 shows the breakdown of notifications received last year, grouped by market capitalisation and percentage of final holdings of treasury shares.

No. of treasury share notifications according to final position TABLE 9.5

	Total notifications	Under 1%	1% to 2%	2% to 3%	3% to 4%	4% to 5%	Over 5%
Ibex 35	131	85	25	1	-	-	20
Over 500 million euros	18	13	1	-	1	-	3
Under 500 million euros	48	23	7	7	2	1	8
Total	**197**	**121**	**33**	**8**	**3**	**1**	**31**

Source: CNMV.

Shareholder agreements and actions in concert

The Capital Companies Act[12] requires disclosure of any shareholder agreements affecting listed companies or their controlling shareholders. Such notifications are registered as significant events. An agreement may regulate the exercise of voting

12 Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Corporate Companies Act.

rights or restrict the free transferability of shares. In the first case, the CNMV analyses its effect on significant shareholding notifications. The CNMV received a total of 33 notifications of shareholder agreements in 2014 (14 in 2013), affecting 18 listed companies (nine in 2012).

The Royal Decree on Transparency stipulates that any agreement entered into with a third party whereby the parties use their voting rights to impose a lasting common policy in relation with the company's management or to significantly influence the course of the same must be notified as a concerted action. A total of 18 concerted action notifications were registered in 2014 (10 in 2013), involving shareholders at 12 listed companies (five in 2013).

9.3 Corporate governance

In 2014, 142 public listed companies, three savings banks and 32 fixed-income issuers filed their 2013 annual corporate governance reports (ACGRs), as provided in Article 61 *bis* of the Securities Market Act, Article 31 *bis* of Royal Decree-Law 11/2010, of 9 July, on the governing bodies and other aspects of the legal regime of savings banks (Spanish acronym: LORCA) - replaced by Article 31 of Law 26/2013, of 27 December, on savings banks and bank foundations - and the third additional provision of the Transparency Act 26/2003, of 17 July. In general, there were no incidents of note with the electronic transmission and reception of the reports, though notices were sent to nine companies (the same number as in 2013) for filing after the deadline or for failing to include the ACGR in their management report.

On the basis of companies' ACGRs, the CNMV prepares and publishes an annual report in which it analyses, in aggregate terms, issuers' main corporate governance practices and disseminates a wide range of statistical data for each individual entity.[13]

9.3.1 Most significant aspects of listed companies' governance practices

This section reports on the most important aspects and trends in the corporate governance practices of listed companies as reported in their 2013 ACGRs.

Application of the "comply or explain" principle

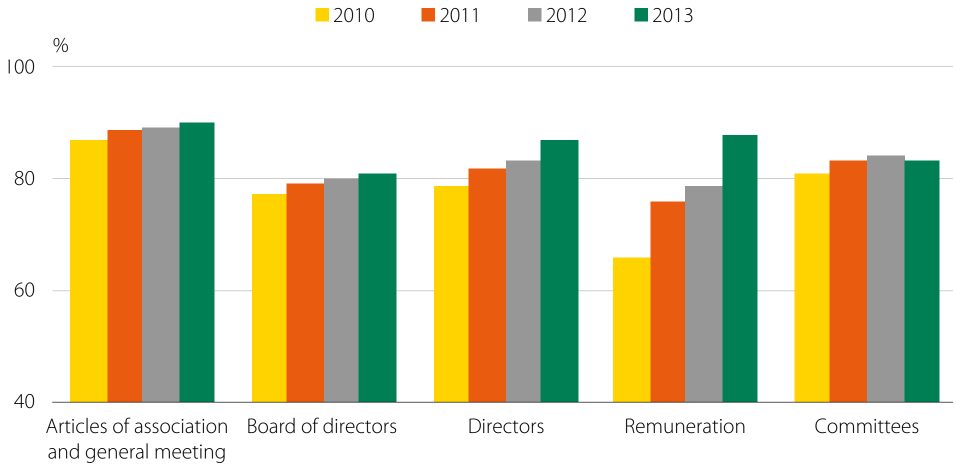
Article 61 *bis* of the Securities Market Act requires listed companies to include in their ACGR information on the level of compliance with corporate governance recommendations or, where appropriate, an explanation of any failure to comply. The 2013 ACGRs show that, on average, listed companies fully complied with 84% (82.4% in 2012) of the recommendations of the 2006 Unified Code of Good Governance of Listed Companies (updated in 2013) and partially with another 7% (7.1% in 2012). Companies generally complied with the obligation to provide explanations in the cases where they did not comply with the recommendations, although the quality of such explanations did not improve significantly on the previous years, except in Ibex 35 companies, as revealed in the sample review of explanations performed by the CNMV.

13 These CNMV reports are available at http://www.cnmv.es/Portal/Publicaciones/PublicacionesGN.aspx?id=21

As in previous years, Ibex 35 companies present an average percentage of compliance (93.7%) higher than the average recorded by listed companies as a whole. 65% of listed companies (53.4% in 2012) reported higher compliance with the Unified Code than in the previous year.

Figure 9.4 tracks average compliance with the Unified Code recommendations, with a breakdown by category.

Degree of compliance with Unified Code recommendations FIGURE 9.4

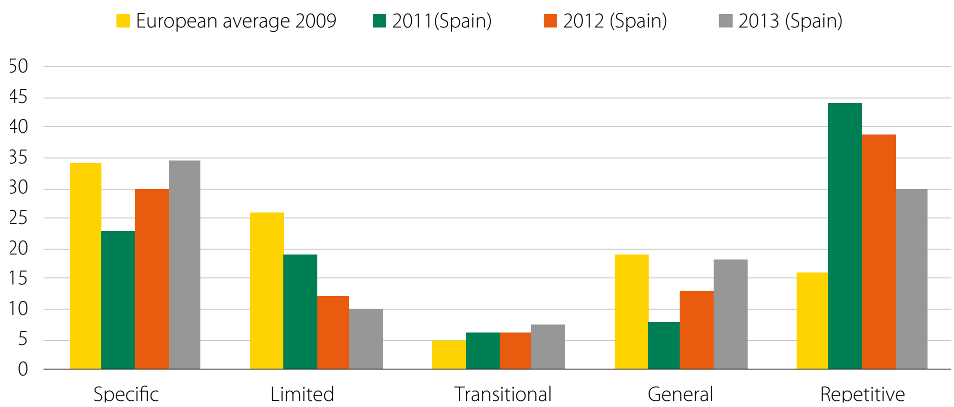


Source: Companies' ACGRs and CNMV.

As in previous years, the CNMV analysed a sample of 367 explanations included in the 2013 ACGRs (33.3% of the total) on the ten least followed Unified Code recommendations. Except among Ibex 35 companies, this analysis once again found no clear progress in the quality of the companies' explanations for departing from the Code in the 2013 ACGRs.

Much of the information analysed was considered excessively vague and repetitive, and a number of companies have been sent requests to provide clearer and more specific information or to adopt measures in this direction in the future. Figure 9.5 tracks the results of the analysis performed by the CNMV over the last three years set alongside the European average for 2009.

Classification of explanations 2011-2013 FIGURE 9.5



Source: Companies' ACGRs and CNMV.

As a result of the review of the criteria used to inform on the level of compliance with the Unified Code recommendations or to explain the reasons for departure, the CNMV sent notices to 16 companies (21 both in 2012 and in 2013), including ten Ibex 35 companies, requesting additional information, more detailed explanations or corrective action with regard to 30 of the Code's 53 recommendations. Most of the letters sent included guidelines on how to improve the quality of the explanations given when not following the recommendations.

In other cases, the notices requested clarifications on discrepancies or inconsistencies between the information disclosed in the ACGR and other publicly available information on the company, its shareholders or directors.

Key new aspects of the new Good Governance Code of Listed Companies EXHIBIT 9.2

On 18 February 2015, the CNMV Board approved the new Good Governance Code of Listed Companies, which was drawn up with the support and advice of the Committee of Experts established through a Resolution of the Council of Ministers on 10 May 2013.

The new text replaces the Unified Code approved by the CNMV in 2006 and amended in 2013. This completes a reform of the legislative framework for corporate governance in Spain, which began with the recent reform of the Capital Companies Act.[1]

The new Code has been drawn up taking into account international standards and the recommendations of the European Commission, summary reports and proposals from international organisations, doctrinal contributions and the legislation of other countries, and is made up of 64 recommendations. A total of 23 new recommendations have been added, 12 recommendations have been eliminated as their content has been incorporated into the Capital Companies Act, while another 21 have undergone amendments.

One important new aspect of the text, with implications beyond its merely formal nature, is that the principles acting as the basis for the different recommendations have been identified. In total, the Code specifies 25 principles which aim to transmit the business management conduct that needs to be strengthened. As examples of the principles, the Code states that companies should avoid clauses in their articles of association whose underlying purpose is to hinder possible takeover bids, they should give clear information concerning their degree of compliance with recommendations and they should maintain a publicly disclosed policy for communication and contact with shareholders, institutional investors and proxy advisors.

The 64 recommendations which have been included in the Code are grouped into three main blocks: general aspects (recommendations 1 to 5), general shareholders' meeting (6 to 11) and board of directors (12 to 64). Particularly noteworthy are the recommendations relating to the treatment of corporate social responsibility (CSR), director remuneration and the favouring of gender diversity on the board.

The Code therefore implements CSR recommendations for the first time. Specifically, the Code recommends that the company should report on corporate social responsibility in a separate document or in the management report and that its policy in this regard should identify, among other aspects, its goals, the corporate strategy with regard to sustainability, the mechanisms for supervising non-financial risk and ethics, the channels for stakeholder communication and responsible communication practices which prevent the manipulation of information.

With regard to director remuneration, the Code recommends that the variable components should be linked to predetermined and measurable performance criteria. It also recommends that payment of a major part of variable remuneration components should be deferred for a long enough period to ensure that the performance criteria have been met.

It is also important to point out two other significant recommendations with regard to director remuneration: i) contractual arrangements should include a clause that allows companies to reclaim variable components of remuneration when payment was out of step with performance and ii) termination payments should not exceed an amount equivalent to two years' total annual remuneration.

The Code recommends that the board of directors should approve a selection policy that favours gender diversity. Specifically, it proposes that the policy should pursue the goal of having at least 30% of total board places occupied by women directors by 2020.

Other important new aspects are as follows: i) independent directors should be at least half of all board members (a third in certain cases), ii) proposals from the board to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights should not exceed 20% of the capital, and iii) in order to promote information transparency and informed voting of shareholders at the general meeting, companies should publish certain reports (report on auditor independence, reviews of the operation of the audit committee and the appointments and remuneration committee, audit committee report on related-party transactions, and report on corporate social responsibility policy) on their websites well in advance of the general meeting and they should broadcast the meetings live on the corporate website.

Compliance with the Code recommendations is voluntary. However, the Capital Companies Act, in accordance with the "comply or explain" principle, requires companies to report the level of compliance with recommendations in their annual corporate governance reports. For this system of voluntary compliance and mandatory explanation to work, it is necessary for companies to clearly explain their reasons for departing from the recommendations.

The Code will enter into force in 2015 and companies will therefore start to report on their compliance in the annual corporate governance reports corresponding to that year, which will be submitted to the CNMV in 2016.

1 Law 31/2014, of 3 December, amending the Capital Companies Act to improve corporate governance.

Compliance with the requirements inherent to different categories of directors

Article 8 of Order ECC/461/2013, of 20 March, setting out the content and structure of the annual corporate governance report, the annual remuneration report and other reporting instruments of public listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets, establishes the definitions corresponding to each category of director which public listed companies should take into account when preparing their annual corporate governance report.

The annual review of compliance with the requirements inherent to the different categories has revealed some residual situations which might question the accuracy of the classifications of some members of the board (nine directors at seven companies in 2013 compared with nine directors at eight companies in 2012). The CNMV has consequently sent letters to the companies in question requiring additional information, clarification or, where appropriate, publication of a supplementary note with the new classification of the affected directors.

As in previous years, cases were found of directors having direct or indirect business dealings with the company or a significant shareholder that, were they more substantial, could have barred them from being classed as independent. In other cases, the incidents detected related to directors who held offices in other group companies.

In most cases, the companies provided clarifications or additional information which demonstrated that they were not breaching the rules.

General Shareholders' Meeting

The average percentage of capital taking part in general meetings held in 2013 was 70.6% (71.1% in 2012). This participation rate was again inversely proportional to companies' free float, such that the highest attendance rates tended to go with the lowest percentages of free-floating equity.

Physical attendance remained the most popular option for shareholders to participate at general meetings (37.4% in 2013 and 38.2% in 2012). However, the proportion of companies whose shareholders use a remote voting system, which had increased continuously since 2008, from 12.3% in that year to 29.5% in 2012, fell slightly to 27.5% in 2013.

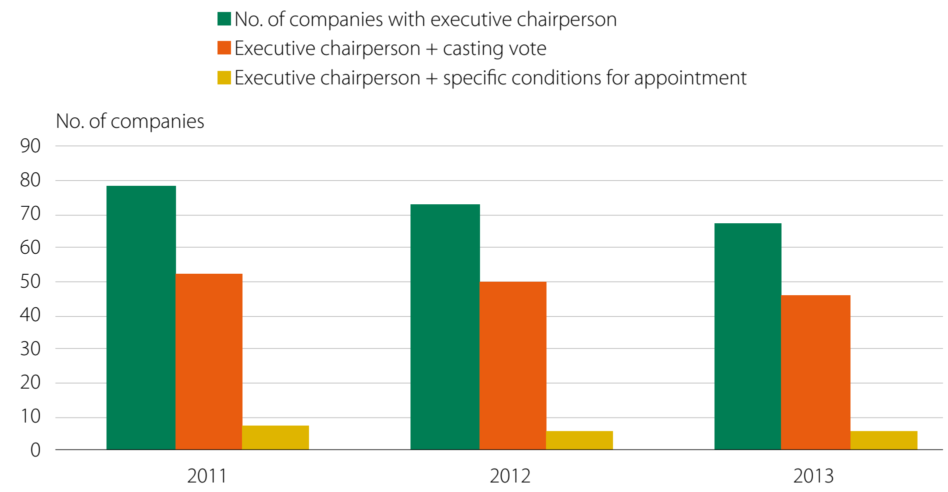
Board of directors and director categories

The total number of board members of listed companies fell to 1,409 (1,487 in 2012). 34.1% of board members belong to Ibex 35 companies (33% in 2012).

The average board size fell to 9.9 members (13.7 in Ibex 35 companies). In 2013, the board size ranged between the minimum of five and the maximum of 15 members recommended in the Unified Code in 83.1% of companies (87.7% in 2012). Boards with over 15 members were once again mainly within the Ibex 35 group.

Executive directors continued to dominate among the chairpersons of listed company boards (58.5% in 2013). Only 5.6% of directors chairing the board belong to the independent category (5.5% in 2012). As shown in Figure 9.6, in 47.2% of the companies, the chairperson takes on the functions of chief executive.

Chairperson/Chief executive FIGURE 9.6



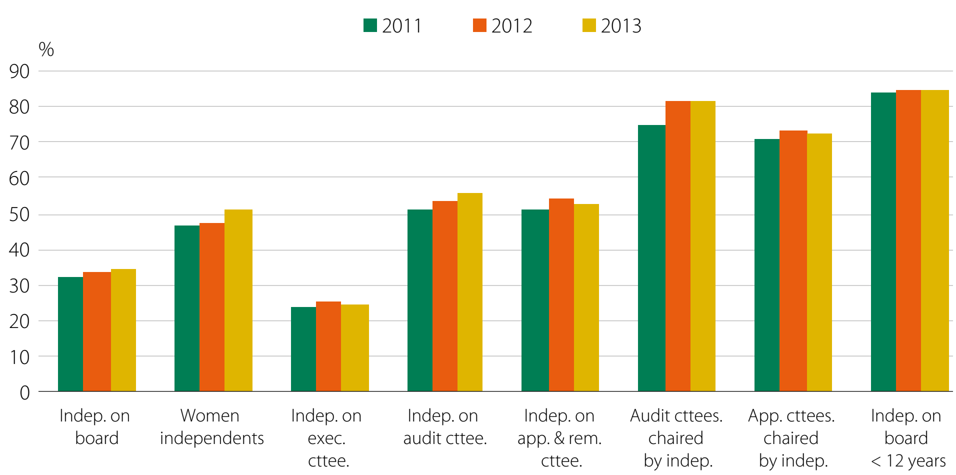
Source: Companies' ACGRs and CNMV.

However, 95.1% of companies (94.5% in 2012) had a majority of non-executive members on their boards. Director length of service remained substantially unchanged, although this grew slightly on previous years. Executive directors were again the longest serving (11.1 years), followed by proprietary directors (eight years).

Independent directors were those serving least time on average (seven years), while the number who had held directorships for over 12 years decreased in 2013. Specifically, 15.1% of independent directors had accumulated over 12 years' service at year-end 2013, compared with 15.6% in 2012. If the current directors remain in office in 2014, it is estimated that 18% of independent directors would by then exceed the legally established tenure.

As in the previous year, the proportion of independent directors, on an aggregate level, was above the minimum of one third recommended by the Unified Code (34.8%). The number of companies which do not have any independent director on the board remains stable (below 5%).

Presence of independent directors on governing bodies FIGURE 9.7



Source: Companies' ACGRs and CNMV.

Figure 9.7 tracks the progress of the main variables indicating the presence of independent directors on the governing bodies of listed companies.

Board committees

In 2013, 90% of companies had an appointments and remuneration committee (89% in 2012) and 40.1% (39.7% in 2012) had set up an executive committee. All listed companies are required to operate an audit committee.

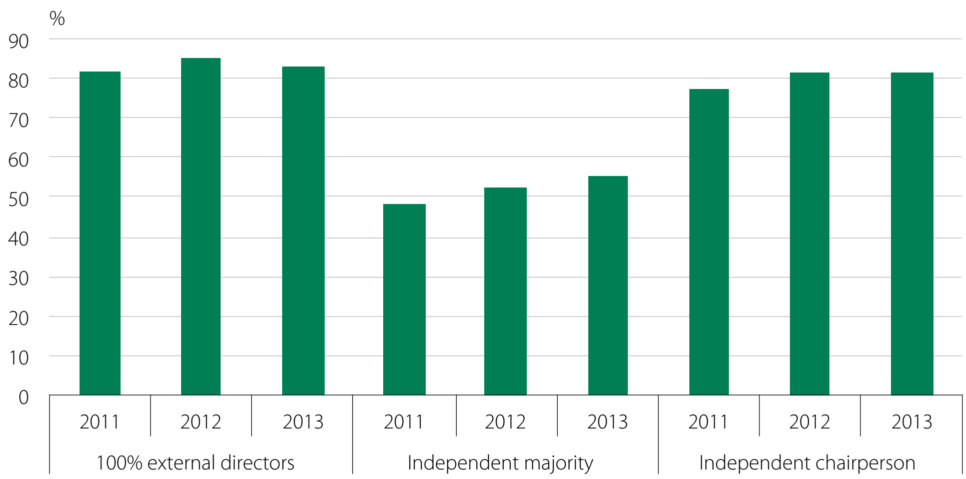
The eighteenth additional provision of the Securities Market Act establishes a series of requirements for the composition of issuers' audit committees. The CNMV reviews compliance with these requirements for a sample of 50 companies. The results obtained in the 2013 review are as follows:

– Three companies (the same number as in 2013) had incidents pending rectification at year-end 2014. As in previous years, they were sent written notices. The three companies will be subject to monitoring in 2015.

– The three incidents pending rectification were due to the company's failure to appoint an independent director to their audit committee.[14]

The proportion of external directors on the audit committee fell slightly from 95.1% in 2012 to 94.8% in 2013. The percentage of external directors on the appointments committee also fell slightly, from 95% in 2012 to 94.4% in 2013.

Composition of the audit committee FIGURE 9.8

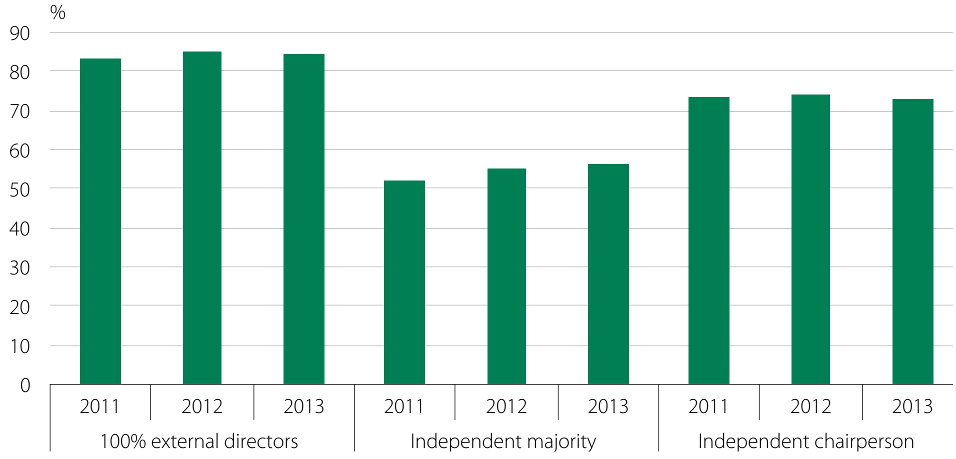


Source: Companies' ACGRs and CNMV.

As in previous years, both committees have a higher proportion of independent directors than the board (34.8%). The audit committees and the appointments and remuneration committees were mostly chaired by independent directors.

14 With entry into force of the Capital Companies Act, the audit committee should have at least two independent directors.

Composition of the appointments and remuneration committee FIGURE 9.9



Source: Companies' ACGRs and CNMV.

The executive committee representation of executive directors rose slightly to 30% (28.4% in 2012), while that of proprietary and independent directors fell in 2013 to 39.9% and 24.6%, respectively (41.3% and 25% in 2012).

Mandatory financial reporting and account auditing

Listed companies are required to state in their ACGRs whether their separate and consolidated accounts are signed off before their submission to the board, and, if so, which officers are responsible for such verification.

63 companies (44.4% of the total and one more than in 2012) had their 2013 annual financial statements signed off by the responsible officers before their drafting or approval by the board, including 26 Ibex 35 companies (74.3%).

Risk management

Listed companies should describe their risk management policy and control systems in their ACGRs, identifying the potential risks they face, the risks materialising in the year and the body in charge of establishing and supervising control mechanisms.

As in previous years, a large majority of firms confirmed the existence of risk management systems in their ACGRs, though not all of them provided details on the system's actual contents.

The main potential risks that companies identified were: in the financial sector, those resulting from restructuring and reorganisation processes and the new capital requirements, which have reduced the lending capacity of banks, as well as the increase in non-performing loans; in the energy sector, regulatory changes, credit risk and volatile commodity prices; and in the construction sector, a fall in activity as a result of the reduction in government investment and services.

Among the most frequent risks reported as materialising in the period were: loss of asset value, scarcity and price volatility of raw materials, regulatory changes and adverse weather conditions.

84.5% of companies named the audit committee as the body in charge of establishing and supervising the relevant control systems. Other companies named the board itself, the internal audit function, other bodies or did not specify the body.

Disclosure of related-party transactions

The volume of related party transactions performed by listed companies in the first half of 2014 totalled 170.7 billion euros, a fall of 15.1% on the same period of the previous year. 57.9% of these transactions were performed with significant shareholders; 33.2% with persons, companies or entities in the same group; 0.9% with directors and senior officers; and the remainder with other related parties. The equivalent percentages in the first half of 2013 were 50.5%, 38.9% and 0.6%, respectively. Table 9.6 shows the different types of transaction performed by listed companies in the first half of 2014, broken down by item and nature of the related party.

With regard to the transaction counterparties, in the first half of 2014, 97 companies reported 370 transactions with significant shareholders, 62 reported 148 transactions with directors and senior officers, 74 reported 343 transactions with persons or entities in their group, and 64 reported having performed 231 transactions with other related parties.

Related-party transactions. First half-year of 2014

TABLE 9.6

Million euros

	Significant shareholders		Directors and senior officers		Persons, companies or entities in the group		Other related parties	
	Amount	% 1HY 14/13	Amount	% 1HY 14/13	Amount	% 1HY 14/13	Amount	% 1HY 14/13
Financial expenses	185	-65.2	5	-3.5	119	23.9	172	9.6
Leases	1,623	-3.3	3	0.3	4	148.4	33	96.9
Services received	202	-35.6	22	-40.7	344	-14.0	245	14.7
Purchases of goods (finished or in progress)	3,694	37.3	8	4.8	4,134	3.5	24	59.3
Other expenses[1]	207	-42.6	25	-13.4	129	9.6	32	-61.2
Total expenses	**5,911**	**52**	**63**	**-23**	**4,730**	**2**	**505**	**12**
Financial income	334	-54.3	1	-4.6	356	-57.6	55	-71.3
Dividends received	16	-4.1	0	n.a.	198	27.4	62	-48.7
Services rendered	931	-15.5	2	2.8	578	-9.7	254	27.4
Sale of goods (finished or in progress)	1,173	-3.1	1	-27.4	745	-36.0	82	21.1
Other income[2]	442	94.8	0	-4.3	468	48.5	39	-80.9
Total income	**2,896**	**8**	**4**	**-9**	**2,345**	**-17**	**491**	**-43**
Credits and capital contributions	29,894	19.3	75	-9.8	16,881	-16.3	4,201	-34.8
Loans and capital contributions	9,965	-52.4	29	-91.1	10,738	-3.2	4,541	-34.8
Guarantees and sureties granted	260	-14.1	0	9.8	2,013	-11.2	322	128.5
Guarantees and sureties received	30,386	-9.7	988	42.2	2,522	-66.4	91	-48.9
Commitments acquired	861	2.9	5	38.5	8,851	-61.2	2,040	-16.4
Dividends and other profit distributions	2,994	218.1	33	-10.4	2	-14.8	59	-1.4
Other transactions[3]	25,601	27.2	279	856.2	8,579	-32.5	1,546	-37.8
Total other transactions	**89,962**	**-5**	**1,410**	**20**	**49,586**	**-30**	**12,800**	**-31**
Total	**98,768**	**-2.8**	**1,477**	**17.3**	**56,661**	**-27.6**	**13,796**	**-30.9**
% total	**57.9**	**–**	**0.9**	**–**	**33.2**	**–**	**8.1**	**–**

Source: PPI of listed companies (1st half-year). (1) Comprising management contracts, R&D transfers, value correction for uncollectable debts, losses on derecognition, and other expenses. (2) Comprising management contracts, R&D transfers, leases, gains on derecognition or disposal of assets, and other income. (3) Comprising the purchase of assets, leases, repayment of credits, sale of tangible assets, depreciation, commitments or guarantees, and other transactions.
n.a.: not applicable.

9.3.2 Annual report on directors´ remuneration

Ministerial Order ECC/461/2013, of 20 March, implements, for the first time in Spain, a unified model for publishing information on the remuneration of members of the boards of directors of listed companies. Although companies have been required to disclose this information since publication of the Sustainable Economy Act 2/2011, of 4 March, which introduced a new Article 61 *ter* in the Securities Market Act 24/1988, of 28 July, it was not until 2013 that a provision was established for a standardised format so as to facilitate analysis of the information in comparable terms.

The aforementioned order grants various powers to the CNMV, pursuant to which the CNMV board approved Circular 4/2013, of 12 June, establishing the standard forms for the annual report on the remuneration of the directors of listed companies and of the members of the boards of directors and oversight committees of savings banks that issue securities admitted to trading on official securities markets.

In 2014, the CNMV published for the first time an annual report on the remuneration of directors of Ibex 35 companies and another report on the remuneration of the directors of listed companies, which described in aggregate terms the main features of the remuneration policies and practices applied to their directors by the companies in question, obtained from the information included in the annual report on director remuneration published by each of these companies. Some of the most significant figures are shown below.

Remuneration accrued in 2013

The average remuneration per board and per director show a stable or downward trend with regard to the figures recorded in previous years, standing at 2.8 million euros and 285,000 euros, respectively, in 2013. These figures represent a 5.2% fall per board and a 1.4% fall per director compared with the remuneration accrued in 2012. Figure 9.10 tracks the remuneration per board by item.

Remuneration by item FIGURE 9.10

Source: Companies' ACGRs and CNMV.

In non-Ibex 35 companies, fixed remuneration is the most significant component making up remuneration, accounting for 53% of the total, compared with 55% in Ibex 35 companies. Variable remuneration, including the amount of the shares awarded and the gains on options exercised, accounts for 30%, expenses account for 11% and the rest corresponds to severance payments and other remuneration items.

9.4 Significant event notices received by the CNMV

The number of disclosures of material information registered in 2014 stood at 10,022, 1% up on the previous year. Table 9.7 provides a breakdown of significant event disclosures by type.

Significant event notices received by the CNMV TABLE 9.7

Type	2013	2014	% change 14/13
Financial instruments			
Capital increases and reductions	202	238	17.82
Public offerings for sale or subscription	70	64	-8.57
Dividend information	169	160	-5.33
Block trades	60	68	13.33
Trading halts and resumptions	35	39	11.43
Credit ratings	110	150	36.36
Securitisation funds	4,319	4,040	-6.46
Other financial instruments	912	967	6.03
Business and financial position			
Earnings information	1,453	1,444	-0.62
Insolvency proceedings	100	135	35.00
Other business and financial position	652	715	9.66
Corporate operations			
Transformations, mergers, spin-offs and liquidations	46	49	6.52
Strategic agreements with third parties	28	43	53.57
Transfers and acquisitions of shareholdings	211	224	6.16
Other corporate operations	301	283	-5.98
Corporate governance and official notices			
Notices and resolutions of general meetings and assemblies	502	525	4.58
Composition of board of directors	380	368	-3.16
Annual corporate governance report	187	179	-4.28
Other corporate governance	184	331	79.89
Total	**9,921**	**10,022**	**1.02**

Source: CNMV.

As in previous years, disclosures relating to “financial instruments” were once again the most numerous, accounting for 57.1% of significant events registered. The heading “business and financial position” accounted for 22.9% of the disclosures, “corporate governance and official notices” accounted for 14% and “corporate operations for 6%.

In terms of year-on-year changes, 151 fewer disclosures were registered under the heading of "financial instruments" (a reduction of 2.6% on the previous year). However, disclosures on "corporate governance and official notices" rose by 12%, disclosures on "business and financial position" by 4% and disclosures on "corporate operations" by 2.2%.

By type, as in 2013 under the heading of "financial instruments" there was a noteworthy fall of 6.5% in disclosures on securitisation funds (279 fewer disclosures), which explains most of the fall in the total number of disclosures registered under this heading. There were also a noteworthy increase of 17.8% in disclosures on capital increases and reductions, due to the growth in this type of corporate operation, a 36.4% increase in disclosures on credit ratings and a 13.3% increase in disclosures on block trades.

The largest relative increase under "business and financial position" took place in disclosures on insolvency proceedings (up 35%) although the proportion of this type of disclosure in the total remains low. Under the "corporate operations" heading there was a noteworthy increase of 53.6% in disclosures on strategic agreements with third parties. Finally, the main change under "corporate governance and official notices" was the growth in disclosures under the subheading of "Other corporate governance": 147 new disclosures, 80% up on 2013.

10 Supervision of the markets

One of the main functions of the CNMV is to ensure transparency and correct price discovery with the aim of guaranteeing orderly functioning of the market. With this aim, in 2014 the CNMV closely monitored compliance with the reporting obligations resulting from legislation on short selling, as well as those resulting from Section 59 *bis* (reporting transactions executed by intermediaries) and Section 83 *quáter* (reporting suspicious transactions) of the Securities Market Act. In addition, particular attention was paid to compliance with the legislation on trading of treasury shares, as well as the actions of the Market Monitoring Unit, which led to several disciplinary proceedings being opened for market abuse practices.

A particularly important regulatory change was the approval of the new European legal framework for markets in financial instruments, which will enter into force on 1 January 2017. The procedure for this new framework was complex and everything suggests that its development and implementation will also be complex. Exhibit 10.2 provides a summary of the work currently being performed by ESMA with this aim. Previously, Exhibit 10.1 summarises the amendments to the regulation on multilateral trading facilities provided for in the Draft Bill on Promoting Business Financing, which will particularly affect the Alternative Stock Market and the Alternative Fixed-Income Market. In addition, a summary of the content of the European regulation on central securities depositories is set out in Exhibit 10.3.

10.1 Significant actions by the CNMV in the various markets

The number of market transactions supervised by the CNMV in 2014 rose by 38% on 2013. The bulk of these transactions took place in the equity market, where the number of transactions rose by 46%. Supervised transactions in derivatives increased by a lesser, although still significant, amount (31%), while transactions in fixed income fell sharply (-60%) on the previous year.

The CNMV sent 30% fewer deficiency letters relating to market supervision than in 2013. It is important to bear in mind that this number had increased significantly in 2013 due to the supervisory activities performed under Regulation (EU) No. 236/2012, of the European Parliament and of the Council, on short selling and certain aspects of credit default swaps, essentially those relating to the analysis of sale of securities from the capital increase of Bankia in May, in the days prior to its admission to trading, which required the CNMV to send over 100 deficiency letters and to contact different supervisory bodies of European countries and other geographical areas. It should also be noted that the number of deficiency letters relating to the supervision of transaction reporting increased as a result of the intensification of this activity compared with previous years.

Summary of market supervision activities TABLE 10.1

Markets	No. of transactions (in thousands)	Deficiency letters	Reports		
			Supervision	To other bodies and agencies	Periodic
Equity					
2013	48,607	267	38	60	26
2014	70,921	169	56	37	26
Fixed income					
2013	977	15	9	111	12
2014	319	11	7	54	12
Derivatives					
2013	4,524	10	5	7	44
2014	5,954	2	3	5	43
Settlement					
2013	40,742	3			24
2014	47,946	2			24
Other					
2013		42	13		52
2014		54	10		46
Total[1]					
2013	90,750	337	52	178	158
2014	125,140	238	66	96	151

Source: CNMV. (1) In the case of deficiency letters and reports, the calculation includes one single action even though it simultaneously affects different areas. Therefore, it may not match the sum of the corresponding breakdowns by area shown in the table.

As indicated in Section 10.1.1, a significant part of the CNMV's supervisory tasks focused on monitoring compliance with the obligations resulting from Regulation (EU) No. 236/2012, in particular the following: i) the transparency regime, which includes notification and publication of net short positions; ii) compliance with the conditions for performing short sales; and iii) supervision of the use of the exemptions for market makers and operators in the primary debt market.

Investment funds and credit institutions have continued to comply with the obligation of Section 83 *quáter* of the Securities Market Act relating to the reporting of suspicious transactions, with no material change compared with the previous year.

As a continuation of the efforts which began in 2013 relating to supervision of compliance with the obligation to report transactions in financial instruments (Section 59 *bis* of the Securities Market Act), the CNMV increased the number of individualised analyses of companies in order to correct, as the case may be, the reported transactions.

10.1.1 Equity

Trading halts due to disclosure of information

Both the number of issuers affected by trading halts and the number of halts increased significantly in 2014, by 60% in the former case and by 32% in the latter.

The need to disclose information continued to be the most common reason. Specifically, it was the reason for 18 of the 25 agreed halts, three more than in 2013.

The main reasons behind the trading halts were, as in the previous year, accelerated book building for large packages of shares, sales of significant holdings, bankruptcy situations and takeover bids.

Temporary trading halts TABLE 10.2

	2013	2014
Number of issuers suspended	15	24
Number of halts	19	25
Due to disclosure of material information	15	18
Due to expiry of acceptance period for delisting bids	3	3
Other	1	4

Source: CNMV.

Unlike in the two previous years, the range of sectors of the companies affected by the trading halts increased. Nine sectors were affected by halts in 2014: real estate, retail and other services, energy and water, banking, new technologies, media, construction, chemical industry and other processing industries.

Accelerated book building for large packages of shares

A total of 22 accelerated book builds for large packages of shares took place in 2014, one more than in the previous year. These book builds affected a total of 20 issuers, one of which (Amadeus) was affected by three book builds. In one of the book builds (Liberbank), there was the combination of an accelerated book build of newly-issued shares with the accelerated book build of shares of the entity which were in the hands of some of its leading shareholders. The percentages of capital affected by the book builds ranged between 0.79% and 24.8%, with discounts which ranged between zero and 5.17%.

The placements carried out in 2014 generally met the criteria on accelerated book building for large packages of shares approved by the CNMV in 2007. The aim is to avoid a distorting effect on trading conditions and to preserve market integrity.

Except on one occasion, the significant event which reported the number of shares to be placed took place after the market closed. Following the placements, a significant event was reported in which companies disclosed the number of shares placed, the percentage of capital which they represented and the price applied.

In seven of the placements it was necessary to halt trading of the issuer's financial instruments prior to the start of the session until the placement was completed. The duration of the trading halt was 60 minutes, following the criteria applied in these situations.

During the placement process, the CNMV is in contact with the financial intermediary that has received the mandate from the issuer so as to monitor publication of the significant events corresponding to the start and close of the placement and in order to have information about the progress and level of acceptance.

There were various reasons behind the placements, which include new shares issued in order to meet the capital needs of the issuers or to raise funds for corporate operations, and old shares placed in order to allow a significant investor in the company to sell their shareholding or the issuer to sell treasury shares.

Treasury stock trading

European legislation is the main framework for preventing market abuse in treasury stock trading. In particular, European legislation provides certain safe harbours[1] for executing these transactions, which include the buy-back programmes and stabilisation programmes provided for in Commission Regulation No. 2273/2003, of 22 December 2003, implementing Directive 2003/6/EC, of the European Parliament and of the Council, as regards exemptions for buy-back programmes and the stabilisation of financial instruments.

The aforementioned regulation establishes that the sole purpose of buy-back programmes must be to reduce capital or to comply with obligations arising from: i) debt financial instruments exchangeable into equity instruments and ii) share option programmes and other allocations of shares to employees of the issuer or of an associate company. It also specifies the conditions for stabilisation programmes which are executed in order to provide support for the market price of the securities.

In 2014, the CNMV monitored the operations performed by issuers through buy-back programmes under Regulation (EC) No. 2273/2003, as well as compliance with transparency and operating conditions. Five issuers had buy-back programmes in force in 2014. Of these, three of the programmes aimed to buy back shares for their subsequent amortisation; one aimed to use the shares for share option programmes; while the remaining were for options programmes together with the exchange of debt financial instruments.

Monitoring of the operations performed within the framework of the stabilisation programmes was particularly intensive in 2014 as a consequence of the upturn in public offerings, some of which used this mechanism to support the placement price.

In addition to the "safe harbours" implemented by Regulation (EC) No. 2273/2003, of mandatory recognition by Member States, European legislation through Directive 2003/6/EC, of 28 June, on market abuse, also provides a list of accepted market practices which must be recognised on a national level. In the case of Spain, in accordance with Royal Decree 1333/2005, of 11 November, implementing the Securities Market Act in the matter of market abuse, the CNMV is empowered to decide which practices are accepted.

The CNMV has only accepted one of the practices listed in the Directive, which is regulated in CNMV Circular 3/2007, of 19 December, on liquidity agreements for the purposes of their acceptance as a market practice. The aim of these agreements

1 Provisions which recognise that certain practices or procedures do not breach the legislation.

is to favour the liquidity of trading and the regularity of share prices within the limits established by the issuer's general shareholders' meeting for the acquisition of treasury shares. The CNMV has been promoting their use by issuers as a mechanism for providing liquidity to the market.

In 2014, the CNMV continued to analyse the impact of these agreements on price discovery and to oversee compliance with the market operating and transparency conditions provided in Circular 3/2007. At year-end, a total of 21 issuers had liquidity agreements subject to Circular 3/2007, although in the case of one issuer whose securities were suspended from trading, the liquidity agreement was not operational.

Issuers and financial intermediaries have generally observed the obligations and limits contained in Circular 3/2007 and Regulation (EC) No. 2273/2003 with regard to transparency and operational requirements contained in the two pieces of legislation.

Finally, it should be highlighted that the CNMV has also analysed the treasury stock trading performed by various issuers under circumstances not provided for in the two aforementioned pieces of legislation.

In this case, the CNMV has taken into account the criteria it recommends for securities issuers and financial intermediaries in their discretionary treasury stock trading published in July 2013, which establish recommendations on the manner in which discretionary treasury stock trading should be carried out in terms of volume, price and time, internal organisation and control of the activity and on the disclosures to be made to the supervisor and to the market. The objective is ultimately to promote market transparency and contribute towards correct price discovery.

In November, the CNMV provided by means of a note on its website a list of issuing companies which have notified compliance with recommendations with regard to reporting discretionary treasury stock trading published by the CNMV on 18 July 2013.[2]

Study of additions and deletions in the Ibex 35 index

The CNMV analyses changes in the securities making up the Ibex 35 in order to determine whether they meet the technical rules regulating the index and, as the case may be, in order to detect possible distortions of trading in the market aimed at favouring a share remaining in or joining the index.

In 2014, the Technical Advisory Committee of the Ibex 35 agreed in its first ordinary review of June to remove Ebro Foods and replace it with Abengoa B. Subsequently, in its second ordinary review, held in December, it agreed to remove Viscofán and replace it with Endesa. The Technical Advisory Committee decided not to make any changes in its two quarterly monitoring meetings held in March and September.

The CNMV verified that the additions and removals took place in accordance with the technical standards regulating the index.

2 http://www.cnmv.es/DocPortal/GUIAS_Perfil/CriteriosAutocartera6112014.pdf.

Supervision of the obligations resulting from Regulation (EU) No. 236/2012, of the European Parliament and of the Council, of 14 March 2012, on short selling and certain aspects of credit default swaps

In 2014, the CNMV continued its supervisory work aimed at ensuring compliance with the obligations resulting from Regulation (EU) No. 236/2012, of the European Parliament and of the Council, of 14 March 2012, on short selling and certain aspects of credit default swaps. This Regulation was adopted with the aim of guaranteeing the correct functioning of the internal market and improving its conditions by establishing a common framework with regard to the requirements relating to short selling and the powers of the competent authorities.

The CNMV's supervision in 2014 focused on the following areas:

i) Transparency regime.

The Regulation establishes a transparency regime which not only includes notification of short positions in shares, but also in public debt and credit default swaps (CDS), when these are allowed.

The Regulation establishes the obligation to notify net short positions in shares which reach or fall below 0.2% of the capital, as well as each additional 0.1% in excess of that percentage. In addition, the Regulation establishes the obligation to disclose positions which reach or fall below 0.5% of the capital, as well as each additional 0.1% in excess of that percentage.

In 2014, the CNMV performed various supervisory actions aimed at verifying appropriate compliance with these obligations. As part of these activities, the CNMV performs an analysis of the notifications of net short positions and carries out periodic supervisions of notifications of net short positions of greater than six months so as to determine whether they remain in force or not. This work makes it possible to detect possible breaches of the regulation on short selling by those holders who have not updated their net short positions by means of the appropriate notification, which led to the CNMV sending several letters requiring information. This analysis also allows the CNMV to keep an updated and supervised register of the net short positions in listed issuers on Spanish markets.

The CNMV also continued assisting the financial industry in interpreting the regulation, which led to numerous enquiries, which in some cases are extremely complex.

In 2014, the CNMV received a total of 3,091 notifications of net short positions in shares, a daily average of 11.8 notifications. No notification of short positions in sovereign debt was received. There was therefore a significant increase compared with the number of notifications received in 2013 (up 57%), which suggests greater awareness among investors of the obligations indicated in the regulation. However, it is important to bear in mind that in January 2014 the ban on short selling agreed by the CNMV in 2012 remained in force.

A total of 166 investors reported short positions in 2014, mostly US and UK hedge funds, as in previous years. Only two Spanish entities sent notifications of this type.

At the end of the year, 48 issuers held net short positions, while a total of 68 were affected by short positions at some time during the year (63 issuers in 2013). The average of all the aggregate net positions weighted by market capitalisation stood at 0.601% of the capital at year-end 2014, compared with 0.365% at year-end 2013.

ii) Compliance with the conditions to perform short sales.

The CNMV made various interventions over 2014 with the aim of supervising the taking of net short positions in those securities for which the CNMV is the competent authority.

In these interventions, the CNMV analyses the transactions performed in the market which might be leading to net short positions in a security and analyses the transactions which might suggest indications of possible breaches of legislation on the securities market and the notifications of net short positions made to the CNMV. This led to the CNMV sending letters requiring further information, mostly to foreign investors. Cooperation from other competent authorities was sometimes requested.

The aim of these letters requiring further information was to determine the beneficial owner of the transactions; whether these transactions had led to net short positions; the evolution of net short positions over a specific period; the manner in which the net short position was taken (through a reduction in the long position, through derivatives or through short selling of shares) and, in the case of short selling, the CNMV requested supporting documentation of compliance with the conditions regulating this type of selling.

In this regard, it is important to bear in mind that Article 12 of the Regulation establishes the conditions which must be met in order to make short sales. Failure to comply with these conditions, unless the sale is made by the owner in its capacity as market maker, leads to an uncovered short sale and, therefore, a breach of the regulation.

With the aim of verifying compliance with these conditions, the CNMV analysed documentation corresponding to the loan agreements entered into, the enforceable claims and the arrangements with third parties which guarantee that, as the case may be, settlement of the sale can be made on the due date.

It is important to indicate that the conditions set out in Article 12 of the Regulation on short selling and the implementing rules of Commission Implementing Regulation (EU) No. 827/2012, of 29 June 2012, issued in implementation of the Regulation on short selling, also affect short selling of shares performed within the framework of intraday trading and therefore a failure to meet the conditions will be considered a breach even when the trading is settled with shares acquired subsequently over the session.

Finally, it is important to point out that Securities Market Act 24/1988, of 28 July, establishes the penalty system associated with breaches of the obligations related to short selling, which may be considered a very serious breach when, *inter alia*, the transaction increases the potential risk or a delay in settlement.

iii) Market making activities and primary market operations

Article 17 of the Regulation exempts market makers and operators in the primary debt market from certain obligations. These exceptions refer to the transparency regime (notification and publication of net short positions) and the restrictions on uncovered short sales of shares and sovereign debt.

While in 2013, the CNMV's work in this area mainly focused on evaluating the exemption requests under Article 17 of the regulation, in 2014 it performed various actions aimed at supervising the use of the aforementioned exception by the beneficiaries. This supervision took into account the general principles which must be met by entities which intend to make use of the exemption and the criteria which they must follow in their operations, which are indicated in the ESMA guidelines on the exemption for market making activities and primary market operations under Regulation (EU) No. 236/2012.

10.1.2 Fixed income

In its supervisory work in fixed-income markets, in 2014 the CNMV paid special attention to the following aspects:

– Early amortisation at par on residual balances carried out by several financial institutions and some industrial companies which had not been subject to buy-backs or exchanges in previous years, and in some cases obtaining significant premiums over market price, in order to rule out possible use of insider information.

– Overseeing compliance with fixed-income liquidity agreements, both relating to the presence of providers and the established ranges for quoted prices.

– Supervision of the activity of the Alternative Fixed-Income Market (Spanish acronym: MARF). On an additional basis, the CNMV used the available information to monitor OTC activity with regard to securities admitted to trading on this multilateral trading facility. Exhibit 10.1, which, as indicated above, offers a summary of the update of the regulation on MTFs provided in the Law on Promoting Business Financing, also provides a summary of activity on the MARF over 2014 (see also Section 3.3.2).

Multilateral trading facilities in Spain EXHIBIT 10.1

2014 was a mixed year in the activity of some of the multilateral trading facilities established in Spain, specifically the two created as an alternative for the business financing of companies which, for various reasons, are unable to access official markets or other traditional sources of financing. We are referring to the Alternative Fixed-Income Market (MARF), focused on private debt securities, and the Alternative Stock Market (Spanish acronym: MAB), which is focused on shares. Both these markets are managed by governing companies forming part of the Bolsas y Mercados Españoles (BME) group: the former by AIAF Mercado de Renta Fija, S.A. and the latter by BME Sistemas de Negociación, S.A. (BMESN), a company fully controlled by the four governing companies of the Spanish stock markets.[1]

MARF began operating in October 2013 although the first issue was incorporated a few days prior to the start of 2014, which was its first full year of activity. This activity in 2014 can be summarised as follows (see also Section 3.3.2).

- 11 placements of bonds and debentures were made with a nominal amount of 278 million euros (328 million euros if we include the issue prior to the start of 2014) corresponding to seven different issuers. It should be pointed out that five of these placements were made by a securitisation fund of SME assets and that the securities added to the market include a debenture with annual amortisations linked to the performance of a project, which suggests that the MARF allows and accepts different formats of corporate debt.

- A total of 24 placements of commercial paper were made with a nominal amount of 211 million euros corresponding to five different programmes by five different issuers.

- With regard to the types of issuers and issues incorporated in the market, in total there are 11 different issuers, four of which are companies whose shares are listed on Spanish stock markets and six are new issuers which have decided to search for funding through this market, while the last is the aforementioned securitisation fund of SME assets.

- Finally, the outstanding balance on the MARF for the debt issues as a whole on the market rose from 50 million euros at the start of 2014 to 500 million euros at the end of the year.

The features in 2014 of an alternative young and new market, as is the MARF, have been notable bearing in mind that all the placements are aimed at institutional professional clients with a minimum nominal amount of 100,000 euros per instrument. It should be pointed out that the characteristics of the instruments incorporated into this alternative market mean that it is unlikely to have fluid secondary trading to the extent that the high interest with which they are issued is an incentive to hold them until maturity. Although it is true that the issue interest rates include a certain illiquidity premium, it is likely that the progressive increase in the number of investors and effective management by the governing company of this alternative market will make it possible to raise the volumes of trading on the secondary market.

In the case of the MAB, it should be indicated that this MTF has five differentiated trading segments in accordance with the different types of entities which its scope of operations allows: SICAVs (open-ended collective investment schemes), venture capital firms, hedge funds, growth companies and SOCIMIs (Spanish REIT companies).

Although the most important segment in the MAB – both in terms of the number of companies admitted and in terms of capitalisation – is the SICAVs segment, the most well-known is probably the segment for growth companies. As indicated in Section 2.6.2, which addresses the performance of this segment and of the MAB as a whole, the growth company segment registered five additions of new companies in 2014. At year-end 2014 it had a total of

26 companies with capitalisation of around 1.8 billion euros. Trading amounted to almost 1.7 billion euros and the financing obtained by the companies which joined over the year amounted to 125 million euros. These two amounts are by far the highest achieved so far.

The results of the MAB in 2014 would have been even more noteworthy if there had not been certain incidents arising from some of the companies which trade on this market, which revealed the need to improve the quality of the financial and business disclosures provided by issuers and the supervision of such information.

In April, Law 5/2015, of 27 April, on promoting business financing was published. Among other measures, this Law provides improvements in Spanish regulation of multilateral trading facilities, basically integrated into Title XI of the Securities Market Act. With regard to the improvements introduced, which are detailed below, it is important to highlight the following two preliminary aspects:

i) The proposed amendments do not alter the current model for distributing functions and powers and therefore the monitoring, supervision and control of MTFs will continue to basically correspond to the governing entities although the powers of supervision and control which said entities had and the persons therein with such powers have been defined more clearly. At the same time, a regime for breaches and penalties specific for the persons subject to supervision by the governing entities has been introduced into the Securities Market Act.

ii) The improvements are orientated towards intensifying the reporting mechanisms between the governing entities and the MTFs and the CNMV with regard to the tasks and results of the supervision which the governing entities carry out over the MTFs, as well as to strengthen the capacity of the CNMV to request information from said governing entities.

The changes relating to MTFs provided for in the Law on Promoting Business Financing can be summarised as follows:

– A maximum limit of 500 million euros is set for the sustained capitalisation value of shares traded exclusively on an MTF. If this limit is reached continuously for at least six months, the issuer of the affected shares must request that they be admitted to a regulated market, i.e. to be listed on the stock market.

– The regulation of the MTF must establish a framework governing relations between registered advisers and issuers, the field and scope of the functions which the former should perform and their obligations. These will include ensuring compliance in form and content with the issuers' reporting obligations, which will include a description of the type and nature of their activities.

– The regulation of each MTF must describe the procedure to be followed for delisting shares from the MTF.

– The supervision to be performed by the governing entities of the MTFs, as well as the disciplinary regime to be applied, will cover both issuers and registered advisors and other participants.

– The governing entities will send the CNMV a quarterly report on the supervisory actions performed in accordance with the provisions of the MTF's regulation. The CNMV may set the content and format of the report, and also collect additional information from the governing entities which may be necessary in order to ensure proper functioning of the facility.

– It indicates that the responsibility for preparing the information to be published on issuers lies with the issuing companies and their directors and that these will be liable for the damages caused to investors if such information does not provide a true and fair view.

– The current obligations of the governing companies to report to the CNMV any breaches of the rules, anomalies in trading and actions which might constitute market abuse are extended to issuers, registered advisers and other participants. In addition, the governing companies, based on the information collected from issuers, must inform the CNMV of any issuers that breach legislation applicable to them.

– Two new breaches are added, one under very serious breaches and one under other serious breaches, which are specific for members, issuers, registered advisers and any other participating entity in an MTF, for significant breaches of the rules provided for in Title XI of the Securities Market Act and its implementing legislation, including the regulation of the MTF, which have placed market transparency or integrity at serious risk or which have caused damage to the assets of the investors.

Entry into force of these legislative amendments will require a revision and update of the current operating regulations of the MTFs, especially if they are set out as alternative markets to traditional business financing.

1 Two other MTFs are registered in Spain: SENAF (Electronic System for Trading in Financial Assets), which is focused on trading public debt and guaranteed corporate debt, and Latibex, which offers trading in equity securities issued by Latin American companies. Their governing companies are also AIAF Mercado de Renta Fija, S.A., in the case of SENAF, and BME Sistemas de Negociación, S.A. (BMESN), in the case of Latibex.

10.1.3 Derivative products

MEFF Exchange

As part of its supervision of derivatives traded on MEFF, the CNMV reviewed daily operations and open positions, paying special attention to less liquid contracts and high volume trading. The CNMV also closely monitored trading on dates close to the disclosure of significant information by companies whose shares are used as the underlying asset in this market, as well as trading prior to suspensions of trading.

In addition, in the weeks the contracts mature, the CNMV conducted a specific analysis of the roll-over of positions of the accounts with the largest open positions, particularly in the maturity session. The CNMV also paid particular attention to the performance of the Ibex 35 over the period for calculating the settlement price at maturity of the future.

Olive Oil Futures Market (MFAO)

Supervision in this market focused on monitoring the concentration of open positions, especially in sessions prior to maturity of the contracts.

Prices were also analysed at the times prior to the end of the session with the aim of verifying that the discovery of daily settlement prices was conducted correctly.

In September 2013, the general meeting of the MFAO ratified the board resolution not to request authorisation to establish a central counterparty in accordance with the requirements established in the EMIR and to no longer carry on its activity as official secondary market as from September 2014, the date on which the last contract open to trading matured. At the same time, and in order to provide trading services, it agreed to request authorisation for the creation of a multilateral trading facility regulated by Title XI of the Securities Market Act, in which olive oil futures will be traded and which will be managed by a new securities broker created for this purpose, which will be established by the governing body.

In the project submitted, trading on the MTF will not be cleared and settled in the central counterparty or in the Sociedad de Sistemas, but in its own system in which the settling members will be jointly and severally liable for any loss resulting from non-compliance by clients (including other members which are not setting members) and even from non-compliance by other settling members.

Given that the proposal for the clearing and settlement system is a new legal structure which is not expressly provided for under regulation, several drafts submitted by the governing body in 2014 have been revised so as to match the system with the legislation in force.

Warrants, certificates and other products

The supervisory work in the warrant segment focused particularly on intraday trading relating to spot transactions, as well as trading prior to publication of significant information. The CNMV also closely monitored trading related to notifications of suspicious transactions as well as transactions and orders in which potentially irregular behaviour has been noted.

The CNMV also performed daily supervision of compliance with the obligations of specialists in the segment.

Implementation of the new European legislation on markets in financial instruments

EXHIBIT 10.2

On 14 January 2014, the European Parliament and the Council reached an agreement on updating the legal framework for markets in financial instruments set out in the directive still in force, known as MiFID I.[1] The revision is made up of two legislative texts, one directive[2] and one regulation,[3] which were approved by the European Parliament on 15 April 2014 and by the European Council on 13 May 2014. The new pieces of legislation, known as MiFID II and MiFIR, respectively, entered into force on 2 July 2014. The obligations set out in the legislation will be applicable as from 3 January 2017, both for the directive, which needs a transposition process, and for the regulation, which is of direct and mandatory application.

From the point of view of financial markets, the new legislative framework focuses attention, among other issues, on transparency, electronic and high-frequency trading, promoting competition between trading and clearing infrastructures and setting limits for positions and reporting obligations in commodity derivatives. Furthermore, it promotes improvements in supervisory tools and powers in the different areas of activity and financial instruments affected by the reform, which includes a thorough revision of the system of transaction reporting to the competent authorities.

One of the fundamental aspects of MiFID II is the imposition of a harmonised transparency regime for products not subject to such an obligation under MiFID I, mainly fixed-income instruments and financial derivatives, as well as limits to the use of waivers for pre-trade transparency obligations relating to equity instruments. In addition, MiFID II incorporates significant trading obligations for shares and derivative financial instruments under certain circumstances and limits OTC trading.[4]

The new legislative texts include numerous mandates to ESMA to draw up technical advice and draft implementing technical standards. On 22 May 2014, ESMA presented a series of preliminary proposals and opinions for public consultation with the aim of gathering the opinion of the sectors affected by the different mandates. Subsequently, on 7 and 8 July, a public hearing took place in Paris with the participation of industry representatives in which ESMA representatives reported on the main aspects of the consultation documents.

With the numerous opinions received, ESMA revised its initial proposals over the last quarter of the year both in terms of technical advice for the implementation of legislation by the European Commission by means of delegated acts, and for the technical standards. In the first case, ESMA submitted the final document with its proposals to the Commission at the end of December.

With regard to the technical standards, ESMA presented a new document of proposals to public consultation in December and held a new public hearing on 19 February 2015. Together with the documents put forward for consultation, which include summaries of the opinions collected in the first consultation and specific proposals of the legal wording of the technical standards, ESMA published a cost benefit analysis on the content of the analysed measures. The consultation ended on 2 March 2015.

The technical implementation proposals of ESMA aim to respond to the high number of mandates contained in the basic legislation of the reform, particularly highlighting those relating to: i) specific aspects of application of the pre-trade and post-trade regime applicable to the different financial instruments, ii) organisational requirements of investment firms and trading venues with regard to electronic trading, iii) circumstances in which an application for access to the clearing mechanisms of a central counterparty or the trading data of a trading venue may be rejected, and iv) application of limits to positions in commodity derivatives. The proposals also refer to aspects relating to supervision, such as the breakdown of the information on the new transaction reporting system, which is substantially extended compared with the previous system, or the information which investment firms and trading venues must keep in order to ensure the traceability of investor trading.

The work on technical implementation will continue until the final drafts are sent to the European Commission in July 2015.

1 Directive 2004/39/EC, of the European Parliament and of the Council, of 21 April 2004, on markets in financial instruments, amending Council Directives 85/611/EEC and 93/6/EEC, and Directive 2000/12/EC, of the European Parliament and of the Council, and repealing Council Directive 93/22/EEC.

2 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.

3 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 (EMIR).

4 Interested readers will find a detailed analysis of the main new aspects introduced by the MiFID reform in CNMV (2014). "MiFID II: Changes and implications for securities markets", *CNMV Bulletin*, Quarter IV.

10.1.4 Registry, counterparties, clearing and settlement

Iberclear

The CNMV is responsible for supervising Iberclear's settlement processes, while the respective regional governments are responsible for supervising the central securities depositories of Barcelona, Bilbao and Valencia.

With regard to supervising equity settlement, the CNMV carries out daily monitoring of the cycles of the multilateral settlement account (9 am, 1 pm and 3 pm), monitoring failed settlements on their settlement deadline (D+3) and buy-ins. It also closely monitors the settlement efficiency indicators of each one of the participants (percentage of trades and amounts pending settlement on the theoretical settlement date over the contracted volume, as well as the accumulated level of failed settlements). Individualised monitoring also extends to sales supported by a securities lending agreement, both those established prior to the sale and those established subsequently, with the aim of detecting possible breaches of Regulation (EU) No. 236/2012.

As indicated in Section 5.1.2, settlement carried out in Iberclear-SCLV rose significantly in 2014 both with regard to the number of transactions (22.5%) and the effective settled amount (25.2%). Although the system inefficiency indicators have worsened slightly, they remain at very low levels. Specifically, the effective amount not settled by the established deadline stood at 0.78% of the total and the number of failed trades at 0.34%.

With regard to the monitoring of settlement incidents of AIAF and the Public Debt Market in Iberclear-CADE, there was an increase in the former (24.48%), particularly those arising from transactions with issues of the electricity system deficit securitisation funds (45% of all uncovered trades). In contrast, these incidents in the Public Debt Market fell by 7.12%, including those resulting from the impossibility of transferring instruments from Euroclear and Clearstream to Iberclear due to time differences in their settlement cycles.

In 2014, the CNMV Board approved the agreement signed between Clearstream and Iberclear entitled *Services of automatic management of collateral for participating entities in the clearing and settlement system relating to transactions performed on the Public Debt Book-Entry Market and the AIAF Fixed-Income Market*, as well as the draft of the corresponding Iberclear circular.

Central counterparties

A very significant part of the CNMV's supervisory work has been focused on verifying compliance of the Spanish central counterparty – BME Clearing – with the requirements of Regulation (EU) No. 648/2012, of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (EMIR), as part of its authorisation process. Section 5.2 reports on this process.

The CNMV also closely monitored the transactions registered, as well as their terms, in MEFFRepo and MEFFPower. In the case of MEFFRepo, the CNMV paid special attention to the activity and concentration of lending and borrowing positions in the different entities.

The CNMV also analysed the evolution of open positions and the margins requested in each one of the segments with the aim of verifying that they suitably cover the registered risk.

Project for reform of the securities clearing, settlement and registry system

The work associated with the reform process of the securities clearing, settlement and registry system intensified in 2014. Since the start of the project, which dates back to February 2010 with the publication of the first document submitted to public consultation, significant progress has been made and various stages completed with migration to the new equity settlement platform expected for the start of October 2015. In September 2014, the CNMV updated the document entitled *Reform of the Registry, Clearing and Settlement System*, published for the first time in May 2013, which shows the progress made in the reform process.[3] The changes introduced were agreed with the sector and reviewed by the Reform Coordination Committee.

3 Document available at http://www.cnmv.es/docportal/aldia/SituacionReforma24092014.pdf. An executive summary (in Spanish) can also be consulted at http://www.cnmv.es/docportal/aldia/ResumenEjecutivo24092014.pdf.

It should be pointed out that progress in 2014 included the preparation of a draft bill to amend the Securities Market Act 24/1988, of 28 July, which was submitted to a public hearing with regard to securities registry, clearing and settlement. Among other important issues for the reform, this draft bill provides for the creation of a specific information system for supervision of securities clearing, settlement and registry operations called “post-trading interface”. The aim is to allow traceability of transactions, control of risks and collateral, proper keeping of the two registry levels of ownership and correct settlement of the transactions. Its creation will be a vital element for the CNMV’s supervision of the proper functioning of all the post-trading stages, following disappearance of the registration references which are currently used as monitoring elements.

The reform process will not end with the migration to the new platform in October 2015 as only a few weeks later, in November, the settlement period will be reduced from the current three days to two days, as established in Regulation (EU) No. 909/2014, of the European Parliament and of the Council, of 23 July 2014, on improving security settlement in the European Union and on central securities depositories, and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 The final stage of the reform will involve migration from the CADE platform to the new system and Iberclear joining T2S in February 2017.

In the first half of 2015 the regulations of the Spanish market and post-trading infrastructures will need to be approved, as well as a new royal decree replacing Royal Decree 116/1992, of 14 February, on securities represented by book entries and the clearing and settlement of stock exchange transactions. In order to advance in this implementing legislation, the CNMV is collaborating with the Ministry of Economic Affairs and Competition, the governing bodies of the markets and the controllers of the post-trading infrastructures.

European regulation of central securities depositories EXHIBIT 10.3

On 28 August 2014, Regulation (EU) No. 909/2014, of the European Parliament and of the Council, on improving security settlement in the European Union and on central securities depositories (hereinafter, the CSD Regulation) was published in the *Official Journal of the European Union*.

The aim of the regulation is to create an integrated market for securities settlement with no distinction between national and cross-border securities transactions, to reduce regulatory complexity resulting from different national rules and to promote competition between CSDs. Market participants will be able to choose their service providers in this area, which will lead to less dependence on certain post-trade infrastructures.

The most noteworthy aspects of this new legal text are as follows:

i) It provides a harmonised period for settlement which should be no later than on the second business day after trading executed on trading venues (D+2), which will reduce operating inefficiency, risks in cross-border transactions and costs for investors.

ii) Market participants who do not deliver the securities on the agreed settlement date will be subject to penalties and will have to buy them in the market and deliver them to their counterparties. In other words, the majority of settlement fails will be subject to buy-ins.

iii) CSDs must comply with strict prudential and organisational requirements and conduct of business rules in order to ensure their viability and protection of their users. They will also be subject to authorisation and supervision by the competent national authorities.

iv) All authorised CSDs may freely provide their services throughout the European Union (community passport).

v) Mechanisms are established for authorising CSDs to provide ancillary banking services to their participants and to other entities.

ESMA is currently working on the implementation of the regulation by means of a working group comprising securities regulators and national central banks. Its aim is to provide technical advice to the European Commission to draw up the draft regulating and implementing technical standards The draft standards prepared will be submitted for public consultation for a period of two months.

When performing this work, ESMA takes into account the Principles for Financial Market Infrastructures (PFMI) drawn up jointly by the Committee on Payments and Settlement Systems (CPSS) and IOSCO, in line with Recital 6 of the CSD Regulation.

The main issues which ESMA addresses in preparing the regulating and implementing technical standards of the regulation are as follows:

– The measures which CSDs should implement in order to prevent, control and sanction settlement fails, including the subsequent buy-in processes. The technical standard imposes not only requirements on the CSDs, but also all the participants in the chain of transactions, including the trading platforms, trading members and clearing members.

– The processes for collection and redistribution of penalties and any other possible proceeds from such penalties.

– The details of the buy-in process, including time frames to deliver the financial instrument, which will be calibrated by taking into account the asset type and, in particular, their liquidity.

– The information which must be submitted to the competent authority when requesting authorisation as a CSD, recognition for CSDs authorised in third countries or authorisation to provide banking-type services ancillary to settlement.

– The information which the CSD shall provide to the competent authority in order for the latter to carry out its evaluation.

- The instruments for monitoring the main risks of the CSDs.

- The reconciliation measures which ensure integrity of the issue, i.e. that the number of recorded securities of an issue when it is registered in the CSD matches the sum of the registered securities of said issue in the securities accounts of the participants in the settlement system managed by the CSD.

- The risks which the CSD shall take into account when carrying out a comprehensive risk assessment following a request for access by a requesting participant.

- The information which settlement internalisers shall report on a quarterly basis to the competent authorities in terms of the volume and aggregate values of all the transactions which they settle outside securities settlement systems.

With regard to the work on the technical advice given to the European Commission, ESMA will set the parameters which establish the level of penalties applicable to participants which cause settlement fails, and it will establish the criteria for determining whether the transactions of a CSD in a host Member State should be considered of significant importance for that Member State.

ESMA is required to present the technical advice to the European Commission and the draft technical standards before 18 June 2015.

10.1.5 Reporting transactions executed in financial instruments (Section 59 *bis* of the Securities Market Act)

Section 59 *bis* of the Securities Market Act establishes that investment firms and credit institutions, together with their branches in Spain, are required to report to the CNMV the transactions in financial instruments that they have executed, at the latest on the business day following their execution.

The main aim of transaction reporting is to facilitate the detection of market abuse. The reporting may also help to detect possible breaches of conduct of business rules, as well as to facilitate the study of certain market conduct of interest for regulators.

In 2014, the CNMV continued emphasising the need for entities not only to comply with this obligation but also that they should do so by submitting information with the necessary level of quality. For this purpose, the CNMV not only performs general half-yearly quality tests, but it also individually reviews the transaction reporting of certain entities. Based on the results of these controls, the CNMV issued several general notifications to entities and also sent 54 individual information requests relating both to failures to report and problems in the quality of the information provided.

The CNMV received over 188 million registrations in 2014 from 142 entities subject to the rules. Hence, the number of reported registrations increased by 55% on the previous year, thus reflecting the substantial increase in activity in Spanish markets, but also a significant improvement in compliance with transaction reporting obligations. This improvement was particularly noticeable in the increase in registrations channelled through supplementary reporting files which are used to rectify previous registrations and report transactions which were previously omitted. These registrations accounted for 28% of the total registrations received by the CNMV. A total of 238 supplementary reporting files were received, 42.5% up on the previous year.

There was also a sharp increase in both the registrations received from other competent EU authorities and those forwarded to such authorities. In the case of the former, the CNMV received 230 million registrations, an increase of 80% on the previous year. In the case of the latter, the CNMV forwarded approximately 48 million registrations, 77% up on 2013.

10.1.6 Reporting suspicious transactions

The number of suspicious transactions reported to the CNMV in 2014 in compliance with Section 83 *quáter* of the Securities Market Act amounted to 130, a similar number to that recorded in the previous year.

67% of the reports received related to possible use of insider information. In over half of these cases, the transactions will lead to the publication of significant events associated with major corporate operations.

It should be indicated that, unlike in other years, in which reports of suspicious transactions relating to transactions with instruments traded on the MAB were very unusual, over 22% of the reports received in 2014 were related to executions performed on that market, particularly relating to the use of insider information. It is particularly noteworthy that 25% of the suspicious transaction reports are concentrated in four securities, three of which are listed on the MAB. The number of suspicious transaction reports relating to fixed-income instruments also rose, although they remain unusual.

Reports of suspicious transactions in Spanish instruments received from other regulators accounted for 22.3% of the total, practically doubling the proportion of the previous year. Reports forwarded by the CNMV to foreign competent authorities accounted for 5.4%, compared with 4.6% in 2013.

As in previous years, the CNMV will inform the reporting entities about the quality of their reports based on the CNMV Criteria on Detection and Reporting Suspicious Transactions, as well as on the criteria presented in the conferences on reporting suspicious transactions held in previous years.

10.2 Supervision of takeover bids

The price of voluntary bids

Generally speaking, mandatory bids need to be made at fair price whereas voluntary bids do not.

Nevertheless, making a voluntary bid at a price which does not meet the rules established for it to be considered a fair price means that the bidder may reach a controlling share which requires it to make a new mandatory bid in the month following the end of the voluntary bid in which the price must be justified by means of a valuation report and must meet the rules for a fair price. The rules exempt the bidder from this obligation when the voluntary bid is made at a fair price or when it is accepted by the equivalent of 50% of the securities covered in the bid, excluding those which were already attributable to the bidder and those of shareholders who had some kind of agreement with the bidder relating to the bid.

Therefore, the prospectus of a voluntary bid must explain whether or not the price complies with said rules. The fact that the price cannot be considered fair does not empower the CNMV to require it to be raised in a voluntary bid, but it may require the bidder to provide a valuation report and for this situation to be disclosed to the recipients of the bid by means of a publication in the corresponding authorisation resolution.

As indicated in Section 2.5, only one voluntary bid was made in 2014, that of Ole Investments for Deoleo. The bid price was not initially considered fair even though two valuation reports were attached. However, the bidder ended up raising the price to the minimum required by regulation for the price to be considered fair.

Squeeze outs

Squeeze outs can be conducted in the three months following the deadline for acceptance of a takeover bid made for the full amount of the shares, providing it is accepted by the equivalent of 90% or more of the voting rights to which the bid is addressed and the bidder reaches 90% or more of the capital with voting rights of the affected company. The squeeze-out price is the price of the previous bid. Shares which are already attributable to the bidder in accordance with applicable rules and which accept the offer must be excluded from the calculation. In addition, neither are shares acquired by the bidder outside the bid procedure calculated among the bid acceptances for these purposes.

In the case of a delisting bid, the squeeze out may only be conducted if the bid is made by a bidder other than the company requesting the delisting, which is postponed to the settlement date of the squeeze out.

This was the case of the delisting bid of Grupo Tavex made by A.Y.U.S.P.E. Empreendimentos e Participações, S.A. and completed in 2015, which was accepted by 93.25% of the shares to which it was addressed, with the bidder achieving 95.70% of the capital. Subsequently, in the squeeze out the bidder became the sole shareholder and, once the squeeze out was settled, the shares were delisted.

In contrast, in the delisting bid of Ahorro Familiar made by Lindisfarne Investments, the squeeze out could not be conducted even though the bid was accepted by the equivalent of 97.20% of the shares and the bidder achieved 99.18% of the capital, as the acceptances included 24.78% of the capital which was already attributable to the bidder in accordance with the information appearing in the bid prospectus and hence, the minimum requirement of 90% was not reached.

10.3 The Market Monitoring Unit

The Market Monitoring Unit (Spanish acronym: UVM) is the investigation unit of the Directorate-General of Markets responsible for detecting market abuse practices.

The UVM performs in-depth investigations of situations in which insider information may have been used or market manipulation practices performed. In these investigations, the UVM also checks other significant aspects for market integrity. In particular, it checks compliance with the obligations for safeguarding insider information by securities issuers, investment services firms, investment advisory firms and, in general, anyone who possesses this information. It also checks that intermediaries have complied with the requirement to report suspicious transactions provided for under Section 83 *quáter* of the Securities Market Act.

On completion of the UVM's investigations, the CNMV's executive committee decides whether to apply corrective measures, which include disciplinary measures. Following this procedure, in 2014 a total of 11 disciplinary proceedings were initiated affecting 20 legal or natural persons.

– In six disciplinary proceedings, ten legal or natural persons were accused of performing market manipulation practices. Those responsible for investigated transactions are legal or natural persons that intensely trade one or two securities or financial instruments with short-term strategies which alter free price discovery.

– The main strategies revealed in these investigations are as follows:

  i) A strategy involving entering a high number of orders, doubling the trading volume with an average frequency between each order of around five seconds, alternating share buying cycles with share selling cycles, which are repeated numerous times over the session with prices which generate a succession of oscillations with small price movements between a higher and a lower level. The executions performed through this strategy account for at least 40% of all the executions and cover volumes, both for purchasing and selling, which exceed 20% of trading. In addition, a high number of small-sized orders are issued which do not incorporate an authentic intention to buy or sell but which aim to produce a change in the balance of supply and demand which this holder will benefit from by entering on the opposing side a transaction which does aim to be executed at the price level set by the orders previously entered by the holder.

  ii) A strategy which consists of entering numerous purchase and sales orders throughout the session in a particular security but particularly during the closing auction, in which the purchase orders account for over 60% of the trading and generate price increases with regard to the last prices traded prior to the closing period. This strategy, which impedes free price discovery in the market where the security is traded, goes alongside transactions on a trading platform of contracts for difference, in which positions are taken and disposed of in contracts with this security as the underlying asset.

  iii) A strategy in which one single decision-maker, for a group of holders, uses purchase or sales operations with a significant position in the trading to generate an upward or downward trend in the price of the security against the market trend, by means of aggressive purchases or sales for one of the holders of the group and, immediately thereafter, disposing of the position, including by crossing transactions with other holders in the group. Free price discovery is altered during this trading, generally with a dominant position.

– In four disciplinary proceedings, one of the persons subject to the proceedings for the trading performed on its own shares is an issuer.

In all these cases, the common denominator is the relevant presence of the issuer, either directly or through controlled companies, in the trading of its own shares.

Listed companies can trade their own shares if these transactions respond to the issuer's legitimate interest in facilitating appropriate volumes of liquidity and depth in the share for investors, or if the aim is to minimise possible temporary imbalances which may exist between supply and demand, or if they follow a mandate from the general shareholders' meeting to acquire a package of shares to subsequently amortise the package, exchange it or sell it to a specific investor or on the market. However, transactions with treasury stock performed on the market by an issuer or its subsidiaries should not be used to distort free price discovery to the extent that they involve a substitution in the market of the supply and demand positions of independent third parties, which are required to create free price discovery. Consequently, when the orders given and the executions made by the issuer itself or by subsidiaries prevent price discovery with a wide range of independent holders, either as a result of the characteristics of the orders given or the volume of the executed transactions, the CNMV considers this a market manipulation practice, both in volume and, as the case may be, in the price of the own shares.

The investigations leading to these four disciplinary proceedings have revealed the following practices:

– An issue of purchase orders for shares of an issuer by a subsidiary of the issuer which account for over 50% of the average trading volume in the 30 previous sessions and which upon execution in the market led to purchases of shares which account for volumes of over 50% of the trading. This action generated a dominant position over trading in the issuer's shares which distorted free price discovery, prevented a fall in the share price and favoured a trend of a stable closing price for the shares. It was accompanied by actions which misled the other participants in the market to the extent that the limit established for reporting the acquisition of shares of the parent company was passed and yet the mandatory reporting of treasury share trading to the CNMV for subsequent disclosure to the market was not made.

– Purchases of own shares following a pattern of action which resulted in a concentration of the volume acquired by the issuer in the last half hour of trading and in the closing periods of the session, in which purchase orders given for own shares accounted for 71% of the total traded in that time period. The result of these purchases is to alter price discovery, with orders and executions which maintain the share at a particular price level in each session.

– Purchases of own shares above 25% of the traded volume, exercising a dominant position, and executed at prices generally above the last transaction performed by third parties. During closing periods, the orders entered by the issuer accounted for up to 50% of trading and the executions performed repeatedly led to upward correction of the closing price with respect to previous prices during the session. This action altered normal price discovery through the free trading of third parties.

– Purchases of own shares of an issuer during the session, including the closing period, which exceeded 25% of the trading and which broke a downward trend, particularly with its trading in the closing auction, during which it accounted for 75% of the traded volume. The trading performed by the issuer during the closing auctions distorted free price discovery on taking a dominant position which prevented these prices from being discovered through the participation of third parties independent from the company.

– Three investment firms have been subject to three disciplinary proceedings for not reporting to the CNMV the transactions of their clients as suspicious in terms of distorting free price discovery.

– One disciplinary proceeding relates to a natural person who acted as the representative of a legal person director on the board of directors of an issuer accused of recommending trading in shares of the issuer whilst in possession of insider information obtained in the exercise of this representation. The person who received the recommendation immediately performed transactions with the issuer's shares with which they obtained a lucrative advantage with regard to other market participants.

In 2014, the Executive Committee also decided to forward to the Public Prosecutor's Office information collected by the UVM on transactions with shares of one issuer made by two legal persons linked to executives or directors of the issuer for the possible offence of the use of insider information.

Similarly, the Executive Committee decided to send three warning letters in 2014. Attention should be drawn to the one sent to an issuer for intense trading in treasury shares in a brief period of time, which in other circumstances might distort free price discovery, so as to include in its Internal Code of Conduct rules with quantitative limits to trading in treasury shares.

The UVM regularly requests the cooperation of supervisors and regulators of other jurisdictions under multilateral and bilateral agreements signed by the CNMV for enquiries, cooperation and sharing information. As in previous years, the regulator and supervisor of the United Kingdom was the main recipient of requests for international cooperation made by the UVM in 2014. Cooperation was also requested from other supervisors, including those of Switzerland, Denmark and the United States.

11 Supervision of entities

Last year, the CNMV continued emphasising early preventive supervisory actions both relating to investment services and to collective investment schemes. In the first case, the CNMV paid particular attention to controls aimed at verifying compliance with conduct of business rules in the marketing of complex products, particularly with regard to suitability and appropriateness tests, as well as in providing advisory services and discretionary portfolio management services (see Exhibit 11.1). The supervisory activity also focused on controls aimed at verifying compliance with ESMA guidelines on remuneration of staff in the commercial network.

In the second case, the CNMV once again focused on conflicts of interest and on the information received by investors. The notable growth in this sector also meant that specific controls needed to be performed on the marketing of the products with highest demand.

There were two significant legislative developments in 2014. The first was the new regulatory framework for markets in financial instruments, which provides supervisors with stronger instruments for intervention in order to ensure compliance with conduct of business rules. The second is the new Venture Capital Act and the amendments to the Law on Collective Investment Schemes, both of which are consequence of the transposition to Spanish law of the Directive on alternative investment fund managers (see Exhibit 11.3). It is also important to highlight the CNMV's public consultation with regard to the proposal for classifying financial instruments and identifying especially complex products (see Exhibit 11.2), which will be included in a forthcoming circular.

11.1 Investment services firms

The CNMV supervises compliance with the prudential requirements and conduct of business rules of the investment services firms referred to in Section 64 of the Securities Market Act, i.e. broker-dealers, brokers, portfolio management companies and financial advisory firms. It also supervises credit and savings institutions with regard to compliance with conduct of business rules in their activities as investment service providers (Section 65.1 of the Securities Market Act), as well as CIS management companies, which may also provide some services of this nature if they have the correct authorisation (Section 65.2).[1]

As part of its supervisory actions in 2014, the CNMV continued paying particular attention to aspects relating to the marketing of complex products to retail clients.

1 Specifically, CIS management companies may provide discretionary and individualised management of investment portfolios, advice as regards investment and custody and administration of the units of mutual funds and, as the case may be, the shares of investment companies.

The CNMV also continued to make an effort to strengthen preventive supervision by acting early to detect and tackle potential problems for investors as soon as possible.

As a result of these actions, in 2014 the CNMV sent out a total of 877 deficiency letters to supervised entities, 679 of which originated from off-sight supervision (see Table 11.1), compared with 1,770 sent out in 2013. This fall is essentially due to the fact that a significantly higher number of informative letters were sent to the sector in 2013, in particular, documents relating to the procedure for submitting electronic deficiency letters.

Supervision of investment firms and credit and savings institutions: deficiency letters sent by the CNMV in 2014 TABLE 11. 1

Type of deficiency letter	Off-site	On-site	Total
For late filing of information	310	11	321
Requests for information	162	98	260
Corrective measures or recommendations	100	38	138
Other notifications	107	51	158
Total	**679**	**198**	**877**

Source: CNMV.

11.1.1 Conduct of business rules and organisational requirements

Preventative actions relating to products marketed to retail clients

The CNMV's main early preventative supervisory actions in 2014 were performed in the following areas:

– Supervision of compliance with conduct of business rules which particularly affect the marketing of complex products. Specifically, in different routine actions the CNMV reviewed the application of the procedures which entities have developed in order to comply with CNMV Circular 3/2013, of 12 June, on information obligations with regard to appropriateness and suitability. In addition, the CNMV published on its website a questions and answers document about the circular with the aim of providing guidance to entities on what the CNMV considers appropriate for complying with the different aspects of the rules and thus help entities to understand and adapt to the circular.

  In these types of actions, it is important to indicate that the CNMV performed a one-off analysis of the results obtained by investors in contracts for differences (CFDs) in the entities most active in this product, which together account for a market share of 85%. Investment in CFDs is not appropriate for all investors as this requires knowledge of the market and constant monitoring, and therefore the CNMV assessed the need for more in-depth analysis of this type of trading. The results of the study, which is based on the individual results obtained over almost two years (from 1 January 2012 to 31 October 2013) by 8,000 clients of the entities under consideration, revealed that the losses in some cases were very significant. The CNMV eventually published a public warning in which it indicated that 75% of people investing in CFDs lose money.

- Supervision of the advisory services and discretionary portfolio management in different categories by the same CIS. In addition to including a review of this aspect in the routine inspections, the CNMV performed a series of one-off limited scope inspections to check whether there are any inappropriate practices in this area. The details and conclusions resulting from these actions are presented in Exhibit 11.1.

- Supervision of compliance with ESMA guidelines on remuneration of staff in the commercial network. The CNMV has included as part of its work programmes a review of compliance with ESMA recommendations in this area, making various observations to the examined entities in order for them to review the internal controls and remuneration systems they have established so as not to generate potential risks of inappropriate sales.

It is also important to point out other initiatives which follow this line of early action. One of these was the review of the processes for placing issues of complex products which require special attention from the supervisor with retail investors, for example in the case of structured products. With regard to these reviews, the CNMV required the placement entity to warn the client of the difference between the fair value and the placement price of the instrument in cases in which that difference was significant. The CNMV also sent notifications to placement entities of significant public offerings reminding them of certain conduct of business rules applicable to this activity which must be complied with in order to protect retail investors.

In addition to these actions, in September the CNMV submitted to public consultation a document with proposals to establish a classification system for financial products which will make it possible to notify investors about their risk and complexity, as well as to identify especially complex products which are not suitable for non-professional investors. Exhibit 11.2 presents the specific proposals contained in this initiative which have already been included in a CNMV circular, which was in turn submitted to public consultation in January 2015.

Finally, in April 2014 the CNMV issued a public communication with confirmation to entities providing investment services that its supervisory work will take into account the opinions of ESMA relating to MiFID practices for the marketing of complex financial instruments and best practices for the design, issuance and marketing of structured products, as it had already indicated in the 2013 Annual Report.

Supervision of sales to retail clients of classes of CIS shares with the same investment policy and different economic conditions in the context of investment advisory services and discretionary portfolio management

EXHIBIT 11.1

A usual practice of management companies to remunerate intermediaries for selling CIS is the so-called trail commission periodically applied to the managed CIS (generally, the management fee). The amount of these commissions is often based on the positions invested in the CIS so that the distributor continues receiving commissions while its clients maintain their investment in the CIS.

Directive 2004/39/EC, of the European Parliament and of the Council, of 21 April 2004, on markets in financial instruments (MiFID I), established certain requirements for receiving incentives from third parties, which included that the incentive should lead to an improvement in the quality of the service provided to the investor and that it should not hinder the obligation of acting in the client's best interests. This rule is applicable, among other cases, to the receipt of commissions for selling CIS, and was transposed to Spanish law by means of Section 79 of the Securities Market Act and implemented by means of Article 59 of Royal Decree 217/2008.[1]

With the forthcoming entry into force of MiFID II – the new Directive on markets in financial instruments[2] – the aforementioned rules for remuneration will be amended and firms will not be allowed to receive commissions for portfolio management or for certain aspects of investment advisory services. Some jurisdictions, such as the United Kingdom and Holland, have moved ahead of this change by applying a general ban on receiving commissions for selling CIS.

At the same time, there has been an increase in the number of share classes issued by CIS with differentiated economic conditions. Numerous CIS are made up of investment compartments which differ from each other in their investment strategy and which can be accessed by acquiring different classes of shares. Each one of these classes guarantees the holders different economic rights. Managers design them for commercial reasons in order to obtain different types of clients. The current increase in the number of share classes might be a reflection of the sector's adaptation to the new regulatory framework.

The CNMV has been highlighting that, in application of the duty to act in the best interests of its clients, sellers of CIS must offer their clients the share class most beneficial for them providing their objective conditions match the investor. This aspect needs to be analysed particularly when making investment recommendations in the context of providing advisory services or in determining the composition of portfolios managed on behalf of clients. In 2009, the CNMV issued a public communication highlighting this obligation and, since then, this issue has been considered an area of analysis of particular supervisory interest and therefore the CNMV has carried out considerable work in this area.

In 2014, and in line with the Plan of Activities for the year, one of the areas of special supervisory interest for the CNMV was a review of the advisory services and discretionary portfolio management carried out in different share classes in the same CIS. This area was subject to analysis in the different routine inspections conducted and also by means of specific supervisory actions, which covered a significant percentage of the market.

In the areas of advisory services and discretionary management, these actions revealed the operating difficulty in adapting the selection of classes to the subscription characteristics and volume of each client so as to ensure that each of them has access to the available class under the most beneficial economic conditions. Sellers sometimes addressed this operating difficulty by means of a simplified analysis which led them to exclusively selecting one or two of the available classes, ruling out beforehand others which were beneficial for some of their clients. The CNMV considers that these approaches are insufficient and that sellers must fully adapt to the characteristics of their clients' requirements, even if this leads to greater operational difficulties. As is usual, when the CNMV detected entities with weaknesses in their procedures, it required them to adopt the necessary measures so that these weaknesses would not be repeated in the future, since this is the priority of its supervisory actions. Similarly, when considered necessary, depending on the circumstances in the case, the CNMV has proposed adopting disciplinary measures.

1 Royal Decree 217/2008, of 15 February, on the legal regime for investment firms and other entities that provide investment services, which partially amends the Regulation of Law 35/2003, of 4 November, on collective investment schemes, approved by Royal Decree 1309/2005, of 4 November.

2 Directive 214/65/EU, of the European Parliament and of the Council, of 15 May, on markets in financial instruments, amending Directive 2002/92/EC and Directive 2011/61/EU.

Warnings to clients about financial instruments

EXHIBIT 11.2

Transparency of the information on financial instruments which are sold to the public is one of the fundamental pillars of the conduct of business rules governing the provision of investment services. Over recent years there has been a growing sophistication in the products offered to retail clients so that, as a response to the demand for higher returns, they are being offered access to increasingly complex financial instruments. The cases of inappropriate marketing of this type of product in Spain have revealed deficiencies in clients' understanding of the nature of the products and the risks when they take investment decisions.

Therefore, following the recommendations of the Subcommittee on Information Transparency of the Financial and Mortgage Instruments of Credit Institutions, created as part of the Economic Affairs and Competition Committee of the Spanish Lower House of Parliament, as a result of an initiative of the Committee and the Ombudsman, the CNMV Plan of Activities for 2014 included analysing, with the sector's participation, the viability of a classification system which will provide investors with information on the level of risk and complexity of financial instruments in a manner that is easy to understand.

In September 2014, the CNMV submitted to public consultation a document in this regard, which – under the power to require the warnings it considers necessary as provided in Section 79 *bis* 3 of the Securities Market Act – also dealt with the identification of those financial instruments which, due to their special complexity, are not appropriate for non-professional investors and with regard to which retail investors should receive a warning. It also referred to the possibility of developing warnings about two aspects which are of particular difficulty for retail investors: the fair value of the financial instrument at the time of its acquisition and estimates of its possible future performance.

After receiving and evaluating the observations made by the industry and consumer associations, in January 2015 the CNMV published a Draft Circular establishing warnings for retail clients relating to the following four basic points:

i) Establishing a system to warn retail clients about the risks and the complexity of financial instruments in a very simple and graphic manner by means of a risk indicator supplemented by a twofold warning about their liquidity, where appropriate, and about their complexity. In addition to warning investors about these essential product characteristics, this system would facilitate comparison with other products.

   The proposed scheme consists of a synthetic indicator which presents a scale of five risk levels associated with five different colours, which would go alongside liquidity and complexity warnings. A simple methodology would be used to classify the instruments based on qualitative criteria such as the existence of a commitment to return the capital on maturity, the residual term and the credit rating of the issuer. These elements would be included in the advertising communications and in the information on the financial instrument which credit institutions provide to retail clients prior to providing an investment service.

   The proposed system is a preliminary approach to the risk level of an instrument and should be supplemented with detailed information about the implicit characteristics and risks of the financial instruments which allows investors to make well-grounded decisions. It does not aim to replace internal classification systems for financial instruments used by the entities to evaluate suitability and appropriateness as the intended aims are different.

ii) Identifying certain financial instruments which are not appropriate due to their special complexity for non-professional investors. For these products, the proposal is to make a specific warning to the client indicating that they are not appropriate for retail investors. Furthermore, with the aim of ensuring, where appropriate, that informed consent has been given and that the protection of retail investors is effective, the CNMV recommends that clients should record their consent in their own writing together with their signature.

iii) Warnings about the fair value of the financial instrument prior to their purchase. With the aim of appropriately informing retail investors about the costs of their investment, it should be general practice for marketing entities to provide an estimate of the fair value of certain types of complex products which, due to their nature are not sufficiently transparent with regard to the costs taken on by the investor (e.g. contingent convertible bonds, structured products and OTC derivatives). In order to ensure effective protection of retail investors, the CNMV believes that marketing entities should warn investors in those cases in which there is a significant difference between the effective amount at which the transaction will be performed and the estimated fair value of the instrument.

iv) Warnings about the performance of the product in different scenarios. Similarly, for certain types of complex products for which it might be difficult for non-professional investors to understand the possible future performance (e.g. structured products and OTC derivatives), prior to their purchase clients should be given quantified information about the estimated performance of the product in different scenarios, together with the corresponding probabilities, thus making it easier for clients to assess the product.

During the public hearing period, various entities and associations submitted their observations with regard to the Draft Circular. Noteworthy were those relating to the doubts about whether the CNMV has sufficient powers to approve the proposed measures, their appropriateness and costs bearing in mind the application of the new Regulation (EU) No. 1286/2014, of the European Parliament and of the Council, of 26 November, on key information documents for packaged retail and insurance-based investment products (known as the PRIIPS Regulation) as from 2017 and the limited time period which entities would have to implement the necessary modifications in their systems, as well as various technical issues.

Following a thorough assessment of all the comments received, the CNMV believes that there is no contradiction between the Draft Circular and current legislation and that it does indeed have sufficient power for its approval. It also believes that the contents of the circular would allow a significant improvement in investor protection, in line with application of the PRIIPS Regulation.

Therefore, depending on the opinion of the Council of State on the Draft Circular, the CNMV believes it should continue with this project incorporating various amendments which take into account a large part of the technical comments made by the industry such as an increase in the categories of financial instruments defined by their risk level from five to seven; simplification of the concept of complex structure with the aim of determining the financial instruments which are especially complex for retail investors; elimination of the requirement to inform about the probable scenarios in hedge transactions, and increased flexibility of some obligations in the event of repeat purchasing, as well as in the event of updates to the risk indicator. Finally, and in response to the comments made by the industry and to the supervisory experience, the period for entry into force of the risk indicator has been extended to four months. Therefore, the new circular proposal includes many of the technical concerns of the sector and is in line with the objective of the PRIIPS Regulation to achieve appropriate investor protection.

After adding the aforementioned adjustments to the text submitted to public consultation, the CNMV decided in March 2015 to submit the Draft Circular to the Council of State (through the Ministry of Economic Affairs and Competition), requesting its mandatory report.

Other supervisory actions relating to conduct

With regard to the routine analyses carried out in 2014, supervision of conduct of business rules focused on the procedures for evaluating the match between products and clients (appropriateness and suitability test) in compliance with information obligations with regard to marketed financial instruments both prior to providing the investment service and subsequently, especially with regard to complex instruments marketed to retail clients.

The incidents detected in the inspections included the following: i) deficiencies in the methodology used for evaluating appropriateness which meant that in some cases a positive result was obtained for purchasing complex instruments without sufficiently verifying the client's investment knowledge and experience; ii) deficiencies in the suitability assessment which meant that a client was eventually allocated a riskier profile than that which corresponded to the client's investment objectives; iii) failure to demonstrate that the client had been given informative documentation with regard to the product's nature and risks; iv) certain mismatches between the risk profile of the clients and the risk of the advised products or portfolios and deficiencies in registering recommendations; v) inclusion in managed portfolios and recommendation of classes from one CIS which were less advantageous for the investors than others which they could have accessed; and vi) improper categorising of the service provided as execution of client orders and not portfolio management following ESMA criteria in the case of trading performed on behalf of clients using algorithms made available by the entity.

Finally, in the review of the activities of financial advisory firms in 2014, the CNMV once again detected differences in the recommendations made to clients with the same profile which were not sufficiently justified or documented.

Verification of organisational requirements

With regard to organisational requirements, the CNMV detected, *inter alia*, weaknesses in the performance of control functions not only with regard to their independence depending on the size and activity of the entity, but also with regard to the need to review their tasks in accordance with the provisions of the new CNMV Circular 1/2014, of 26 February, on internal organisation and control function requirements of entities that provide investment services. With regard to this circular, it should be indicated that the CNMV published a *Guide on internal control function procedures* which contains a list of good practices relating to compliance, risk management and internal auditing functions.

In various inspections, the CNMV detected manuals and policies which included incomplete risk catalogues or out-of-date legislative references and therefore notices were sent to the affected entities stating the obligation to review and update their internal control procedures to make them more effective. Also noteworthy were the incidents resulting from the failure to establish separate analysis or proprietary trading areas, defects in the prevention of conflicts of interest and weaknesses in overseeing the activity of employees and agents with regard to the code of conduct. Similarly, the reviews once again revealed that some entities have a deficient procedure for identifying and uncovering incentives.

Finally, as a result of the detection of incidents in the management procedure, order allocation and supporting documents for breakdowns in one entity, the CNMV incorporated into its inspection actions an IT audit module for the digital media used by the entity for performing this activity.

The review of the reports on client asset protection (Spanish acronym: IPACs) is an essential part of verifying organisational requirements. In 2014, the CNMV reviewed the 2013 reports and received a total of 213 IPACs, which are broken down by type of entity in Table 11.2. As shown in this table, all the entities subject to this obligation sent the corresponding report. The review did not reveal any serious incidents which might indicate the existence of imbalances in assets belonging to clients.

Reports on client asset protection (IPACs) TABLE 11.2

	2013			2012
	No. of registered entities	No. of exempt entities[1]	No. of IPACs	No. of IPAC
Spanish credit institutions	142	23	119	123
Broker-dealers and brokers	82	28	54	59
Non-EU branches of credit institutions	7	5	2	2
Portfolio management companies	5	0	5	5
CIS management companies	96	63	33	26
Total	**332**	**119**	**213**	**215**

Source: CNMV. (1) Entities which do not undertake activities subject to the review of organisational requirements.

In 2014, ESMA and EBA jointly issued guidelines for handling complaints in the securities and banking sectors. The CNMV has informed ESMA of its intention to comply with these guidelines and has published this intention on its website. Similarly, it has also informed the sector associations.

The aforementioned guidelines contain questions on the organisation of handling complaints, procedures for processing complaints and information which entities must provide to complainants. In general, these criteria are included in current Spanish legislation and are applicable both to entities which provide investment services and to CIS management companies.

With regard to these guidelines, in 2014 the CNMV conducted a horizontal analysis for a significant sample of entities which provide investment services. The analysis covered various aspects of complaint-handling and reporting complaints in confidential statements. The conclusions of this analysis will be passed on to the entities in the first few months of 2015.

11.1.2 Prudential requirements

The prudential supervision of investment firms focuses on two complementary areas: firstly, the CNMV analyses the economic-financial situation and the asset viability of all investment firms through the rules of the Capital Companies Act. Secondly, it checks that investment firms subject to solvency legislation have sufficient own funds to take on the risks associated with the activity which they perform. The bulk of this supervision is based on the information sent periodically to the CNMV, which is complemented by on-site inspections.

In 2014, the CNMV closely monitored entities which had registered asset or solvency incidents. In general, the sector has ample own funds and only a few institutions have needed to use shareholders to strengthen them.

In addition to the periodic controls on compliance with ratios, the CNMV also places great importance on reviewing the capital and solvency self-assessment reports which entities are required to complete. The 2014 reports contained a lower number of incidents both in form and in content.

11.1.3 Regulatory changes

Transposition and implementation of European prudential legislation based on Basel III

On 27 June 2013 the *Official Journal of the European Union* published Directive 2013/36/EU, of the European Parliament and of the Council, of 26 June, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (which needed to be transposed to national legislation) and Regulation (EU) No. 575/2013, of the European Parliament and of the Council, of 26 June, on prudential requirements for credit institutions and investment firms (directly applicable, without the need for transposition). These pieces of legislation, together with a series of directly applicable delegated and implementing regulations (some already published in the *Official Journal of the European Union* and others pending publication) constitute the legislative framework known as Basel III.

In 2014, work continued on transposing Directive 2013/36/EU to Spanish legislation, which had already begun in 2013 through Royal Decree-Law 14/2013, of 29 November, which amended, *inter alia*, the Securities Market Act 24/1988, of 28 July, on matters considered essential and most urgent with the aim of them entering into force on 1 January 2014. On 27 June 2014, the *BOE* (Official State Gazette) published Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions, which, through its first final provision, amended the Securities Market Act 24/1988, of 28 July, incorporating into Spanish legislation a good part of the content of Directive 2013/36/EU. The directive transposition process is expected to be completed in 2015 with publication of a royal decree amending Royal Decree 217/2008, of 15 February, on the legal regime of investment services firms and other entities which provide investment services, which is currently in force.

Similarly, in June 2014 the *BOE* published CNMV Circular 2/2014, of 23 June, on various regulatory options on insolvency for investment services firms and their consolidated groups. This circular implemented in the area of investment services firms the matters which Regulation (EU) No. 575/2013 leaves to the discretion of the competent authorities.

New developments in requirements for internal organisation and control functions

CNMV Circular 1/2014, of 26 February, on internal organisation and control function requirements of entities which provide investment services, was published in 2014. This circular, which repeals CNMV Circular 1/1998, of 10 June, on internal risk control, monitoring and evaluation systems, updates and clarifies the latest European legislation and some recommendations established by ESMA in its guidelines.

Together with this circular, the CNMV published on its website a *Guide on internal control function procedures* (compliance, risk management and internal auditing). Although it is not mandatory and therefore does not establish new obligations, it transmits to the sector and specifically to entities that provide investment services the instructions which the CNMV considers appropriate for performing the control procedures provided for in the legislation in force as of the issue date of this document.

New requirements on information to facilitate the supervision of the marketing of financial instruments to retail clients

CNMV Circular 3/2014, of 22 October, amending Circular 1/2010, of 28 July, on reserved information from entities that provide investment services and Circular 7/2008, of 26 November, on accounting standards, annual accounts and statements of reserved information of investment firms, management companies of collective investment schemes and management companies of venture capital firms, was published in order to monitor the different types of instruments marketed to retail clients more efficiently as a result of the experience gained since entry into force of the latter two circulars.

This circular increases the frequency with which certain entities – basically those which have a high volume of retail clients or those which are more active in marketing complex instruments – should submit certain reserved statements (those relating to placement, receipt, transmission and execution of orders). The required frequency is now quarterly, in addition to annually. The aim is to achieve greater effectiveness leading to early and preventive supervisory actions.

Similarly, the circular modifies some standard forms for the reserved statements, requesting more specific information with regard to certain characteristics of the financial instruments. In particular, the aim is to improve information on the characteristics, thus helping to identify the level of complexity of the instruments. The new circular also standardises other types of information which is already being collected with the aim of improving its comparability and treatment in supervisory work.

The changes introduced in Circular 7/2008, of 26 November, by Circular 3/2014, of 22 October, essentially aim for consistent treatment of reserved statements with the new required information although they do not bring about large-scale changes. It should also be pointed out that Circular 3/2014 amends the frequency of the information which financial advisory firms submit to the CNMV, which changes from half-yearly to annually.

MiFID II

Noteworthy among the European initiatives aimed at strengthening investor protection are, firstly, Directive 2014/65/EU, of the European Parliament and of the Council, of 15 May, on markets in financial instruments and amending Directive

2002/92/EC and Directive 2011/61/EU, known as MiFID II, which goes alongside Regulation (EU) No. 600/2014, of the European Parliament and of the Council, of 15 May, on markets in financial instruments and amending Regulation (EU) No. 648/2012 (EMIR), known as MiFIR. This new legislation must be applied as from 2017, although the Directive should be transposed to Spanish law by June 2016.

ESMA is currently working on implementing these rules, following the technical advice mandate from the European Commission, and drawing up binding technical standards. As indicated in Exhibit 10.2, ESMA submitted its technical advice to the European Commission at the end of December 2014. It has to send its proposal for regulatory technical standards to the Commission in July 2015 and implementing technical standards in January 2016.

The new legislation introduces very significant changes both in the regulation of market infrastructures (see the summary in Exhibit 10.2) and in conduct of business rules applicable to investment service providers. The most important new developments in the second case are as follows:[2]

i) New powers are given to national and European supervisors to intervene in products and services (intervention by European supervisors will only be temporary). Supervisors may ban or restrict the marketing of certain products or a specific type of financial practice or activity when there is significant concern for investor protection or a threat to the integrity and orderly functioning of financial or commodities markets or the stability of all or part of the financial system.

ii) The scope of application is extended to typical bank products such as structured deposits with a capital guarantee. Similarly, Directive 2002/92/EC, of the European Parliament and of the Council, of 9 December 2002, on insurance mediation, is amended so that some rules provided for in MiFID II, such as prevention of conflicts of interest, information to clients and incentives, are applicable to certain insurance-based investment products.

iii) The regime applicable to certain complex products is revised. In particular, certain structured undertakings for collective investment in transferable securities (UCITS) are considered complex.

iv) It regulates for the first time certain aspects relating to cross-selling, in which two or more products are bundled together as a package. In particular, entities are required to inform the client if it is possible to purchase the different products separately and also about the costs and commissions for purchasing each component separately.

v) Various pre-contractual information obligations applicable to the provision of advisory services are established. In particular, companies will have to inform the client about whether the advice given is independent, whether it is based on a broad or more limited analysis of the market, and whether the entity will conduct an ongoing assessment of the suitability of the recommended

2 Interested readers will find a detailed analysis of the main new aspects introduced by the MiFID reform with regard to conduct of business rules of intermediaries in Bravo San Juan, E. (2014). "New aspects of MiFID II relating to investor protection", *CNMV Bulletin*, Quarter IV.

instruments. It also requires entities to specify how the advice given matches the client's characteristics, an aspect which was already established to a certain extent in Spanish law by means of CNMV Circular 3/2013.

vi) Companies providing independent advisory services and discretionary portfolio management services are banned from receiving incentives from third parties. This leads to a greater level of transparency and helps eliminate conflicts of interest. For other investment services, it strengthens the obligation to provide information on incentives and the implementing legislation will specify the requirements for incentives to be received, as well as the treatment applicable to financial analysis services.

vii) It establishes for the first time various requirements applicable to product development and launch stages, which include establishing adequate approval policies and processes, determining a target market and periodic evaluation of whether a product continues meeting the needs of that target market. The aim is for clients not to be offered products with a risk or return profile which is not in line with their investment needs.

viii) The obligations regarding information to provide to clients are extended. Particularly noteworthy are those relating to the explicit and implicit cost of the service and financial instruments, as well as periodic information.

ix) Finally, it includes various provisions relating to the necessary education and training of the staff who sell investment products or who advise clients, as well as the remuneration systems and performance appraisals of staff, with the aim that they should not enter into conflict with the duty of acting in the client's best interest.

Also noteworthy was the publication of Regulation (EU) No. 1286/2014, of 26 November, on key information documents for packaged retail and insurance-based investment products (PRIIPS). This Regulation will be applicable as from January 2017. Work is currently being carried out on level II implementations.

This Regulation defines the content of an information document for all products known as PRIIPS, in which the return offered to the investor depends on the performance of one or several assets or referenced securities other than interest rates and which belong both to the banking, the insurance or the securities sector. The main objective of this key information document (KID) is to ensure that the information provided to the retail client prior to purchase is comparable, understandable and presented in a standardised manner.

11.2 Supervision of collective investment schemes (CIS)

The performance of preventive analyses was also one of the key features of the supervision of CIS in 2014. In this case, two of the main objectives of the supervisory actions were to ensure that CIS management companies prevent and, where appropriate, resolve conflicts of interest in an appropriate manner and that unit-holders or shareholders receive sufficient information about their investments.

As in other years, the CNMV combined off-site supervision with on-site inspections. Off-site supervision is mainly focused on analysing the financial statements that CIS submit to the CNMV on a monthly basis, which include the list of individual positions of the portfolio assets and of the derivatives of all registered CIS. On-site inspections are focused on less standardised or more specific aspects of the CIS.

As a result of the on-site inspections performed in 2014, the CNMV sent 1,326 deficiency letters to the supervised entities. A total of 498 deficiency letters corresponded to late filing of information, mostly CIS auditor's reports, while other 207 related to requests for information. As a result of the incidents detected in the reviews, the CNMV sent 558 letters requesting the adoption of corrective or improvement measures, or presenting recommendations for solving the incidents. A further 63 letters were sent for different issues, mainly in response to enquiries.

Supervision of CIS: deficiency letters sent by the CNMV in 2014 TABLE 11.3

	Actions		
	Off-site	On-site	Total
For late filing of information	498	0	498
Requests for information	161	46	207
Corrective measures or recommendations	503	55	558
Other notifications	18	45	63
Total	**1,180**	**146**	**1,326**

Source: CNMV.

11.2.1 Supervision of prudential requirements and conduct of business rules

The CNMV's supervision of CIS is basically conducted on two levels. One of these consists of performing general periodic analyses to ensure ongoing control over aspects such as the adequacy of resources and the internal controls of CIS management companies, the prevention of conflicts of interest, and compliance with legal ratios and investment suitability requirements. The other level of reviews consists of non-recurring analyses, whether general or specific, of issues which arise or are detected during the supervision process.

Periodic controls

The most important controls of this type performed in 2014 were as follows:

– Control of CIS legality. CIS legislation establishes minimum requirements for portfolio diversification, it limits the types of assets in which the schemes may invest and it establishes minimum liquidity ratios so as to pay any redemptions. In addition, the legislation requires that CIS maintain minimum assets and a minimum number of unit-holders and shareholders so as to ensure the collective nature of CIS.

  Bearing in mind the above, in 2014 the CNMV continued performing reviews aimed at ensuring compliance with the different limits and ratios required of CIS. The most numerous incidents were the result of sudden failures to comply with diversification limits, i.e. those which are the result of circumstances beyond the control of the management companies, such as a reduction in assets as a result of redemptions, as well as incidents relating to CIS structure (failures to comply with minimum levels of assets, capital and unit-holders). In general, sudden excesses were resolved by the legally established deadlines with no incidents.

– Analysis of compliance with operational limits on derivatives trading. Given the many special cases and special obligations for reporting to the CNMV, derivative trading was subject to specific analysis, based on the evolution of management companies with the aim of detecting weaknesses in their control systems. In general, the analyses of this type performed in 2014 did not reveal significant vulnerabilities. The level of leverage of CIS through derivatives trading is low.

– Analysis of returns. The CNMV analyses atypical returns in CIS. The procedure followed for detecting these atypical returns consists of constructing a daily tracker index for each CIS. This index is used to calculate the theoretical return for each scheme. The statistically significant differences are then analysed in order to check whether the net asset value is reasonable or reliable.

  Through the analyses performed in 2014, the CNMV detected some deficiencies in the procedures for measuring certain portfolio assets of CIS, especially investments in other funds, OTC derivatives and foreign exchange. In addition, accounting and administrative errors were also detected in some management companies.

Non-recurring controls

The main controls of this type were as follows:

– Analysis of OTC trading in CIS with a specific target return (guaranteed and non-guaranteed). The aim of this analysis was to: i) check if the valuation of the CIS was correct (in view of the complexity in valuing these products above all as a result of the difficulty in determining the necessary inputs and parameters); ii) check whether the management process was appropriate both at the time of the launch of the structure and throughout the life of the target return in order to ensure a sufficient amount of agreed positions with regard to the existing assets; and iii) detect situations which might generate conflicts of interest in those cases in which the management company, the counterparty and the guarantor are related as they belong to the same economic group.

– Analysis of the investment of CIS in equity securities which, due to their low liquidity and investment volume, might have a negative impact on the capacity to meet the redemptions of the CIS. This analysis was supplemented by a review of the liquidity control procedures of those management companies in which the presence of the aforementioned securities was most significant.

– Verification of the adaptation of Spanish CIS declared as undertakings for collective investment in transferable securities (UCITS) to the ESMA opinion that CIS may not invest the unrestricted 10% of their net assets in hedge funds.

– Analysis of the impact on CIS of the announcement of a financial group entering into insolvency proceedings. The CNMV evaluated exposure of CIS as a result of positions held in fixed-income assets issued by said financial group. The CNMV also analysed the trading performed in months prior to the announcement so as to detect possible situations which might generate conflicts of interest.

– Control to verify that mutual funds comply with the investment policy specified in their prospectus. The control was carried out by means of a sample, with the Sharpe ratio used as one of the sampling factors. As a result of the detected breaches, which were generally minor and concentrated in a failure to comply with minimum equity percentages, the CNMV sent the corresponding deficiency letters.

– Analysis, also based on a sample, in order to verify appropriate marketing practices and the non-existence of conflicts of interest in funds with high volumes of subscriptions following the change of cycle in the collective investment industry.

Together with these general analyses, the CNMV performed many other analyses for issues which affected individual entities: investment in unsuitable assets, fee calculations, allocation of expenses to funds, valuation of the portfolio and conflicts of interest.

Controls relating to prudential and organisational requirements of management companies

As in the previous year, the CNMV paid special attention to supervising the prudential and organisational requirements applicable to CIS management companies in the context of the sharp growth of assets managed by the sector (see Chapter 6). It should be indicated that the impact of the restructuring of the sector on management companies seems to have ended and the total number of companies did not change compared with 2013 and remains at 96.

In general, companies amply comply with the corresponding capital requirements. However, even bearing in mind the expected legal amendments with regard to a reduction in the required minimum, the CNMV closely monitored entities with a low margin of compliance with the solvency requirement. It should be indicated that in some CIS management companies the increase in the managed volumes has made it necessary to contribute capital in order to maintain the necessary capital levels.

Similarly, the CNMV has continued analysing the information provided in the report sent by the internal auditing unit of the CIS management companies about the level of compliance with applicable legislation on internal control in said entities.

Finally, it is important to highlight that the inspections performed over the year revealed two fairly reiterative incidents:

– An inappropriate procedure for order transmission which did not generate objective, verifiable and non-editable documentation demonstrating that the investment decisions in favour of a certain CIS or client were adopted prior to transmitting the order to the intermediary.

– An organisational structure which did not ensure independent exercise of the internal control functions: internal audit, compliance and risk control. In these cases, one or several of these functions were assigned to units within the management company which reported to people who either did not have sufficient authority to promote the independence of the functions or who were also responsible for other functions which might enter into conflict with control functions. The CNMV also detected incidents relating to a lack of independence and the existence of conflicts in the exercise of control functions delegated to entities outside the management company's group. In particular, when the internal auditing is delegated to service providers which at the same time, either directly or through entities in which there are common interests, received a delegation of other internal control functions (compliance or risk control).

In addition to the requirements for corrective measures in all the identified cases, the CNMV initiated disciplinary proceedings in the cases of repeated breaches already detected in preceding inspections or due to the combination of weaknesses in internal control with other aggravating circumstances.

11.2.2 Disclosure to investors

CIS regulations require that they send their audit reports and annual accounts to the CNMV. This information must also be delivered to investors as part of the annual report. All these documents are essential for the CNMV to perform its mandated supervisory functions and it therefore paid particular attention to compliance with the established presentation deadlines, the formal requirements and, above all, any possible qualifications and emphasis of matter paragraphs included in the auditor's opinion. In 2014, coinciding with a more favourable environment for the sector, the CNMV noted a fall in the number of qualifications and emphasis of matter paragraphs compared with previous years.

As in the previous year, the CNMV paid particular attention to the key investor information document (KIID). In particular, the CNMV verified that the document was given to investors when subscribing mutual funds with all the data required by legislation, including those relating to the graph of past performance and the total cost figures. The CNMV verified that most management companies were submitting the KIID on paper without integrating these data and so it sent notices requiring entities to rectify these incidents as soon as possible.

Subsequently, it requested from these management companies a sample of the subscriptions in order to verify that they were submitting to the investor the KIID with the data on total expenses and past performance adequately integrated into the document as they had previously agreed. The CNMV detected a low number of management companies which were still not complying with the above and the CNMV therefore send them notices requiring them to comply with their commitment as soon as possible. Similarly, the CNMV observed that some management companies were not suitably demonstrating the legal documentation in the subscriptions of the CIS and so it sent them notices requiring modifications in this regard.

11.2.3 Supervision of management companies of hedge funds and funds of hedge funds

Supervision of hedge funds in 2014 mainly consisted of analysing risk levels in compliance with structural requirements (assets and minimum number of unit-holders and shareholders).

With regard to funds of hedge funds, the CNMV particularly focused its supervision on monitoring the liquidation processes in progress in order to verify whether the management companies acted with due diligence and whether they provided adequate information on these processes to investors. It is important to remember that the financial crisis has led to a sharp reduction in the number of funds of hedge funds.

11.2.4 Supervision of CIS depositories

The CNMV's supervisory actions in this area were based on both on- and off-site controls. In the first case, the control is focused particularly on reviewing the half-yearly reports which depositories are required to submit to the CNMV on their function of supervising and overseeing CIS (CNMV Circular 3/2009, of 25 March, on the content of the half-yearly report of compliance with the supervision and oversight function of the depositories of collective investment schemes). In these reports, depositories are required to record all non-compliances with legislation or anomalies which have been detected in the management or administration of both financial and real estate CIS, together with any observations which the management company or, as the case may be, the SICAV may have made as a consequence of the depository reporting the anomaly.

These controls paid special attention to incidents involving valuations reported by the depositories, non-compliance with investment policy, transactions not made on a regulated market, and reconciliation differences of cash and securities balances. The review not only makes it possible to detect deficient practices of CIS management companies, but also to assess whether depositories are performing their functions correctly.

As part of the off-site inspections, the above controls were supplemented in 2014 by supervision of compliance with the depositary function in two credit institutions. These reviews covered both the functional custody of the assets owned by the CIS and the function of supervision and oversight of the activity of the management companies. The CNMV also analysed the structure, resources and independence of the depository activity in the organisation of these two credit institutions.

With regard to on-site activities, one inspection of a depository was conducted in 2014. The CNMV also indirectly analysed compliance with the functions attributed to depositories by law within the scope of inspections performed on CIS managers (19 in 2014).

Specifically, in 2014 special emphasis continued to be placed on verifying that the depository exercised adequate control over the availability of CIS assets which, for technical reasons, were not directly under their custody (e.g. when the depository was not an entity attached to a specific clearing and settlement system). In general terms, the results of these verifications were satisfactory.

11.2.5 Supervision of real estate CIS

A significant part of the CNMV's supervision of real estate CIS focused on the liquidation processes in progress. This monitoring was maintained for a real estate fund whose liquidation had been agreed in 2011, and was also extended to another which had agreed its liquidation in 2013. The key focuses for attention in these controls are compliance with legislation on the liquidation process and verifying that unit-holders are provided with proper information.

No supervisory issues arose with regard to the other real estate funds as the part of the assets corresponding to minority unit-holders that still remained following the last liquidity window (sometimes, extraordinary) was subject to a split by means of the creation of a new fund with a fixed-income investment profile. The assets of non-split real estate funds were therefore in the hands of entities within the management company's group, which allowed them to be converted into real estate companies or SOCIMI (Spanish REIT companies).

11.3 Supervision of venture capital firms

As indicated in Chapter 8, there were no significant changes in the number of registered firms or the sector's total assets. As in the previous year, some entities had difficulties finding viable investment projects and in covering the mandatory investment ratio.

Noteworthy in the year was the approval of Law 22/2014, of 12 November, regulating venture capital entities, other closed-ended collective investment schemes and their management companies, and amending Law 35/2003, of 4 November, on collective investment schemes. The new Law introduces important new aspects in the sector, which are summarised in Exhibit 11.3.

The CNMV took these amendments into account in its supervisory actions in 2014. In particular, it warned venture capital firms of the new aspects with regard to changes to the limits of the investment diversification ratio so that they might adapt to the new Law in advance.

In addition, the CNMV performed a simulation of the requirements imposed by the new Law on venture capital management companies with regard to compliance with minimum equity levels, informing them of possible non-compliances which will arise in the future if they do not take the necessary measures.

New Law on Venture Capital Firms and Amendment of the Law on Collective Investment Schemes

EXHIBIT 11.3

Law 22/2014, 12 November, regulating venture capital entities, other closed-ended collective investment schemes and their management companies (hereinafter, LVC), in turn amending Law 35/2003, of 4 November, on collective investment schemes (hereinafter, LCIS) entered into force on 14 November 2014. With approval of this legislation, Law 25/2005 on venture capital entities is repealed.

The new LVC, together with the amendment to the LCIS, aim to transpose Directive 2011/61/EU on alternative investment fund managers (hereinafter, AIFMD). The LVC regulates closed-ended investment vehicles and the LCIS regulates open-ended investment vehicles, which are defined as those which allow redemptions charged to assets at the request of investors.

The aim of the AIFMD is to regulate and submit to authorisation and supervision alternative investment fund managers that manage assets above certain thresholds (500 million euros for closed-ended unleveraged vehicles and 100 million euros for other types of vehicles), as it is considered that these are the vehicles which might generate the highest systemic risk. For other managers, the Directive only requires that they register with their regulator and that they follow certain periodic reporting obligations.

The requirements which the AIFMD imposes on managers above the aforementioned thresholds are very strict with regard to own funds, asset valuation, risk management, delegation of functions, control of liquidity and remuneration policies, all in order to prevent them taking risks which are inconsistent with the risk profile of the managed funds. In addition, these managers must appoint a depository for each one of the vehicles which they manage and the figure of the depository is therefore closely regulated, specifically their liability in the event of the loss of assets.

The Directive offers managers above the thresholds, provided they comply with their requirements, the possibility of benefiting from a passport for the cross-border management and marketing of alternative funds in Europe to professionals. The aim is to promote a single European market for these products limited to professional investors and parallel to that which the UCITS regulation promotes for retail investors.

In the case of the new LVC, the transposition transfers to this Law the differential treatment of managers provided in the Directive depending on whether or not they exceed the aforementioned thresholds. Therefore, although all managers are subject to authorisation from the CNMV and the same regime for own funds, the stricter requirements are only applied to managers above the thresholds.

With the new legislation, the management of closed-ended alternative investment funds becomes a reserved activity subject to authorisation and supervision of the CNMV, unlike the situation under the previous law whereby the registration of venture capital entities with the CNMV was optional and linked to the possibility of adhering to a favourable tax regime. Therefore the scope of the LVC is wider than the previous regulation. In this regard, it is important to highlight the creation of a new category of vehicle, entitled closed-ended collective investment undertakings, which will include any closed-ended investment vehicle which raises capital from a series of investors in order to invest it in accordance with a defined investment policy, and which lacks a commercial or industrial objective.

Within venture capital entities a new type of vehicle – SME venture capital entities – is developed in order to promote the venture capital sector aimed at the early stages of company development. European social entrepreneurship funds (EuSEF) and European venture capital funds (EuVECA),[1] regulated by two directly applicable European regulations, complete the catalogue of vehicles recognised in the new Law.

Similarly, another of the new aspects of the LVC is that it allows the marketing of venture capital entities to retail investors provided they undertake to invest at least 100,000 euros and declare in writing that they are aware of the risks linked to the investment. EuSEF and EuVECA are subject to the same rules on marketing.

The amendment of the LCIS to adapt it to the AIFMD did not involve a substantial change in the regulation of open-ended CIS managers. Irrespective of the volume of assets which they manage, these managers already had to comply with similar requirements to those set forth in the AIFMD for managers above the thresholds, which are very similar to those provided for in the European regulation on UCITS.

CIS management companies can manage UCITS and alternative funds whether they are open-ended, such as hedge funds, real estate CIS and other CIS similar to UCITS, or closed-ended (all the vehicles provided for in the LVC).

Amendment of the LCIS has also been used to transpose the UCITS V Directive,[2] which establishes remuneration policies and a depository regime very similar to that provided for in the AIFMD.

Finally, it should be pointed out that in order to complete transposition both of the AIFMD and of the UCITS V Directive, Royal Decree 83/2015, of 13 February, amending the implementing Regulation of Law 35/2003, approved by Royal Decree 1082/2012, of 13 July, entered into force on 15 February 2015.

1 Regulation (EU) No. 346/2013, of the European Parliament and of the Council, of 17 April, on European social entrepreneurship funds (EuSEF), and Regulation (EU) No. 345/2013, of the European Parliament and of the Council, of 17 April, on European venture capital funds (EuVECA).

2 Directive 2014/91/EU, of the European Parliament and of the Council, of 23 July, amending Directive 2009/65/EC, of the European Parliament and of the Council, of 13 July, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depository functions, remuneration policies and sanctions.

11.4 Supervision of securitisation fund management companies

The CNMV once again focused its supervision in this area on audit reviews. No on-site inspections were carried out as the issues of securitisation vehicles remained low and the CNMV received no alarm with regard to these products.

11.5 Collaboration in the prevention of money laundering

The CNMV continued sending to the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Spanish acronym:

SEPBLAC) its reports corresponding to reviews agreed in previous years, with the conclusions reached on the level of compliance with money laundering prevention obligations. The CNMV also sent SEPBLAC information on suspicious transactions relating to money laundering detected within the scope of its supervision.

With regard to new actions, the CNMV has coordinated application of the cooperation agreement, bearing in mind the CNMV's supervision plan, as well as the priorities based on analysing money-laundering risk.

In addition, the Regulation of Law 10/2010, of 28 April, on the prevention of money-laundering and terrorist financing was approved in May 2014. A new aspect of this Regulation is the introduction of the participation of the CNMV in the Commission for the Prevention of Money Laundering and Monetary Offences.

12 Investor assistance

The CNMV continued paying priority attention to processing claims and complaints filed by investors. These fell sharply in 2014 compared with 2012 and 2013, two years in which an unusually high number of claims and complaints were recorded. Both factors led to a new and substantial reduction in outstanding proceedings at the end of the year, from 3,615 in 2013 to 896 in 2014. Over 80% of the claims processed in 2014 resulted in a final reasoned report. The bulk of these corresponded to claims relating to information received by investors prior to purchasing financial products.

The CNMV also paid particular attention to activities aimed at promoting financial education among investors and the general public. Particularly noteworthy was the execution of a new financial education programme in schools in the 2013-2014 academic year within the framework of the National Financial Education Plan promoted jointly with the Bank of Spain. On this occasion, the programme was incorporated in over 450 schools and 47,500 secondary school students throughout Spain, more than double the figure recorded in the previous academic year. Similarly, it is important to highlight that one of the central objectives of the plan was achieved during the year: incorporation of financial education contents into the school curriculum. Exhibit 12.1 provides further details.

12.1 Claims management

Investors can file complaints with the CNMV for delays, failures to address their problems or other inadequate actions by financial institutions, as well as claims for specific actions or omissions which harm their interests and rights. Nevertheless, they must prove that they previously filed these complaints or claims with the customer care service and/or customer ombudsman of the entity in question with one of the following three results: i) the entity did not accept the claim or complaint for processing, ii) the petition was rejected or iii) the claim or complaint is not resolved within two months of it being filed.

In 2014, investors filed a total of 2,393 claims and complaints, a fall of 67.3% on 2013. Accordingly, following two years with a very high volume of claims and complaints filed (10,900 in 2012 and 7,308 in 2013), in 2014 the number returned to levels similar to those recorded in 2009, 2010 and 2011, when 2,154, 2,296, and 2,005 claims and complaints were filed, respectively.

Claims and complaints submitted are not accepted if they do not comply with the acceptance requirements and these failures cannot be rectified or cannot be rectified in time. For this reason, a total of 592 claims and complaints were not accepted in 2014. Even when they are accepted, the claim or complaint may be terminated early in certain cases without the CNMV issuing a final reasoned report. Of the total number of complaints and claims processed, 5.8% required no final reasoned report as they were accepted by the institution or resolved by mutual agreement, 0.9% because the complaint was withdrawn, and 10.3% as they fell outside the competence of the CNMV's Claims Service.

In the other cases, processing the complaint or claim ended with the issue of a reasoned report which concluded whether the corresponding entity complied with transparency and investor protection legislation or best financial practices and customs. In 2014, the CNMV issued reports of this type on 3,754 complaints and claims, 83.1% of those processed, an increase of 38.9% on the previous year. Claimants received a favourable report in 71.9% of the cases, while the remaining 28.1% received an unfavourable report. In 2013, these percentages were 68.4% and 31.6%, respectively.

As in previous years, the CNMV gave priority to dealing with claims and dedicated significant resources to this activity. This fact, together with the slowdown in the rate of filed claims, led to a significant fall in the number of outstanding claims at the end of the year, which dropped from 3,615 in 2013 to 896 in 2014.

Complaints processed broken down by type of resolution TABLE 12.1

Number of claims and complaints

	2012		2013		2014		% change 13/14
	No.	%	No.	%	No.	%	
Registered with the CNMV's Claims Service	**10,900**	**–**	**7,308**	**–**	**2,393**	**–**	**-67.3**
Not accepted for processing	**1,259**	**–**	**1,685**	**–**	**592**	**–**	**-64.9**
Processed without final reasoned report	**1,587**	**35.4**	**2,242**	**26.7**	**766**	**16.9**	**-65.8**
Acceptance or mutual agreement	372	8.3	519	6.2	260	5.8	-49.9
Complaint withdrawn	80	1.8	120	1.4	42	0.9	-65.0
Competence of other authority	1,135	25.3	1,603	19.1	464	10.3	-71.1
Processed with final reasoned report	**2,892**	**64.6**	**6,143**	**73.3**	**3,754**	**83.1**	**-38.9**
Report favourable to claimant	2,214	49.4	4,199	50.1	2,700	59.7	-35.7
Report unfavourable to claimant	678	15.1	1,944	23.2	1,054	23.3	-45.8
Total complaints handled	**4,479**	**100.0**	**8,385**	**100.0**	**4,520**	**100.0**	**-46.1**
Being processed at the end of the year	**6,377**	**–**	**3,615**	**–**	**896**	**–**	**-75.2**

Source: CNMV.

The bulk of the claims resulting in a final report in 2014 related to the information received by investors prior to contracting financial products (86.9% of the total). In general, investors stated in these claims their objection to the fact that these products did not meet their investor profile and the lack or deficiency of the information provided about these products.

Most of the claims resulting in a reasoned report related to preferred shares and subordinated debt (67.9% of the total), although claims relating to these products fell by 45% on 2013. Falls on the previous year were also recorded in claims relating to prior information on convertible products (69%), financial swaps (31.1%) and collective investment schemes (57.1%).

In contrast, resolved claims relating to prior information on products other than those mentioned above rose by 29.6% on the previous year and their proportion of the total number of resolved claims doubled. Within these products, there was a noteworthy increase in claims relating to atypical financial contracts or options trading, which rose from 26 in 2013 to 126 in 2014.

Claims resulting in a final reasoned report relating to the execution of securities purchase, sale or transfer orders rose by 88.2% on the previous year, although they account for 3.1% of claims processed with a final reasoned report.

Claims relating to share purchase or sale orders accounted for most of this increase.[1] Claims relating to the execution of orders of subscription, redemption and transfer of collective investment schemes (CIS) rose by 10.4% on the previous year.

Reasons for the processed claims and complaints resulting in the issue of a final reasoned report TABLE 12.2

Number of claims and complaints

	2012		2013		2014		% change 13/14
	No.	%	No.	%	No.	%	
Prior information on the product and/ or matching of the product to the client	**2,444**	**84.5**	**5,790**	**94.3**	**3,262**	**86.9**	**-43.7**
Spanish preferred shares and subordinated debt	1,338	46.3	4,636	75.5	2,550	67.9	-45.0
Convertible products	211	7.3	729	11.9	226	6.0	-69.0
Financial swaps	383	13.2	45	0.7	31	0.8	-31.1
CIS	46	1.6	42	0.7	18	0.5	-57.1
Other	466	16.1	338	5.5	438	11.7	29.6
Incidents in order execution	**93**	**3.2**	**82**	**1.3**	**117**	**3.1**	**42.7**
Securities[1]	56	1.9	34	0.6	64	1.7	88.2
CIS	37	1.3	48	0.8	53	1.4	10.4
Commissions	**120**	**4.1**	**97**	**1.6**	**148**	**3.9**	**52.6**
Securities[2]	98	3.4	81	1.3	112	3.0	38.3
CIS[3]	22	0.8	16	0.3	36	1.0	125.0
Information subsequent to purchase	**94**	**3.3**	**70**	**1.1**	**70**	**1.9**	**0.0**
Securities	47	1.6	49	0.8	43	1.1	-12.2
CIS	47	1.6	21	0.3	26	0.7	23.8
Other reasons	**141**	**4.9**	**104**	**1.7**	**157**	**4.2**	**51.0**
Total processed with final reasoned report	**2,892**	**100.0**	**6,143**	**100.0**	**3,754**	**100.0**	**-38.9**

Source: CNMV. (1) Does not include incidents in the execution of sales orders for Spanish preferred shares and subordinated debt contained in some claims classified under the heading "Spanish preferred shares and subordinated debt". (2) Commissions for administration and custody, transactions, transfer and other securities commissions. (3) Commissions for subscription, redemption, transfer and other commissions relating to CIS.

1 It should be indicated that this section does not include incidents about sales orders of preferred shares and subordinated debt in Spanish markets which are also mentioned in some of the claims about prior information.

Resolved claims relating to the commissions applied by intermediaries rose by 52.6% on 2013, and account for 3.9% of claims resulting in a final reasoned report. In this case, the increase was the result both of commissions for securities transactions (execution of stock market transactions, administration and deposit, transfer, change of ownership, etc.) and those relating to CIS operations (subscription, redemption, transfers, etc.). The bulk of the first type of claim was the result of commissions from the transfer of securities between depositories, with more than double the number of claims in 2014 compared with the previous year (from 24 in 2013 to 60 in 2014). The increase in claims relating to commissions for CIS operations was due to redemption commissions of mutual funds, applied as a result of a request for direct redemption or as a result of the request for a transfer to another mutual fund.

Claims resulting in a final report relating to information subsequent to purchasing the product fell by 12.2% for securities and rose by 23.8% for CIS. This information aims to enable clients to accurately monitor their positions in investment products, as well as the options or rights resulting therefrom, with investors often claiming that they have not received the notifications or that they have received them past the deadline or only a short time before having to place the corresponding instructions.

Finally, the resolution of claims for other reasons rose by 51%. This section includes a wide variety of incidents, which include those relating to ownership of the contracts, handling probate, contracts for deposits and administration of securities, settlement and early cancellation of atypical financial contracts, portfolio management and exercising pre-emption rights.

Monitoring of rectifications by entities

The reasoned reports which the CNMV issues are not binding. However, if the report is favourable to the claimant, the CNMV requires that entities notify whether or not they accept the CNMV's criteria and, as the case may be, that they provide documentation demonstrating that the situation referred to by the claimant has been rectified. These notifications must be made in a period of one month following receipt of the report by the parties. If the entity fails to comply within this deadline, it will be deemed to have not accepted the criteria contained in the report.

The CNMV monitors the notifications to evaluate the entity's adaptation to conduct of business rules and best financial practices and customs, as well as the functioning of the customer care service and/or the customer ombudsman.

Of the 2,700 claims closed in 2014 with a report favourable to the claimant, in 6% of the cases the entities notified that they accepted the criteria and rectified the situation referred to in the claim, while in 23.6% of the claims, the entities reported their disagreement with the report or informed about issues from which it cannot be deduced that they accepted the criteria or rectified the situation.

Especially significant claims

As in previous years, most of the claims resolved in 2014 referred to the information which entities collect from clients prior to contracting investment products in order to assess whether the product matches their investor profile or the information which they provided to clients about the investment product.

Entities did not always provide supporting documentation demonstrating that they had obtained information on the client's investment profile prior to the client contracting the product. The CNMV also detected cases in which assessment questionnaires were not signed by the client or contained questions with responses which did not make it possible to deduce the appropriateness or suitability of the investment product or service provided. The CNMV also detected deficiencies in the prior information provided on products due to a failure of entities to provide an informative summary or equivalent document with a sufficiently detailed explanation of the features and risks of the product or service. In some cases, entities provided information which was incomplete or did not fully match the product's characteristics and risks.

In 2014, the resolved claims relating to atypical financial contracts or purchases and sales of financial options increased significantly. Some of these products were purchased by retail investors without the entity appropriately evaluating whether they matched their investment profile. In addition, the contracts sometimes contained contradictory warnings relating to the subscriber's investment experience. In other cases, these products were marketed or contracted as deposits although this did not match their features. With regard to information on these products, the CNMV detected that the contracts sometimes did not contain sufficient information on some aspects such as the evolution of the underlying asset. In addition, they did not provide the fair market value in the periodic information or they did not respond appropriately to requests for information on adjustments of the underlying asset which had been considered for settling the contract.

As indicated, commissions for transferring securities between entities were the cause of most of the increase in claims relating to commissions resolved in 2014. In the resolution of some of these claims, the CNMV highlighted that such commissions should not have a penalising or deterrent nature, but that their purpose should only be to remunerate the service provided in a proportionate manner. In other cases, entities did not demonstrate that they had adequately informed the client about the modification of the transfer commission as they were not able to provide supporting documentation of the notification sent or such notification was not sufficiently clear.

Electronic processing of claims and complaints

CNMV Circular 7/2013, of 25 September,[2] established that its provisions relating to electronic filing of claims, complaints and enquiries would enter into force as from 1 June 2014. In particular, it established that the sharing of documentation between the entity against which the claim is brought and the CNMV, as well as the filing of collective complaints and claims, will be conducted through the CIFRADOC/CNMV system.

2 CNMV Circular 7/2013, of 25 September, regulating the resolution procedure for claims and complaints against companies which provide investment services and for addressing enquiries in the field of the securities market.

Entities against which claims are brought have access to a new electronic procedure called "*alegaciones de entidades reclamadas por inversores*" (statements of entities against which claims are brought by investors, ALR), which can be accessed after initiating a session in CIFRADOC through the following link: https://sede.cnmv.gob.es/sedecnmv/sedeelectronica.aspx. Through this procedure, entities against which claims are brought receive all the notifications made by the CNMV's Claims Service and file the statements and all the documentation resulting from the claims proceedings.

In order to provide an appropriate and swift response to investors, the CNMV has enabled the electronic filing of individual claims and complaints and has renewed the electronic filing of enquiries. For this purpose, it has developed electronic forms which facilitate the investor's task and which are in line with the standard forms approved in the legislation.

Investors can access the electronic form through the following link: https://sede.cnmv.gob.es/SedeCNMV/LibreAcceso/RQC/Reclamaciones_Consultas.aspx. In order to file a claim electronically, the investor can choose between: i) an email address and an eight character password or ii) an electronic certificate or DNI (Spanish ID).

Once the claimant has initiated the claim process electronically, all subsequent communications between the two parties will be solely and exclusively performed electronically.

In this regard, when this service addresses the claimant, the claimant will receive an email with a link to the document in question. If the claimant wishes to provide any document it must also do so electronically, accessing its claim from the CNMV's virtual office.

Claimants may also consult the current status of their claim at any time they wish.

It should be remembered that in those situations in which this electronic system for filing claims is accessed with an email and password, the claim filed can only be accessed using the same email and password which was introduced when it was filed.

Claimants still mostly use the traditional system for filing claims (on paper). Dissemination amongst the public of this new system for electronic filing of claims, together with the fact that all the communications of this service with entities are now solely and exclusively carried out electronically, irrespective of the route chosen by the claimant to file their claim, will make it possible to speed up claims proceedings in the future.

12.2 Enquiries

The CNMV responds to enquiries from investors on matters of general interest relating to the rights of the users of financial services and the legal routes for exercising such rights. These requests for advice and information are provided for in Article 2.3 of Order ECC/2502/2012, of 16 November, which regulates the procedure for filing claims with the claims services of the Bank of Spain, the CNMV and the Directorate-General of Insurance and Pension Funds. Investors are also given help in searching for the information contained in the official public registries of the CNMV and in other public documents which it publishes. The CNMV also deals with various questions and doubts relating to securities markets which investors may have.

With the aim of providing new routes for communication with investors, which in turn guarantee correct identification of such investors, the CNMV has set up within its virtual office (available at www.cnmv.es) a new section for the filing of claims, complaints and enquiries. Investors may thus now file their enquiries by post, by telephone or by means of the CNMV's virtual office.

The CNMV received 7,221 enquiries in 2014. Most of the enquiries were made by telephone (73.5%) and were dealt with by the operators of the call centre. These enquiries were limited to providing information available in the official registries of the CNMV website (www.cnmv.es) or on the status of a claim. The second most-used method was the virtual office (21%) followed by ordinary post (5.5%).

As shown in Table 12.3, there was a notable fall in the number of enquiries in 2014. It should be taken into account that in 2012 and 2013 there was a sharp increase in enquiries, firstly as a result of the doubts and complaints of investors relating to the marketing of preferred shares and subordinated debt and, subsequently, in 2013 as a result of the doubts arising from the swap or repurchase processes of certain hybrid instruments, as well as relating to the arbitration processes affecting entities owned by the Fund for Orderly Banking Restructuring (Spanish acronym: FROB), specifically procedures, terms and possible alternatives to these processes. Enquiries relating to arbitration processes were also made in 2014 although these are more focused on possible alternatives as a result of applications for arbitration not being admitted for processing.

Enquiries dealt with by the CNMV by method of receipt TABLE 12.3

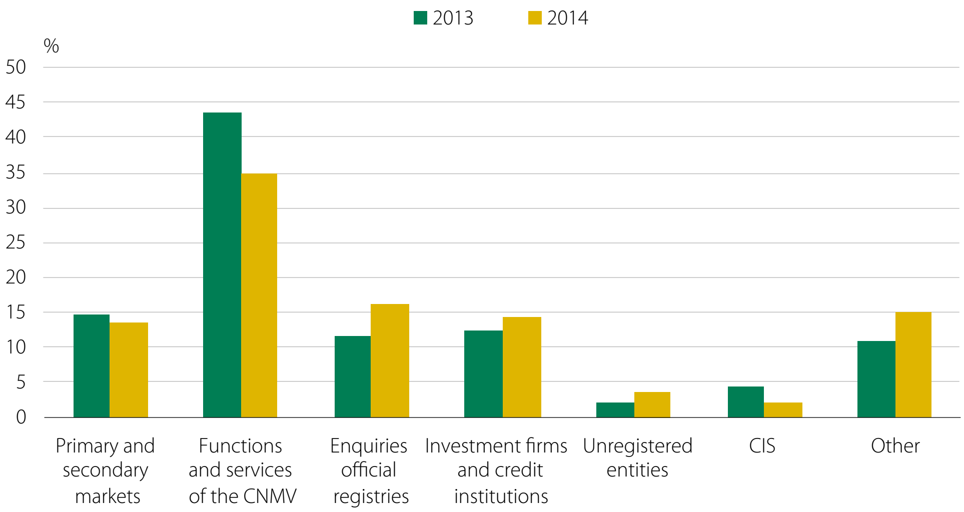
Number of enquiries

	2012		2013		2014		% change
	No.	% / total	No.	% / total	No.	% / total	14/13
Telephone	14,126	67.3	9,532	71.4	5,307	73.5	-44.3
Postal mail	2,095	10.0	1,062	8.0	397	5.5	-62.6
Form/Virtual Office	4,781	22.8	2,757	20.7	1,517	21.0	-45.0
Total	**21,002**	**100.0**	**13,351**	**100.0**	**7,221**	**100.0**	**-45.9**

Source: CNMV.

Enquiries in 2014 were again related to investors requesting information about data available in our official registries: information on registered entities, fees for investment services, significant events, short positions, significant shareholdings, CNMV communications, statistics and publications, among other content which is freely available to the public. In addition, the CNMV regularly receives enquiries about its functions and services, as well as the status of claim and complaint proceedings.

Enquiries by topic FIGURE 12.1



Source: CNMV.

In addition to these recurring topics, investors made other enquiries on issues relating to the market situation or specific events, which include the following:

– On the functioning, competences and level of supervision of companies listed on the Alternative Stock Market (MAB). Specifically, the enquiries focused on the companies Let´s Gowex, S.A., and Carbures Europe, S.A., whose suspension from trading generated doubts among investors.

– The possible free right of separation in favour of unit-holders in a certain mutual fund following the withdrawal of its main manager. Specifically, investors enquired whether the withdrawal of Francisco García Paramés from the management company Bestinver Gestión, SGIIC, S.A. fell within the amendment criteria of the prospectus/key information document (KID) which must be communicated to unit-holders prior to entry into force and the possible existence of a free right of separation in their favour.

– About Bankia, S.A. relating to two different issues. Firstly, enquiries relating to its IPO process and, secondly, enquiries where investors showed their disagreement with the rejection of their applications for arbitration with regard to the marketing of certain hybrid products of capital and subordinated debt and requesting information on what actions could be carried out.

– On the restructuring of the company Pescanova, S.A. With regard to the viability plan which the company sent to the CNMV as a significant event, there were several enquiries in which investors asked how said restructuring would affect their investments.

– Enquiries relating to takeover bids presented/authorised by the CNMV during 2014. Particularly, with regard to the takeover bids launched for Ahorro Familiar, S.A., Deoleo, S.A., Grupo Tavex, S.A., Jazztel, S.A., Sotogrande, S.A., Sociedad Anónima Damm, S.A. and Realia, S.A.

  With regard to the delisting bids, as in the case of Grupo Tavex, S.A. and Sociedad Anónima DAMM, S.A., the enquirers showed their rejection of the bid prices and, in some cases, requested information or clarification on the valuations applied by independent experts.

– Enquiries relating to the amounts to be paid for transfers of securities. In some cases, investors requested information of the amounts to be paid as they felt they were disproportionate with regard to the value of the portfolio to be transferred.

– Finally, as has recently become common, the CNMV received enquiries relating to the implications and alternatives existing for the shareholders of companies which are delisted or suspended from trading. Investors showed their discontent with holding these securities, which mostly involved them paying commissions for securities administration and custody.

  It is also important to mention enquiries submitted with regard to Fergo Aisa, S.A. (in liquidation), which was delisted on 29 January 2015 following a period of information on its delisting which began on 31 October 2014 and which lasted for 20 business days. On 31 October 2014, the CNMV published in the *BOE* (Official State Gazette) an announcement relating to the start of the information period,[3] during which holders of rights or legitimate interests could make the statements which they considered pertinent.[4]

12.3 Investment Guarantee Fund (FOGAIN)

The Investment Guarantee Fund (FOGAIN) compensates customers who are unable to recover the money or securities entrusted to investment firms, except financial advisory firms, in the event of bankruptcy proceedings or a declaration by the CNMV that the entity, for reasons relating to its solvency, is unable to return the money and securities entrusted thereto. The fund's coverage also extends to the customers of discretionary portfolio management services of CIS management companies. The maximum amount of the compensation following verification of the investor's net position stands at 100,000 euros. As indicated, the customers of financial advisory firms are not covered by the fund. Neither are customers of foreign entities operating in Spain covered by FOGAIN. These entities are attached to the guarantee funds of their home State, whose coverage may not be the same as that offered in Spain.

At year-end 2014, FOGAIN had a total of 130 member entities, three down on the previous year. Table 12.4 shows the breakdown by type of entity.

Trend in number of member entities TABLE 12.4

Type of firm	2011	2012	2013	2014
Broker-dealers/dealers	94	87	82	77
Portfolio management companies	6	6	5	5
CIS management companies	47	47	46	48
Total	**147**	**140**	**133**	**130**

Source: CNMV.

3 In accordance with the resolution of the CNMV's Executive Committee, of 23 October 2014, to start delisting proceedings for the shares of Fergo Aisa, S.A., on the Madrid and Barcelona stock markets and the Spanish Stock Market Interconnection System, in application of Article 34.1 of the Securities Market Act 24/1988, of 28 July, as a consequence of the company failing to comply with its obligations relating to the submission and publication of information.

4 In accordance with Article 86 of Law 30/92, of 26 November, on the Legal Regime of Public Administrations and the Common Administrative Procedure.

FOGAIN's assets totalled 78.5 million euros at year-end, a rise of 11% on 2013. This increase, which took place as a consequence of the contributions of member entities during the year and the return on investments, was favoured by the absence of new claims, as in most of the previous years. In fact, since the creation of the fund in 2001, apart from the claims which arose prior to that date and which were covered in application of EU legislation, FOGAIN has only had to intervene as a result of the initiation of the bankruptcy proceedings of Sebroker Agencia de Valores, S.A. in 2010. Following the security and liquidity criteria set out in its regulations, the fund continued to invest its assets in public debt with different maturities, as well as repos contracted through various financial institutions.

In 2014, the operator of FOGAIN continued paying compensation and recovering the amounts paid out. The compensation paid out over the year affected customers of AVA Asesores de Valores, AV, S.A., Gescartera Dinero, AV, S.A. and Sebroker Bolsa, AV, S.A. These payments were at a very low level as most of the customers of these entities had already been compensated in previous years.

With regard to managing the recovery of the amounts paid out, FOGAIN remains party to several open legal proceedings relating to the claims which it has covered.

As in previous years, it dealt with numerous enquiries about the coverage which the fund offers to investors. The number of visits received at the website, www.fogain.com rose significantly both from investors and member companies, which have access to a reserved area on the website.

Similarly, FOGAIN has continued to act as a channel of communication between different authorities and member entities. In this regard, it should be pointed out that in 2014 the fund organised a conference in Madrid on investment services for its member entities and it has various working groups on issues of common interest for said entities.

12.4 Investor education

12.4.1 Financial Education Plan

In 2014, the CNMV and the Bank of Spain, continued to develop the Financial Education Plan, which aims to promote the improvement of financial literacy in Spain.

Numerous wide-ranging activities have been performed, including the following:

– Introduction of financial education content in the education system. One of the main objectives of the plan, the introduction of financial education in the education system, was incorporated in 2014. In this regard, Royal Decree 126/2014, of 28 February, establishing the basic curriculum for primary education, included content on money and savings in the subject of Social Sciences. The aim is for students to become aware of the value of money and its uses through responsible consumption and savings. Similarly, Royal Decree 1105/2014, of 26 December, establishing the basic curriculum for compulsory secondary education and post-16 secondary education (*Bachillerato*), has incorporated wider contents into the final year of compulsory secondary education, such as the classification and calculation of income and expenses, drawing up a budget, savings and debt, implications of financial contracts (rights and obligations), categories of insurance, risk and diversification, etc.

In addition, in the first two years of compulsory secondary education, the subject of Introduction to Entrepreneurial and Business Activity now includes knowledge on managing personal income and expenses, planning personal finances, identifying financial services: current accounts, credit and debit cards and transfers, forms of saving and investments.

– Financial Education Programme in schools. This programme was taught during the 2013-14 academic year. Over 450 schools throughout Spain gave financial education classes, reaching around 47,500 students, twice the number recorded in the previous year.

– Assessment of financial literacy among young people: PISA report. On 9 July 2014, the results of the first assessment, conducted in 2012, of the financial literacy of 15-year-olds in the framework of the Programme for International Student Assessment (PISA) of the OECD were published. Spain is placed below the average of the 18 participating countries. The CNMV and the Bank of Spain, together with the Ministry of Education, have made a joint effort to analyse and publish the results of this report to raise awareness of the need to promote both financial education in schools and the training of the staff who will teach these skills.

– Partnership agreements. With the aim of extending the plan's scope, new proposals were approved in 2014 for collaboration with various entities in order to promote financial education among consumers, investors and financial intermediaries in Spain, to be performed through information and dissemination activities. Given that there are an increasing number of partners involved in the plan, following the recommendations and guidelines of the OECD, work has been started on drawing up a code of best practices so that all the Spanish initiatives will be integrated and coordinated, thus avoiding the overlapping of efforts and possible conflicts of interest which may arise when carrying them out.

Together with these activities, it is important to highlight the work performed to publicise the website of the Financial Education Plan (www.finanzasparatodos.es). It is also important to highlight that the brand and image of the Financial Education Plan – Finanzasparatodos – has been actively present in social networks in order to bring financial education to new audiences.

Introduction of financial education content in the school curriculum in Spain

EXHIBIT 12.1

Royal Decree 126/2014, of 28 February, establishing the basic curriculum for Primary Education, and Royal Decree 1105/2014, of 26 December, establishing the basic curriculum for Compulsory Secondary Education and Post-16 Secondary Education (*Bachillerato*) introduce basic contents of financial education into the school curriculum in the two stages of compulsory education, although it only guarantees that they are given to all students in Primary Education. This is a fundamental step towards raising the level of financial literacy in Spain in the long term.

Spain thus joins a growing number of countries that have decided to apply the recommendations of international financial bodies. In 2005, the OECD highlighted in its *Recommendations on Principles and Good Practices for Financial*

Education and Awareness the need for financial education to be taught in schools. The European Commission did the same in principle 3 of the *Communication on Financial Education* of December 2007,[1] as did the G-20 with its support of the High-Level Principles and National Strategies for Financial Education developed in 2012 by the OECD/INFE (International Network on Financial Education of the OECD), which indicates young people as the priority target in education.[2]

According to the OECD, over 40 countries have now incorporated financial education into schools. These countries have gradually been adopting the recommendations issued by the OECD and various other bodies and they have done so taking into account their own social reality and educational environment, while other countries are in the process of doing so. There is therefore no single model for introducing financial education. However, a common feature in almost all the countries which have chosen to do so is to support the process and cooperation between education authorities and the authorities or administrations that are experts in finance, as is the case of financial regulators. The aim is therefore to ensure the usefulness and quality of the content taught.

At the initiative of the CNMV and the Bank of Spain, since the 2010-2011 academic year, a pilot financial education programme has been taught in various Spanish schools, mainly aimed at students of Compulsory Secondary Education, which has been more successful each year. Around 21,500 students participated in 2012-2013 and participation more than doubled in 2013-2014 to 47,500. The experience gained from this programme has been essential for now generalising access to this type of knowledge through regulated education.

Constitutional Law 2/2006, of 3 May, on Education, and the Royal Decrees which established the basic curriculum at different educational levels already set out economic and financial concepts in the contents of some subjects, and more extensively in vocational training. However, these contents could not be considered sufficient in order to guarantee acquisition of basic financial knowledge, skills and abilities and to promote their application in daily, personal and family life.

The Constitutional Law on the Improvement of Education Quality (Constitutional Law 8/2013, of 9 December), which was drawn up after taking into account the opinion of sectors and bodies involved in the Financial Education Plan and other experts, was a decisive step forward in this direction.

The two pieces of implementing legislation of this Law – Royal Decree 126/2014 and Royal Decree 1105/2014 – introduced financial education contents into the official curriculum of Primary and Secondary Education.

In the case of the former, this content revolves around money and saving and is incorporated into the subject of Social Sciences with the aim of "... becoming aware of the value of money and its uses by means of responsible consumption and saving". The standards of assessable learning focus on: i) differentiating between different types of expenses and adapting the personal budget to each of them, ii) planning savings for future expenses and drawing up a personal budget and iii) researching different purchasing strategies, comparing prices and gathering information.

In the latter case, more extensive content is introduced into the subject of Economics in the fourth year of Compulsory Secondary Education, summarised in Table R12.1.

Content relating to financial education included in the subject of Economics of the 4th year of Compulsory Secondary Education

TABLE R12.1

Contents	Assessment criteria	Assessable learning standars
– Income and expenses. Identification and control. – Budget management. Objectives and priorities. – Savings and debt. Pension schemes. – Risk and diversification. – Future planning. Financial needs at life stages. – Money. Bank relationships. First bank account. Information. – Credit and debit cards. – Implications of financial contracts. Rights and responsibilities of finan-cial consumers in the financial market. – Insurance as a means of payment for hedging risks. Insurance categories.	1. Make a personal budget distinguishing between different types of income and expenses, controlling the level of compliance and possible needs to adapt. 2. Taking a rational decision in view of economic alternatives in students' personal life, relating these with their own and with social well-being. 3. Expressing a positive attitude towards saving and managing savings as a means to attaining different goals. 4. Recognising the basic functioning of money and differentiating between different types of bank accounts and cards issued as means of payment, assessing the appropriateness of their use with guarantees and responsibility. 5. Understanding the concept of insurance and its purpose.	1.1. Draws up and monitors a personalised budget or financial plan, identifying each part of the income and expenses. 1.2. Uses IT tools in preparing and developing a personalised budget or financial plan. 1.3. Handles analytical graphs which make it possible to compare a personalised situation with established forecasts. 2.1. Understands needs for planning and handling financial issues throughout life. Such planning is linked to the forecast performed at each one of the stages in accordance with the decisions taken and the situation of the national economy. 3.1. Knows and explains the relevance of saving and controlling expenditure. 3.2. Analyses the advantages and disadvantages of debt, assessing the risk and selecting the most appropriate decision for each moment. 4.1. Understands the fundamental terms and describes how to operate with bank accounts. 4.2. Assesses and verifies the need to thoroughly read documents presented by banks, as well as the importance of security when the relationship takes place online. 4.3. Recognises the fact that it is possible to negotiate the conditions presented by financial institutions and analyses the procedure for making complaints. 4.4. Identifies and explains the different types of cards which exist, as well as the security basics when operating with cards. 5.1 Identifies and differentiates the different types of insurance according to risks and adverse situations at different life stages.

Source: Royal Decree 1105/2014, of 26 December, establishing the basic curriculum for Compulsory Secondary Education and Post-16 Secondary Education (*Bachillerato*).

In addition, a subject entitled Introduction to Entrepreneurial and Business Activity has been included in the curriculum of the first two years of Compulsory Secondary Education. Although, as mentioned in Royal Decree 1105/2014, the entrepreneurial spirit has been widely addressed in education from various approaches, linking it above all with the economy, it is necessary to address it with a wide range of knowledge, attitudes, qualities and values which incorporate wide-ranging skills and which affect key decisions in citizens' lives: managing personal income and expenses, planning personal finances, identifying financial services (current account, credit and debit cards, transferring funds, etc.) saving and investment instruments, diversification and risk management, etc.

As indicated, the contents introduced into Primary Education will be taught to all primary students. In contrast, the subjects with these contents in Compulsory Secondary Education will not be taught to all students as this will depend on the regulation and educational programming offered by each Education Authority and, as the case may be, the courses available in the schools. A high number of students are expected to receive education in personal finances through this route. Nevertheless, bearing in mind that the contents might not be taught to all students, the CNMV and the Bank of Spain will continue to promote, in collaboration with education authorities and schools, extracurricular education in this area through the Financial Education Program, as has been the case since 2010.

1 Consumers should be educated in economic and financial matters as early as possible, beginning at school. National authorities should give consideration to making financial education a compulsory part of the school education curriculum".

2 G-20 Los Cabos Summit, June 2012.

International forums on financial education

As in previous years, the CNMV has continued participating in various international forums related to financial education. In particular, it collaborated with the International Network on Financial Education of the OECD (INFE), the main international financial education forum.

This network aims to promote greater awareness of the importance of financial education in the world and has created several working groups to progress in analysing priority issues in this area. In this regard, the CNMV actively participated in the meetings of the INFE network held in 2014.

The CNMV also forms part of an IOSCO committee which has worked in 2014 on two main issues: i) identifying the most effective practices for informing investors in order to avoid financial fraud and ii) studying routes to help investors take decisions which match their financial risk expectations (education to investors on investment risk and how to manage it).

12.4.2 Educational activities of the CNMV

In addition to educational activities performed in the general framework of the Financial Education Plan, the CNMV performs educational activities specifically aimed at potential investors in financial products.

Publications and resources for investors

At the start of 2014, the Investor Website, which replaces the Investor Portal, was inaugurated within the CNMV website. It provides a new layout of information in order to make it easier and faster to consult contents. A figure which confirms the interest generated is that in 2014 it received over 380,000 visits.

This new space offers news and information of interest for non-professional investors, warnings to the public and various educational tools. It is also possible to download and consult online the publications aimed at investors (investor fact sheets and guides) and also to subscribe to them. In addition, the users of investment services can make enquiries, claims and complaints from this section.

The CNMV has continued its work disseminating and generating information of interest for retail investors. In this regard, in 2014 it distributed over 23,000 fact sheets and guides to students and the general public, including the customers of financial institutions through those institutions.

Furthermore, it disseminated a warning issued by ESMA on the risk of investing in complex products, an explanatory note on the information contained in the KID and a document informing retail investors of the information contained in the fee prospectus and the need to be aware of the expenses and commissions that entities pass on to investors.

Conferences and seminars

As in previous years, in 2014 the CNMV participated in various financial sector fairs aimed at increasing awareness and education of financial consumers, such as Forinvest (International Forum for Financial Products and Services, Investments and Insurance) and the Bolsalia fair. It also gave educational talks in universities, consumer offices, local councils etc., mainly on issues relating to investor protection.

13 Disciplinary action

13.1 Disciplinary proceedings

13.1.1 Description of proceedings

In 2014, the CNMV Executive Committee initiated 34 new disciplinary proceedings, investigating a total of 70 possible breaches (see Tables 13.1 and 13.2). Disciplinary proceedings were opened in relation to 25 breaches of rules of conduct on client/investor relations, 20 for market abuse (manipulation and use of insider information), 12 for failures to report significant holdings, two for breaching rules on short selling, and the rest for delays and other irregularities in submitting information on corporate governance to the CNMV, failure of the governing companies of MTFs to comply with supervisory duties and for breaches of general regulations by investment firms and CIS.

Proceedings initiated and concluded TABLE 13.1

	2013	2014
Number of proceedings initiated	**37**	**34**
Number of proceedings concluded	**20**	**30**
Of which:		
Initiated in 2011	2	–
Initiated in 2012	15	3
Initiated in 2013	3	24
Initiated in 2014	–	3

Source: CNMV.

Over the year, the CNMV concluded 30 proceedings which included a total of 50 breaches. Three of these proceedings were initiated in 2012, 24 in 2013 and three in 2014. Table 13.2 shows the nature of the breaches addressed in the different disciplinary proceedings concluded in 2014, while Annex III.2 shows a summary of the decisions adopted by the CNMV. As shown in Table 13.3, 77 fines were imposed for a total amount of 17,560,000 euros.

Breaches addressed in disciplinary proceedings

TABLE 13.2

	Initiated		Closed	
	2013	2014	2013	2014
Very serious breaches	**40**	**43**	**20**	**34**
I. Failure to disclose/incorrect disclosure of significant holdings or treasury stock transactions	6	12	6	6
II. Failure of investment firms to report accounting information	1	–	–	1
III. Failure to disclose significant events/provision of misleading, incorrect or materially incomplete information	2	–	1	–
IV. Operating without authorisation	3	–	–	3
V. Breach of rules of conduct	14	24	1	14
VI. Breach of issuer's periodic disclosure requirements	6	–	4	4
VII. Breach of regulations on securities issues	1	–	–	–
VIII. Breach of general investment firm regulations	1	3	–	3
IX. Breach of general venture capital firm regulations	1	–	–	1
X. Failure of MTF governing companies to comply with supervisory duties	–	1	–	–
XII. Breach of legislation on short selling	3	2	–	1
XII. Market manipulation	1	–	6	1
XIII. Insider information	–	1	2	–
XIV. Resistance to the CNMV inspection	1	–	–	–
Serious breaches	**17**	**25**	**20**	**16**
I. Corporate governance breaches	1	1	–	1
II. Market abuse breaches	2	5	7	1
III. Breach of general investment firm regulations	2	2	2	–
IV. Breach of general CIS regulations	1	2	7	–
V. Breach of general venture capital firm regulations	1	–	–	1
VI. Breach of rules of conduct	3	1	1	3
VII. Breach of legislation on short selling	4	–	–	4
VIII. Irregularities in reporting transactions in financial instruments	1	–	–	1
IX. Market manipulation	2	14	3	5
Minor breaches	–	**2**	–	–

Source: CNMV.

Penalties imposed

TABLE 13.3

	2013			2014		
	Number	Amount[1]	Period[2]	Number	Amount[1]	Period[2]
Fine	71	4,150	–	77	17,560	–
Removal/general disqualification	–	–	–	–	–	–

Source: CNMV. (1) Thousand euros. (2) Years.

13.1.2 Public register of penalties published in the *BOE* (Official State Gazette) for serious and very serious breaches

The following penalties for serious and very serious breaches were incorporated into the public register of penalties in 2014:

– CNMV decision dated 16 January 2014 announcing the penalties for very serious breaches imposed on PC Siglo XXI Inversiones Bursátiles, S.L. and Stock International Trading LTD.

– CNMV decision dated 16 January 2014 announcing the penalties for serious breaches imposed on Caja Madrid Bolsa, SV, S.A. (currently, Bankia Bolsa, SV, S.A.) and Renta 4, SV, S.A.

– CNMV decision dated 16 January 2014 announcing the penalties for serious breaches imposed on Banco Caixa Geral, S.A.

– CNMV decision dated 16 January 2014 announcing the penalties for a very serious breach imposed on Urbar Ingenieros, S.A. and the members of its board of directors.

– CNMV decision dated 16 January 2014 announcing the penalties for a very serious breach imposed on Parquesol Inmobiliaria y Proyectos, S.A., Grupo Empresarial San José, S.A. and on Mr. Santiago Martínez Carballal.

– CNMV decision dated 16 January 2014 announcing the penalties for a very serious breach imposed on Montebalito, S.A. and the members of its board of directors.

– CNMV decision dated 16 January 2014 announcing the penalties for a very serious breach imposed on Fiatc Mutua de Seguros y Reaseguros de Prima Fija, Inverfiatc, S.A. and on Mr. Joan Castells Trius.

– CNMV decision dated 16 January 2014 announcing the penalties for a very serious breach imposed on Fergo Aisa, S.A. and the members of its board of directors.

– CNMV decision dated 16 January 2014 announcing the penalties for a serious breach imposed on Mercados y Gestión de Valores, AV, S.A. and on Mr. Gustavo Pérez-Carballo Villar.

– CNMV decision dated 16 January 2014 announcing the penalty for a very serious breach imposed on Banco Santander, S.A.

– CNMV decision dated 16 January 2014 announcing the penalty for a serious breach imposed on Caja Madrid Bolsa, SV, S.A. (currently, Bankia Bolsa, SV, S.A.).

– CNMV decision dated 16 January 2014 announcing the penalty for a serious breach imposed on Caja Madrid Bolsa, SV, S.A. (currently, Bankia Bolsa, SV, S.A.).

– CNMV decision dated 16 January 2014 announcing the penalties for very serious breaches imposed on Mr. Jaime Botín-Sanz de Sautola y García de los

Ríos, XYZ Heritage Foundation, ABC Heritage Foundation and DEF Heritage Foundation.

– CNMV decision dated 16 January 2014 announcing the penalty for a serious breach imposed on Banco Santander, S.A.

– CNMV decision dated 16 January 2014 announcing the penalty for a very serious breach imposed on Banco Santander, S.A.

– CNMV decision dated 20 February 2014 announcing the penalties for a very serious breach imposed on Pescanova, S.A. and its chairman, Mr. Manuel Fernández de Sousa-Faro.

– CNMV decision dated 8 April 2014 announcing the penalties for very serious breaches imposed on Mr. Manuel Fernández de Sousa-Faro, Inverpesca, S.A. and Sociedad Gallega de Importación and Exportación de Carbones, S.A.

– CNMV decision dated 14 April 2014 announcing the penalty for a very serious breach imposed on Mr. Alfonso Paz-Andrade.

– CNMV decision dated 12 May 2014 announcing the penalties for serious breaches imposed on Renta 4 Gestora, SGIIC, S.A.

– CNMV decision dated 12 May 2014 announcing the penalty for a serious breach imposed on Previsión Sanitaria Nacional Gestión, SGIIC, S.A., in liquidation.

– CNMV decision dated 12 May 2014 announcing penalties for serious breaches imposed on MFAO, Sociedad Rectora del Mercado de Futuros del Aceite de Oliva, S.A., and on its general manager Mr. José Luis Alonso Fernández.

– CNMV decision dated 12 May 2014 announcing penalties for a very serious breach imposed on Compañía Levantina de Edificación y Obras Públicas, S.A. and on the members of its board of directors: Mr. Carlos Turró Homedes, Mr. Marcos Turró Ribalta, Mr. Carlos Castellanos Escrig, Libertas 7, S.A., Mr. Alejandro Serra Nogués, Mr. Antonio Noblejas Sánchez-Migallón and Mr. Francisco Perelló Ferreres.

– CNMV decision dated 12 May 2014 announcing penalties for a very serious breach imposed on Banco Gallego, S.A. and the members of its board of directors: Mr. Juan Manuel Urgoiti López-Ocaña, Mr. Antonio Gerardo Abril Abadín, Mr. Ramón Bahamonde Santiso, Mr. Epifanio Campo Fernández, Mr. Domingo González Mera, Mr. José Luis Losada Rodríguez, Mr. Ignacio Santillana del Barrio and Mr. Javier Ungría López.

– CNMV decision dated 3 June 2014 announcing the penalties for serious breaches imposed on Fluidra, S.A. and Ibersecurities, SV, S.A.U. (currently, Banco de Sabadell, S.A.).

– CNMV decision dated 3 June 2014 announcing the penalties for a very serious breach imposed on Exxo Inver Class, S.L., EIC Group Consulting Partners, S.L. and on its directors, Mr. José María Sánchez Abal, Mr. Modesto Vila Flo and Mr. Xavier Soler Vicente.

- CNMV decision dated 13 June 2014 announcing the penalty for a very serious breach imposed on Mapfre Familiar, Compañía de Seguros y Reaseguros, S.A.

- CNMV decision dated 24 June 2014 announcing penalties for very serious breaches imposed on Zinkia Entertainment, S.A. and on Mr. José María Castillejo Oriol.

- CNMV decision dated 24 June 2014 announcing the penalty for a serious breach imposed on Gestión de Patrimonios Mobiliarios, AV, S.A.

- CNMV decision dated 29 July 2014 announcing the penalty for a very serious breach imposed on Deutsche Bank, S.A.E.

- CNMV decision dated 8 September 2014 announcing the penalties for serious breaches imposed on Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A.U., Fidentiis Equities, SV, S.A. and NMAS1 Syz Valores Agencia de Valores, S.A.

- CNMV decision dated 17 September 2014 announcing the penalties for serious and very serious breaches imposed on Compañía Española de Viviendas en Alquiler, S.A. and the members of its board of directors: Ms. María Vaqué Boix, Taller de Turisme i Medi Ambient, S.L. and Mr. Francesc Lloverás Castillo.

- CNMV decision dated 13 October 2014 announcing the penalties for very serious breaches imposed on Fergo Aisa, S.A. and the members of its board of directors: Mr. Ramón Fajas Tura, Mr. Carlos Fernández Gómez, Mr. Raimond Patau Iglesias and Mr. Joan Hortalà Vallvé.

- CNMV decision dated 11 December 2014 announcing the penalty for a serious breach imposed on Bodegas Riojanas, S.A.

13.2 Litigation department: Judicial review of disciplinary proceedings and other actions

In 2014, a total of 17 appeals were brought against decisions of the Ministry of Economic Affairs and Competition (ten to a higher court, and seven motions to set aside the decision), seven of which were rejected in the year. In addition, the Ministry rejected four appeals to a higher court and three motions to set aside the decision lodged in 2013 (see Table 13.4).

A total of 23 appeals were filed with the administrative courts, 16 of them against disciplinary decisions, one against the resolution to close one proceeding – which ended in 2014 due to the withdrawal of the appellant – and one against the decision registering a prospectus for issue and exchange of financial instruments. The other five procedures related to liability claims. Specifically, an appeal was brought against the decision of the Ministry of Economic Affairs and Competition which rejected the claim brought for alleged liability of the CNMV for its actions with regard to a mutual fund. The other four appeals have been brought against the supposed rejection, as a result of the Administration's failure to respond, of the claim brought against the CNMV and the Ministry of Economic Affairs and Competition for their actions with regard to the IPO of one entity.

The court handed down 22 rulings (21 decisions and one order that proceedings be closed as a result of withdrawal of the appellant, as mentioned above), 13 of which were in relation to disciplinary proceedings. Of the ten rulings handed down by the Administrative Chamber of the National High Court which referred to disciplinary proceedings, seven fully upheld the contested decisions, two reduced the penalties imposed and one overturned the ministerial order which ruled on the disciplinary proceedings. In addition, an appeal handled by the Central Administrative Court was rejected, which upheld the penalty imposed. For its part, the Supreme Court handed down two rulings on disciplinary matters, which upheld the penalties imposed (see Table 13.4 and Annex III.3).

Cases in which the CNMV participated in 2014 TABLE 13.4

	Presented	Decided
Administrative appeals	**17**	**14**
Appeals to a higher court	10	8
Motions to set aside the decision	7	6
Appeals to the courts against administrative decisions	**23**	**22**
		Requests received for assistance
Assistance to courts		**441**

Source: CNMV.

With regard to the rulings handed down in proceedings brought against other decisions of the CNMV, all the contested decisions were confirmed, with the exception of one ruling by the Supreme Court which rejected the appeal lodged by the Administration with regard to an amendment to the CNMV's Internal Regulation. The other rulings included three handed down by the National High Court rejecting the appeals brought by a shareholder of a listed company, the rejection of administrative appeals brought against a decision to close proceedings and against the document submitted by the CNMV to court, and one ruling by the Supreme Court which supports the actions of the CNMV with regard to the suspension of the reimbursement of units of a mutual fund.

Similarly, in compliance with the general principle to provide collaboration to legal authorities, CNMV experts provided support to judges and courts of all types in the exercise of their functions. The number of requests for collaboration received grew from 381 in 2013 to 441 in 2014. Although there was noteworthy collaboration with criminal courts, mainly relating to fraud or embezzlement, most of the requests (a total of 341) were from the civil courts. These requests basically related to information on the issuing and marketing of hybrid instruments; notices of attachment (which are the competency of governing councils); the proposal for appointment of a receiver by the CNMV for issuers declared in bankruptcy; identification of securities and ownership of persons or entities (knowledge of which corresponds to the depositories of said securities); disciplinary proceedings processed by the CNMV and, in general, the attainment of evidence in proceedings of various types brought before the different courts, with requests for data or documentation.

13.3 Claims

In 2014, a total of five claims were presented to the CNMV against banks for their actions in securities markets and against issuers or listed companies.

Claims made in 2014 TABLE 13.5

Type of entity claim brought against	No. of claims
Banks	2
Securities issuers/listed companies	2
Other	1
Total	**5**
Content of claims	**No. of claims**
Obligations of the Capital Companies Act	3
Market abuse	2
Total	**5**
Situation of claims at 31-12-2014	**No. of claims**
In process	0
Closed	5
Total	**5**

Source: CNMV.

Claims mainly relate to alleged breaches of the obligations contained in Royal Legislative Decree 1/2010, of 2 July, approving the recast text of the Capital Companies Act. They also raised issues related to market abuse (reporting relevant information, possible manipulation, scope of investment recommendations and conflicts of interest, among other issues).

At 31 December 2014, and after the competent departments of the CNMV had performed, in each case, the appropriate actions – the content of which is confidential – all of the claims presented during the year had been processed.

13.4 International Support Unit

The CNMV's Litigation Service and Penalty Regime Department channels investigation co-operation with other supervisors. In 2014, the aforementioned department processed nine collaboration requests to foreign regulators (32 in 2013) and, in turn, processed 43 requests made to the CNMV (35 in 2013).

Following the trend of other years, most of the collaboration requests, both those made by the CNMV and those received from foreign supervisors, mainly referred to market abuse investigations and, to a lesser extent, activities performed by unauthorised firms.

13.5 Warnings about unregistered firms

Through its website, the CNMV issues warnings to investors about unauthorised firms that have been detected by it or by other supervisors.

The following warnings were issued in 2014 (see Annex III.4):

– 23 warnings on 23 entities were issued under Section 13 of the Securities Market Act, which entrusts the CNMV with protecting investors by disseminating any information necessary to that end.

– 368 notifications were received mainly from supervisors in Member States of the European Union in connection with unauthorised firms, and four others were included under the heading "Other warnings", with alerts relating to improper conduct or actions.

Since 2010, the IOSCO website provides an alert service about unauthorised firms which includes alerts issued by members of this organisation.

Given that not all the warnings issued by IOSCO members are in turn reported to the CNMV, the CNMV recommends visiting the IOSCO website[1] to obtain further information.

1 http://www.iosco.org/investor_protection/?subsection=investor_alerts_portal.

14 International activities

International forums are becoming increasingly important in financial regulation and supervisory activities. In order to have a better understanding of the CNMV's actions, it is important to frame them within the context of an increasingly integrated supervisory system, which in Europe is based around the European Securities and Markets Authority (ESMA), which brings together and coordinates all the national authorities.

This trend, which had already been seen in previous years, will be considerably strengthened in the immediate future as a result of the entry into force of the new European legislation on financial markets and its implementing regulations, which are addressed in detail in other chapters of this report, and the new project for building a single European capital market. This idea, put forward by the commissioner Jonathan Hill as a fundamental reference point for the work of the European Commission in financial regulation over this legislature, aims to eliminate the barriers which contribute towards the fragmentation of capital markets in Europe and which reduce the efficient allocation of resources.

In this context, the CNMV's international activity demands increasing technical and management resources in order to carry out the tasks of analysis, advice and technical collaboration in the decision processes in which the CNMV participates in ESMA, IOSCO and other international bodies. Many of the departments are already involved to a greater or lesser extent in international activities and, in particular, European activities: the CNMV has over 50 representatives in over 100 international working groups. This chapter briefly explains the most noteworthy activities of some of these groups.

Similarly, the Financial Stability Board (FSB) plenary session agreed in March 2015 to the participation of the CNMV as a member of the Standing Committee on Standards Implementation. The FSB is the body created by the G-20 to debate and propose the benchmark regulatory framework for financial markets worldwide and its Standing Committee on Standards Implementation has the mandate to assess the implementation of the recommendations agreed by the FSB.

14.1 European Securities and Markets Authority (ESMA)

ESMA's main activity in 2014 was advising the European Commission on drawing up the delegated acts and implementing technical standards and guidelines which develop EU directives and regulations. In order to deal with the growing workload, the Authority has significantly increased its human and material resources and has requested greater participation from national authorities in performing these tasks.

Consequently, the CNMV has had to dedicate more resources towards contributing to the work performed by ESMA's standing committees and task forces, whose main tasks in 2014 are described in this section.

In 2014, the European Commission reviewed the functioning of the three European supervisory authorities (ESMA, EBA and EIOPA), as well as that of the European Systemic Risk Board (ESRB). Exhibit 14.1 provides a summary of the conclusions.

Investor protection and intermediaries

ESMA's work in this area has focused on providing technical advice to the European Commission on conduct of business rules, provided for in 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; in Markets in Financial Instruments Directive (MiFID II); and in 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, 4 July 2012, on OTC derivatives, central counterparties and trade repositories (MiFIR); as well as in the preparatory work for drawing up over 70 technical standards. One of the most debated aspects of this work relates to the circumstances in which portfolio managers can receive reports from third parties on listed companies or macroeconomic reports and the manner in which they are remunerated.

It is also important to highlight ESMA's opinion on practices which should be used by investment firms when selling complex products to retail investors and on the design of structured products for such investors.

Secondary markets and market integrity

Following publication in June of the Directive and Regulation on Markets in Financial Instruments, as well as the new Market Abuse Directive,[1] the process began for drawing up the corresponding implementing legislation. ESMA immediately submitted to consultation and debate a series of documents for drawing up the delegated acts and technical standards.

As indicated in Exhibit 10.2, in December 2014 ESMA submitted to the European Commission the technical advice for drafting the delegated acts and submitted to public consultation a document which will serve as the basis for drawing up the technical standards resulting from MiFID II and the MiFIR. The advice given to the European Commission for future delegated acts of the Market Abuse Regulation was submitted in February 2015.

Post-trading activities

These activities have mainly focused on four areas. Firstly, activities related to the implementation of EMIR, which are brought together in a new revision of the questions and answers document and in documents relating to the clearing obligation for transactions, which was submitted to consultation. Secondly, the work relating to the second level rules of Regulation (EU) No. 909/2014, of the European Parliament and of the Council, on improving securities settlement

1 Directive 2014/57/EU, of the European Parliament and of the Council, of 16 April 2014, on criminal sanctions for market abuse.

in the European Union and on central securities depositories, which has led to advisory documents submitted to the European Commission and ESMA draft technical standards (see Exhibit 10.3). The third group relates to the international and cross-border dimension of post-trading activities, which are focused on the agreements entered into with the authorities of third countries for recognition of central counterparties. Finally, it is important to highlight the work performed in supervising trade repositories.

Collective investment schemes

Once again, ESMA's main activity in this area focused on advising the European Commission and on drawing up the technical standards and guidelines resulting from the Directive on Alternative Investment Fund Managers,[2] specifically with regard to the information which must be submitted to ESMA, the community passport for managers, relations with third countries and asset segregation. In the area of the UCITS Directive, ESMA has drawn up a document of guidelines on exchange traded funds aimed at competent national authorities and management companies. Finally, work is being carried out on implementing the regulations on European venture capital funds (EuVECA) and European social entrepreneurship funds (EuSEF).[3]

Financial Innovation Standing Committee

In addition to gathering data on the marketing of financial products in the different Member States, this committee studies the level of implementation of non-bank financing in the real economy. This includes crowdfunding, about which a report has been prepared for the European Commission addressing the different legislative approaches adopted by European jurisdictions. In this regard, at the end of 2014 ESMA published an opinion aimed at market participants. Similarly, the Financial Innovation Standing Committee, in accordance with the ESMA regulation, issued an opinion in 2014 on good practices for product governance arrangements relating to structured retail products and a statement on the potential risks associated with investing in contingent convertible instruments.

Benchmarks

The working group formed by ESMA and the European Banking Authority (EBA) on benchmarks has monitored the practical application of the ESMA principles on good practices, published in June 2014. Other noteworthy activities performed by the group were the monitoring of the project of the European regulation on indices proposed by the European Commission and monitoring the review and possible replacement of the Euribor.

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2 Directive 2011/61/EU, of the European Parliament and of the Council, of 8 June 2011, on Alternative Investment Fund Managers and amending Directive 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010.

3 Regulation (EU) No. 345/2013, of the European Parliament and of the Council, of 17 April 2013, on European venture capital funds and Regulation (EU) No. 346/2013, of the European Parliament and of the Council, of 17 April 2013, on European social entrepreneurship funds.

Other activities

ESMA, through the Review Panel, has continued assessing the convergence of Member States and application of European legislation. In particular, it reviewed supervisory practices with regard to the information provided to investors and application of the best execution principle. Similarly, it evaluated the level of compliance with the guidelines on automated trading, a review which is coordinated by the CNMV.

With regard to the participation of ESMA on the Joint Committee, which is made up of the three European supervisory authorities, we can highlight the emphasis paid to the work of the sub-committee on consumer protection with regard to financial products, which has worked on initiatives on packaged retail investment products, cross-selling of products and placement of financial products of the financial institutions themselves with their customers. Finally, it also drew up guidelines, following a previous model designed by EIOPA, for harmonised handling of investor complaints.

Revision of the European Supervisory Authorities by the European Commission

EXHIBIT 14.1

The European Commission has evaluated the operation of the European Supervisory Authorities (ESAs) from their creation in January 2011 up to December 2013, as provided for in their respective founding regulations. To this end, it organised a hearing and a public consultation and took into account the evaluation performed by the authorities themselves, as well as the reports of the European Parliament and the International Monetary Fund.

In its report to the European Parliament and to the Council, published in August 2014, the European Commission states that the operation has generally been adequate, bearing in mind the circumstances in which it has been performed, a conclusion which is ratified by the European Council in its considerations on the report.

The review reveals areas which require short and medium-term improvements and highlights that the creation of the Banking Union does not call into question the existence of the ESAs, but rather strengthens the need for them to be responsible for establishing common supervisory standards and practices, although it is premature to assess the interactions between the European System of Financial Supervision and the Banking Union.

Short-term reforms

Some of the improvements identified in the review can be addressed in the short term, to the extent that they do not require any legislative change. In this case, the Commission proposes intensifying efforts in the convergence of supervision, giving priority to protecting consumers and investors and making full use of the existing competences in both cases.

It also indicates that the internal management of the authorities could be improved with a more balanced composition of the stakeholder groups and granting a greater role and visibility to the Joint Committee, which should focus its work on core cross-sectoral issues.

Other proposals, such as giving greater powers to the chairperson, might improve the efficiency of day-to-day management, although this should not be to the detriment of the competences of the Board of Supervisors or the Management Board.

Medium-term reforms

There are other more significant proposals which involve legislative action. These include those which affect governance of the ESAs, their financing and their competences.

In order to enhance the governance of the Authorities, the European Commission indicates that the capacity of the Board of Supervisors should be increased in order to take quicker decisions in the best interests of the European Union as a whole, and that the role of the chairperson and of the management board should be strengthened, even with regard to direct access to the data on supervised entities where necessary for performing their tasks. However, it might be premature to explore options for changing the governance of the ESAs when they were only established three years ago and no significant problems have arisen to justify such a change.

With regard to the competences of the authorities, the report proposes a possible extension into areas such as supervision of financial reporting standards, shadow banking and direct supervision of market infrastructures. This would require making full use of the current supervisory competences and having experience in this area to make it possible to appropriately calibrate any future extension of competences.

With regard to financing, the current model based on three sources appropriately spreads the load between the directly supervised industry, the European Commission, which covers the workload from the European institutions, and contributions from the competent national authorities. It would therefore be appropriate to be prudent in considering any alternative to these funding arrangements.

In short, any significant reform affecting the operations and competences of the ESAs requires greater reflection and a more in-depth knowledge of the operations and the European System of Financial Supervision, based on more complete exercising of the competencies and powers already attributed to the ESAs in the corresponding legislation. As the European Council also indicates, the work of the ESAs has so far been heavily focused on regulation and therefore retrospective analysis is still limited. A far-reaching reform must be prepared sufficiently in advance and have the experience gained in the new institutional framework of the Banking Union and Single Supervisory Mechanism.

14.2 IOSCO

In 2014, IOSCO drew up a new strategic plan for the next five years. This new plan, which will be approved in the first half of 2015, is ambitious both in its objectives and in the priorities which it establishes. The globalisation and interconnection of capital markets, the impact of constant technological innovation and the growing importance of these markets for company financing are the issues addressed by the new plan.

Another significant aspect which IOSCO worked on in 2014, closely related with the aforementioned strategic plan, is the drafting of a programme on capacity-building resources. These capacity building plans are aimed mainly at members of the organisation which belong to emerging or developing economies.

Activities directly associated with international financial reform

With the aim of revitalising the securitisations market, IOSCO and the Basel Committee have jointly drawn up a document, which was submitted to public consultation, with recommendations for promoting the development of securitisation structures based on homogenous underlying assets, which include transparency criteria for the information provided to investors which facilitate comparison between different issues.

In addition, in order to evaluate the role of capital markets in long-term financing, a special task force drew up a report describing the initiatives carried out by developed and emerging countries with regard to fixed income and equity securities, as well as with regard to securitisations or vehicles for investing in loan portfolios, in order to strengthen the role of the market in funding SMEs and projects for building infrastructures. The report was submitted to the ministers of finance and governors of central banks of the G-20 countries.

In November 2014, the IOSCO task force on OTC derivatives regulation submitted a document to public consultation analysing the potential impact of post-trade transparency requirements in CDS trading.

With regard to market infrastructures, IOSCO's activities have mainly focused on evaluating the level of compliance of different jurisdictions with the principles for financial market infrastructures, which were published in April 2012. IOSCO has also continued work on drawing up the reference framework for central counterparties to disclose quantitative information, which must be completed by the end of 2015. Finally, it is important to highlight that IOSCO, together with the Committee on Payments and Markets Infrastructures, is promoting the convergence and harmonisation of the content of the information which must be provided by the entities responsible for maintaining trade repositories.

Benchmarks

In 2014, this task force reviewed application of the principles drawn up by IOSCO in 2013 to indices other than the Euribor, Libor and Tibor. The review was carried out through completion of a questionnaire sent by IOSCO to the administrators of the indices under review. The analysis demonstrates that the principles have been used in many cases as a benchmark for improving policies and procedures affecting governance and design of the index. By asset type, equity indexes recorded the highest level of compliance. A report is expected to be published at the start of 2015 with the results of the review, although maintaining the anonymity of the analysed indices.

Accounting, auditing and disclosure

IOSCO has continued working with the International Accounting Standards Board (IASB), submitting observations and proposals relating to a significant number of draft technical standards. The CNMV has actively participated in this field. Similarly, the working group has terminated the project on Non-GAAP Disclosures and now aims to develop guidance on performance measures not defined in accounting standards.

The IOSCO board has also set up a specific task force for drawing up recommendations on audit quality. The recommendations relate to three areas: audit quality, strengthening the role of audit committees or equivalent bodies and studying the possibility of improvements so that corresponding international bodies can draw up ethical and audit standards.

Work has also continued on bringing together into a single report all the information which companies are required to disclose to the market (integrated reporting): financial information, together with information on management, corporate governance, social responsibility and the environment. This project is promoted by the International Integrated Reporting Council (IIRC).

Secondary markets

Work has focused on two new projects. The first, relating to the strength and security of electronic trading systems or electronic markets, studies the measures adopted by the industry, regulators and supervisors to prevent trading interruptions. The second analyses continuity and recovery plans in the event of interruptions or other faults in the trading platforms.

Intermediaries

Its work in this area has focused on two main aspects. Firstly, in collaboration with the Financial Stability Board, it reviews the methodologies used to identify financial institutions other than banks and insurance companies which might generate systemic risk. The second work analyses, on the one hand, the use of social networks – Facebook, Twitter etc. – as a means to promote investment products and services and, on the other hand, the provision of online investment advice. In both cases, it also studied how the corresponding authorities supervise these aspects.

Cooperation and information sharing

After more than a decade since the signing of the current multilateral agreement, this group has started to analyse some of these aspects with the aim, *inter alia*, of adapting its scope and increasing the capacities of its members when sharing information to bring them into line with the new technologies used in trading financial products.

Collective investment schemes

This group continues to work on three projects proposed by the G-20: identifying financial institutions which, while not subject to banking and insurance regulation, perform activities which might involve systemic risk; annual publication of information on alternative investment funds and reducing CIS dependence on agency ratings.

Minority investors

This standing committee was set up last year and aims to improve the financial education of investors. This work has focused on two areas: i) anti-fraud messaging, which aims to identify the most effective communication practices or strategies carried out in each jurisdiction (types of message, content and style of messages, communication channels used, etc.) in order to adequately inform investors about financial fraud and achieve a change in their behaviour; and ii) investment risk education, with the aim of developing standards or recommendations on good practices which will help investors to analyse their own risk profile, to understand the relationship between risk and benefit and to develop strategies such as diversification in order to manage that risk.

14.3 Other international forums

Joint Forum

The Joint Forum (JF) is a committee comprising representatives from IOSCO, the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors which deals with problems relating to the regulation of financial conglomerates, following the agreements of the G-20 and under the coordination of the Financial Stability Board.

In 2014, the aforementioned committees agreed to dissolve the Joint Forum once the work in progress had been completed, in the first half of 2015, although the three organisations will continue cooperating with each other and with the working groups of the FSB.

In 2014, the JF published its analysis of application of the principles for the supervision of financial conglomerates, and in the first half of 2015 it is expected to finish work on the treatment of asset encumbrance and managing credit risk in a post-crisis environment.

Iberian Electricity Market (MIBEL)

MIBEL's Council of Regulators, made up of the energy and securities regulators of Spain and Portugal, is responsible for monitoring the Iberian spot and forward electricity market. In the first half of 2015, the CNMV will chair the Council of Regulators.

Noteworthy activities in 2014 were the start of the functioning of electricity interconnection of the Iberian Peninsula with the north-west of Europe, and the preliminary strategies for integrating MIBEL into the special energy regime, i.e. that of renewable energy. The start of auctions of financial transmission rights, which are used to manage the risk associated with the interconnection between Spain and Portugal, has strengthened the financial dimension of the MIBEL.

Mediterranean Partnership of Securities Regulators[4]

The annual meeting of presidents agreed the modification and update of the articles of association as a result of the Capital Markets Board of Turkey (CMB) joining the partnership.

With regard to the change in the articles of association, it was agreed to establish a rotating presidency and vice-presidency in the association for periods of two years. Consequently, a vice-president will be elected every two years who will become the president when the predecessor's term ends. In addition, the presidency, which will in turn be responsible for the association's secretariat, and the vice-presidency will rotate between the members, so that a European Union country is represented together with the another country from the Association.

In the period 2014-2015, the Moroccan Securities Ethics Council (CDVM) will occupy the presidency and the CNMV will occupy the vice-presidency.

The annual meeting of presidents analysed the legislative proposals and activities performed as a result of the global financial reform initiated by the G-20 and the FSB. In this context, the activities performed by ESMA and the legislation adopted by the European Union were also presented, as well as the activities and proposals of IOSCO, as provided in the articles of association.

Among the noteworthy activities in 2014 was the working seminar on periodic financial reporting, where new legislative developments in the area were presented.

With regard to the working group on market abuse, the delay in approval of the new directive and its regulation made it necessary to postpone until the first quarter of 2015 the update of the regulatory framework and holding of the seminar on this matter, which was planned for the end of the previous year.

4 The Mediterranean Partnership of Securities Regulators currently comprises Algeria (COSOB), Egypt (EFSA), Spain (CNMV), France (AMF), Italy (CONSOB), Morocco (CDVM), Portugal (CMVM), Tunisia (CMF), Turkey (CMB) and Greece (HCMC).

V CNMV: organisational, financial and institutional aspects

15 Organisation

15.1 Human resources and organisation

Changes in workforce and staff selection processes

At the end of 2014, the CNMV had 410 employees, 11 fewer than in 2013. There were 13 new hires and 24 departures during the year.

CNMV staff: composition by professional category TABLE 15.1

Number of employees at the end of each year

	2013			2014		
	Total	**Men**	**Women**	**Total**	**Men**	**Women**
Services	8	8	–	8	8	–
Clerical/Computer operators	67	13	54	67	13	54
Technical	321	149	172	310	141	169
Management	25	18	7	25	18	7
Total	**421**	**188**	**233**	**410**	**180**	**230**

Source: CNMV.

A selection process was conducted in the first half of the year to cover five vacancies for technical staff for different directorates and departments. The selected candidates joined the CNMV in September and October.

Similarly, a selection process was conducted in the second half of the year to cover one temporary vacancy for a technical member of staff in the Research, Statistics and Publications Department. The selected candidate joined the CNMV in the middle of September. In the same month, an announcement was published and a selection process initiated for ten vacancies for technical staff for different CNMV directorates and departments. The selected persons are expected to be hired in the first half of 2015.

In 2014, 12 internal processes were carried out to cover technical positions.

In October a resolution of the Chairwoman was published announcing the provision of the position of Director of Financial and Corporate Reports through the free designation system. As a result of this announcement, the appointment of the selected person took place in December.

Finally, it is important to mention the selection of one CNMV employee to cover a secondment position offered by IOSCO.

Breakdown of staff by department TABLE 15.2

Number of employees at the end of each year

	2013			2014		
	Total	Men	Women	Total	Men	Women
Directorates-General	283	116	167	274	110	164
Entities	123	49	74	116	45	71
Markets	102	42	60	101	42	59
Legal Services	58	25	33	57	23	34
Departments	118	66	52	115	64	51
Board	20	6	14	21	6	15
Total	**421**	**188**	**233**	**410**	**180**	**230**

Source: CNMV.

Training

Within the framework of its training programme, in 2014 the CNMV implemented various initiatives, including the following:

– Internal collective actions, given by employees in order to disseminate and share knowledge in different areas within the CNMV. 40% of staff benefited from this type of action, 11% more than in the previous year. These internal collective actions accounted for 10% of total training hours.

– External collective actions, developed and given in collaboration with different specialised schools and training centres. A total of 3,300 training hours were organised, which were attended by 40% of staff.

– Training actions for developing skills, which accounted for 17% of total training hours and were attended by 71 employees.

– Training actions in occupational health and safety. In 2014, training was given to the emergency team of the building in calle Edison (the head office of the CNMV in Madrid) and mandatory training was given in workplace risk prevention to all CNMV employees that had not previously taken this course. This resulted in over 1,000 training hours. 74% of staff have received training in this area. In addition, as in the previous year, first-aid training sessions were organised in 2014.

– Individual training actions for those contents not covered by collective actions. This type of training was attended by 4% of the staff.

– International training actions, planned and given by IOSCO and ESMA, were attended by 32 CNMV employees (8% of staff).

As a result of the training programme, a total of 88 training actions were given in 2014 with over 14,000 training hours. Each employee received, on average, 35 training hours, and 92% of the staff participated in at least one of the scheduled training actions.

In 2014, a new edition of the ESMA technical training programme provided through e-learning was implemented, in which 35 CNMV employees participated. This programme, which participants rated very positively both in terms of content and the technological platform, is expected to continue in 2015.

As in previous years, a new edition of the Language Programme was implemented, with participation by 48% of the workforce. The participants received a total of 10,980 training hours, an average of 26 hours per student. In addition, and with the aim of perfecting the language (English, French or German) in a native environment, the possibility of attending a summer course abroad was offered for the fifth consecutive year. In total, considering the different options available, 9% of the staff participated in the summer programme.

Other significant human resources initiatives

A new edition of the telework programme took place in 2014 with the participation of 46 employees.

Every quarter the internal magazine *Entre Nosotr@s* was issued in order to publicise information on human resources to CNMV employees. In addition, for the second time since the start of its publication, a survey was conducted among staff in order to discover their level of satisfaction with this internal communication channel. 56% of the 116 employees surveyed gave the publication a rating of "good" and indicated that they read "all or almost all" the content.

In the last quarter of the year, the "3rd CNMV children's drawing competition" took place around the subject of Christmas, with the participation of 113 children of employees, aged between 3 and 14 years old. The results were published to employees in December and the awards handed out.

New organisational developments

In July, the Joint Committee for Oversight, Interpretation and Study (Spanish acronym: CPVIE) of the Collective Bargaining Agreement, pursuant to its Article 2.1.i updated the content of the collective bargaining agreement to adapt it to the Resolution of 28 December 2012 of the State Secretariat for Public Administration Services, setting out instructions on the working day and hours of staff working for the Central Government and its public bodies.

15.2 Information Systems

The CNMV introduced improvements in its information systems in 2014 with the following main objectives:

– To renew the technical, physical and logistics infrastructures of the central systems, strengthening security and continuity at all work sites.

– To develop software to comply with the new regulations which entered into force over the year, and to renew software which had become technologically obsolete.

– To strengthen the virtual office and the electronic register so as to allow almost all procedures with the CNMV to be performed through them.

With these aims in mind, various software applications were developed, some of which entered into use over the year. These include the following: renewal of the handling of investor complaints and enquiries, new annual corporate governance report, new information on asset securitisation funds, registry of alternative management companies, reporting of information to ESMA on registered entities, renewal of the Investor Portal and new management support for the National Securities Numbering Agency. Other software currently remains in development, including that for CIS prospectuses and issue prospectuses.

Work also continued on developing and implementing the new comprehensive management system for image-based documents.

In addition, the CNMV website - with a significant increase in the number of visits - was improved, particularly in order to facilitate public access to some of the most demanded content, while at the same time incorporating new information to the traditional sections.

The virtual office was also improved. In 2014, four new procedures were incorporated into the CIFRADOC/CNMV service of the electronic register, bringing the total number of procedures to 56. New facilities were also implemented for investors when filing claims, complaints and enquiries electronically (see Sections 12.1 and 12.2).

Table 15.3 shows the distribution of documents received by the CNMV classified by format, in which the proportion of documents received electronically increased significantly (from 73% in 2013 to 81% in 2014). Documents received on paper only accounted for 19% of the total.

Documents received by the CNMV TABLE 15.3

	2013		2014	
	Number	Distribution (%)	Number	Distribution (%)
Electronic	121,962	73	123,116	81
On paper	45,672	27	28,994	19
Total	**167,634**	**100**	**152,110**	**100**

Source: CNMV.

The virtual office is taking on increasing importance in the documents sent by the CNMV. Table 15.4 shows the distribution of notifications sent from the CNMV's electronic register, which accounted for 79% of total notifications sent from the register (70% in 2013), with a total of 136,432 documents. As can be seen, most of the notifications were sent by email, although there was an increase in registered notifications and deficiency letters sent through the virtual office (which rose from 8.6% in 2013 to 10.9% in 2014). Electronic deficiency letters increased tenfold on 2013.

Notifications sent from the electronic register of the CNMV

TABLE 15.4

	2013		2014	
	Number	Distribution (%)	Number	Distribution (%)
Emails with acknowledgement of receipt for documents received	104,468	76	101,227	74
Informative emails	21,818	16	20,317	15
Registered notifications	11,615	8	13,031	10
Deficiency letters	191	0	1,857	1
Total	**138,092**	**100**	**136,432**	**100**

Source: CNMV.

The data on notifications received and sent electronically supports the strong commitment to implementing electronic administration in the CNMV. It could be said that notifications on paper are starting to become relatively unimportant as they account for less than 20% of notifications received and sent.

CNMV Plan of Activities 2015

EXHIBIT 15.1

In February, the CNMV presented its Plan of Activities for 2015, continuing with the public commitment which began in October 2007 of improving the transparency and accountability of its activities. The Plan, which was previously submitted to the CNMV's Advisory Committee for comments, details the objectives set for 2015 and includes a review of the level of compliance with the commitments taken on in the 2014 Plan.

In 2014, The CNMV completed 27 of the objectives included in the 2014 Plan i.e. 75% of the initially planned objectives. In addition, 96% of the completed objectives were carried out in the established period. Excluding the six objectives whose completion does not depend solely on the CNMV, the level of compliance with the plan stands at 90%. It should be pointed out that only three objectives were not fully met for reasons attributable solely to the CNMV, and two of those were not completed because the CNMV decided to redefine them even though they are at a very advanced stage.

Starting from the basis of the functions attributed in law to the CNMV as the body charged with supervising and inspecting Spanish securities markets and the activity of the participants in said markets, the Plan of Activities for 2015 is based on four strategic lines which form the basis for a total of 34 objectives.

The first strategic line focuses on improving the institution's operations, striving for flexibility and capacity for adapting to the environment so as to strengthen the growth of Spanish securities markets. In this regard, the aim is to use a critical review both of procedures and internal manuals as well as public guides in order to reduce the timescales for action. The aim is for the CNMV's actions to be more predictable and transparent for interested parties. Following this line, the CNMV will also make an effort to introduce technological enhancements and it will continue strengthening its communication policy, with special attention paid to digital media.

Secondly, the CNMV aims to make use of new tools to intensify the preventive supervision policy developed in recent years and to strengthen investor protection. To this end, it will take advantage of the new capacities expected to be attributed to it and which are included in the Draft Law on promoting business financing.

The third strategic line establishes an increase in new competences and areas of supervision. In this regard, new powers are expected to be developed related to measures to encourage alternatives to bank financing, which include the regulation of crowdfunding platforms and a reform of the legal framework for securitisations.

Finally, the CNMV will aim to promote constant interaction with the sector and with investors so as to achieve a modern and open CNMV which actively listens and which also participates in a dynamic and effective manner in international bodies which it forms part of, paying special attention to European bodies. In this regard, the CNMV will organise periodic working meetings in Spain together with the industry and other interested parties in order to jointly assess the most suitable approach to regulation and supervision. In addition, the CNMV will continue making a significant effort internationally in order to influence the development of European legislation from the initial phases by providing qualified experts to the working groups and promoting the participation of the Spanish market in public consultations.

25th Anniversary of the CNMV

EXHIBIT 15.2

In 2014, the CNMV celebrated 25 years of activity after being created through the Securities Market Act 24/1988, of 28 July, as the new body responsible for supervising and inspecting Spanish securities markets.

As a result of this 25th anniversary, during 2014 the CNMV organised three national and international conferences so as to bring the institution closer to the sector and to highlight the past, present and future importance of the CNMV in financial markets.

The first of these conferences, which was held in May and brought together 200 representative guests from the financial sector, focused on summarising the evolution of Spanish financial markets over the last 25 years and on highlighting the role of the CNMV over that period.

During that conference, several former chairpersons of the CNMV, including Luis Carlos Croissier, Juan Fernández-Armesto and Manuel Conthe, as well as important industry representatives had the opportunity to present their vision of the CNMV's development and the challenges it must face in the future.

The conference was closed by the Minister for Economic Affairs and Competition, Luis de Guindos.

In June, the CNMV organised, together with the Ibero-American Institute of Securities Markets (Spanish acronym: IIMV), which in turn celebrated 15 years of existence, the second of the planned conferences. The aim of this conference was to highlight the importance of the links between Spain and Latin America, highlighting the role of the IIMV and CNMV in bringing together the securities markets of all Ibero-American countries. This conference was attended by representatives from securities commissions of countries throughout the world, with particular participation by senior officials from supervisory bodies of Ibero-American States.

Finally, and in cooperation with SUERF (Société Universitaire Européenne de Recherches Financières), the CNMV held the third of the planned conferences in November with a more academic approach. The conference analysed the challenges for regulation of securities markets, with particular attention on issues relating to investor protection and corporate governance. Former chairpersons of the CNMV and renowned representatives of the academic and business world took part in the conference.

16 Finances

16.1 Revenue and expenses

In 2014, the CNMV obtained 51.7 million euros in revenue and incurred 42.7 million euros in expenses. Therefore, the surplus for the year amounted to 9.0 million euros.

The surplus for ordinary activities amounted to 7.1 million euros. Ordinary revenue, which mostly comes from fees received, amounted to 49.1 million euros, 2.3% up on 2013.

Ordinary expenses amounted to 42 million euros, a fall of 4.1% on the previous year. Staff costs, which accounted for 67.5% of total ordinary expenses, rose by 1.4% despite a 1.7% fall in average headcount. Staff costs increased as a result of the payment of 24.04% of the amounts which CNMV employees did not receive as a result of the suspension of the end-of-year bonus in December 2012, pursuant to Law 36/2014, of 26 December, on the General State Budget for 2015.

Other ordinary expenses fell by 13.7%. This fall was mainly generated under the heading of supplies and external services, which fell by 21.8% mainly as a result of the CNMV's new head office becoming fully operational in 2013. Purchase of this property made it possible to cancel the office rental agreements and reduce lease expenses by 1.1 million euros in 2014. Significant falls were also recorded under the headings of courier and postal services (58.5%), independent professional services (21%), communications and information services (9.9%), external staff (10.9%) and security (7%).

The profit from financial operations amounted to 2.3 million euros.

On 9 May 2014, the Government, following a proposal by the CNMV, agreed the distribution of the surplus obtained in 2012, setting the amount to be paid to the Public Treasury at 1.8 million euros and the rest to be paid into CNMV reserves.

16.2 Fee structure

As shown in Table 16.1, which shows the fees received for the different types of services provided by the CNMV, revenue for fees rose by 3.4% in 2014.

This rise is mainly the result of the increase in income from fees for supervising the activity of stock-market members (31.9%) and for supervising collective investment schemes (27.1%). This increase was partially offset by the fall in income from fees for supervision of Sociedad de Sistemas members (-14.2%).

CNMV fee revenues

TABLE 16.1

Thousand euros

Activity or service	2013	2014	% change 14/13	Change
Registration of prospectuses and market participants	**6,035.9**	**6,047.5**	**0.2**	**11.6**
Prospectus registration	5,113.0	5,004.2	-2.1	-108.8
Issue prospectuses	4,087.1	4,058.2	-0.7	-28.9
Listing prospectuses	506.7	452.9	-10.6	-53.8
Vetting of AIAF listing requirements	519.2	493.1	-5.0	-26.1
Registration of market participants	830.9	925.3	11.4	94.4
Authorisation of takeover bids	92.0	118.0	28.2	26.0
Market supervision	**32,186.9**	**31,940.0**	**-0.8**	**-246.9**
AIAF members	234.4	86.2	-63.2	-148.2
Sociedad de Sistemas members	22,211.9	19,063.6	-14.2	-3,148.3
Stock market members	9,484.7	12,505.9	31.9	3,021.2
MEFF Fixed-income members	0.1	0.0	-56.3	-0.1
MEFF Equity members	254.5	283.0	11.2	28.5
MFAO members	1.3	1.3	-3.1	-0.0
Supervision of entities	**8,009.7**	**9,810.2**	**22.5**	**1,800.5**
CIS supervision	6,990.0	8,885.6	27.1	1,895.6
Mutual funds	5,731.1	7,483.6	30.6	1,752.5
Investment companies	1,046.7	1,238.3	18.3	191.6
Real estate mutual funds	156.4	110.6	-29.3	-45.8
Real estate investment companies	55.8	53.2	-4.7	-2.6
Supervision of CIS and securitisation fund management companies	107.1	122.5	14.4	15.4
CIS management companies	76.0	92.6	21.8	16.6
Securitisation fund management companies	31.1	29.9	-3.7	-1.2
Supervision of investment services firms	912.6	802.1	-12.1	-110.5
Portfolio management companies	12.6	3.7	-70.6	-8.9
Broker-dealers and brokers	900.0	798.4	-11.3	-101.6
Issuance of certificates	**5.7**	**5.2**	**-8.6**	**-0.5**
Total	**46,238.2**	**47,802.9**	**3.4**	**1,564.7**

Source: CNMV.

17 National Securities Numbering Agency

The CNMV discharges the functions of the Spanish National Securities Numbering Agency (Spanish acronym: ANCV), whose main goal is to assign and administer International Securities Identification Numbers (ISIN)[1] and Classification of Financial Instruments (CFI)[2] codes to facilitate their dissemination and use among users. The CNMV is also responsible for assigning the Financial Instrument Short Name (FISN)[3] in line with ISO standard 18774 according to its final draft. In Spain, the ISIN code is used as the primary identifier in securities trading, clearing and settlement. In its role as ANCV, The CNMV is a founder and full member of the Association of National Numbering Agencies (ANNA), which at 2014 year-end had a total of 89 full member countries and 27 associates.

On an international level, the ANCV actively participates in various international working groups and management bodies relating to its activity. It currently holds the role of coordinator of WG2: ISIN Quality and Guidelines, which belongs to ANNA and comprises representatives from several national agencies and is responsible for drawing up uniform rules and criteria for ISIN allocation worldwide. The ANCV also contributes towards developing and reviewing ISO standards through Technical Subcommittee 4 (SC4)[4] of ANNA. The seventh edition of ISO standard 6166 (ISIN) entered into force in August, replacing the previous standard from 2001. At the end of the year, the preparation work for ISO standard 18774 was completed and it is expected to be finally published as an international standard in the first half of 2015.

With regard to the key figures of the ANCV's activities, the number of securities and financial instruments with an ISIN number in 2014 totalled 13,104, a rise of 2.2% on 2013 (see Table 17.1). Total numbers issued for equity instruments rose by 26.3%, mainly as a result of the increase in numbers assigned to collective investment schemes. Within fixed income, issues of public debt grew by 23.8%. The increase is much greater in issues of bonds and debentures with an ISIN number (504.3% and 242.9%, respectively), while there was a fall in commercial paper, covered bonds and securitisation bonds. There was also a significant increase in issues of structured products with an ISIN number. Warrants with an ISIN number fell by 11.9%. Finally, in the derivatives market, the number of options with an ISIN number hardly changed, while electricity futures and swaps rose by 11.2% and 90.2%, respectively.

1 International Securities Identification Number: ISO standard 6166.

2 Classification of Financial Instruments: ISO standard 10962.

3 Financial Instrument Short Name: ISO standard 18774.

4 SC4 is responsible for the standards on securities and financial instruments and forms part of ISO Technical Committee 68.

Number of securities and other financial instruments with ISIN TABLE 17.1

	2013	2014	% change
Equity	**563**	**711**	**26.3**
Shares	201	188	-6.5
CIS and venture capital funds	362	523	44.5
Preferred shares	0	0	0.0
Fixed income	**1,201**	**1,295**	**7.8**
Government Bonds	80	99	23.8
Treasury bills and commercial paper	9	12	33.3
Bonds and debentures	71	87	22.5
Private fixed income	1,121	1,196	6.7
Commercial paper	977	809	-17.2
Bonds	46	278	504.3
Debentures	14	48	242.9
Covered bonds	40	28	-30.0
Securitisation bonds	44	33	-25.0
Structured products	**141**	**273**	**93.6**
Rights	**42**	**51**	**21.4**
Warrants and certificates	**3,059**	**2,695**	**-11.9**
Options	**7,317**	**7,324**	**0.1**
Futures	**260**	**289**	**11.2**
Swaps	**245**	**466**	**90.2**
Total	**12,828**	**13,104**	**2.2**

Source: CNMV.

At the end of the year, the number of active securities and other financial instruments with an ISIN code in the ANCV database totalled 21,570. Listed securities and financial instruments accounted for 55.6% of the total

The total number of queries to the ANCV stood at 681, 22.3% down on the previous year. Queries regarding Spanish codes, which accounted for 84% of the total, fell by 12.6% on the previous year, while queries about foreign codes fell by 51.1%.

Queries handled directly by the ANCV TABLE 17.2

	2013	2014	% change
Spanish codes	657	574	-12.6
Foreign codes	219	107	-51.1
Total	**876**	**681**	**-22.3**

Source: CNMV.

18 CNMV Advisory Committee

18.1 Introduction

The Advisory Committee is the body which provides advice to the CNMV's Board. Its functions and composition are provided for in Section 22 of the Securities Market Act, and its implementing legislation - Royal Decree 303/2012, of 3 February, which regulates the CNMV Advisory Committee. This committee is chaired by the CNMV's Vice-Chairperson and includes representatives of market infrastructures, issuers, investors, credit institutions and insurance companies, professional groups designated by the CNMV, investment guarantee funds and each one of the autonomous regions with authority with regard to securities markets and in which there is an official secondary market.

As a body providing advice to the CNMV's Board, the Advisory Committee informs on those issues referred to it by the Board. In particular, the Committee shall issue a mandatory report in the following cases: i) approval of CNMV circulars; ii) authorisations, revocations, mergers and takeovers of investment services firms, and iii) authorisations, revocations and mergers and takeovers of the branches of investment services firms from non-EU countries.[1]

Without prejudice to the above, the Advisory Committee also provides advice on draft regulations relating in general to the securities market which are referred to it by the Government or the Ministry of Economic Affairs and Competition. It thus fulfils the principle of consulting the affected sectors when new regulations are being drafted.

As a consequence of the intense international integration affecting the CNMV's activity, the committee's agenda regularly includes voluntary or non-mandatory consultations from international bodies such as IOSCO and ESMA or relating to other initiatives of the CNMV or the committee itself. This allows greater participation from the sector, which is in line with international recommendations on analysing the impact of regulations.

In addition, since 2012 the Committee has also been analysing the recommendations and standards issued by ESMA prior to their application in Spain.

1 It should be pointed out, however, that no proceedings for authorisation, revocation, merger and takeover of investment services firms have been processed since 2008. The Securities Market Act provides that the Advisory Committee shall issue a mandatory report when required by its regulation. Implementation of this rule was provided for in Royal Decree 867/2001 until 2008. However, this legislation was repealed upon approval of Royal Decree 217/2008, of 15 February, on the legal regime of investment services firms, which contains no provision on the intervention of the Advisory Committee in this type of procedure.

The Advisory Committee must meet at least once every three months, but in practice it holds a meeting every month.

18.2 Actions by the Advisory Committee in 2014

Table 18.1 offers a statistical summary of the issues addressed by the Advisory Committee in 2014.

The number of issues addressed was significantly higher than in the previous year (+41%). This rise was exclusively the result of the increase in voluntary or non-mandatory consultations as the number of mandatory reports on draft legislation has remained unchanged compared with 2013.

This increase in voluntary consultations is consistent with the aspects referred to in Section 18.1, as it shows the greater importance of international activity for the CNMV, as well as the desire to gather, through the Advisory Committee, the sector's opinion as often as possible beyond the minimum legal requirements.

Type of issues referred to the Advisory Committee TABLE 18.1

	Number of issues	
	2013	**2014**
Mandatory reports on regulations	14	14
Voluntary consultations (IOSCO, ESMA and others)	3	10
Total	**17**	**24**

Source: CNMV.

Table 18.2 provides a breakdown of the issues addressed.

List of CNMV Advisory Committee actions in 2014

TABLE 18.2

Mandatory reports on regulations.

– Draft Bill amending the Capital Companies Act to improve corporate governance (Session of 13/01/2014).
– Draft CNMV Circular on the exercise of various regulatory options regarding the solvency of investment services firms and their consolidated groups (Session of 10/03/2014).
– Draft Bill on promoting business financing (Session of 31/03/2014).
– Draft Bill regulating CNMV fees (Session of 31/03/2014).
– Draft Royal Decree amending Royal Decree 217/2008, of 15 February, on the legal regime of investment services firms, and partially amending the Regulation of Law 35/2003, of 4 November, on collective investment schemes, approved by Royal Decree 1309/2005, of 4 November (Session of 11/06/2014).
– Draft CNMV circular amending Circular 3/1999, on the transparency of transactions in official securities markets (Session of 29/09/2014).
– Draft CNMV Circular amending CNMV Circular 1/2010, of 28 July, on reserved information of entities which provide investment services (Session of 29/09/2014).
– Draft Royal Decree amending Royal Decree 1082/2012, of 13 July, approving the implementing regulation of Law 35/2003, of 4 November, on collective investment schemes (Session of 29/09/2014).
– Draft CNMV Circular amending CNMV Circular 1/2007, of 11 July, on statistical information requirements for collective investment schemes of the European Union, partially amending Circular 2/1998, of 27 July, on statistical information requirements for collective investment schemes of the European Union (Session of 20/10/2014).
– Draft CNMV Circular amending CNMV Circular 5/2008, of 5 November, on statistical information requirements on assets and liabilities of collective investment schemes of the European Union (Session of 20/10/2014).
– Draft CNMV Circular amending CNMV Circular 2/2009, of 25 March, on accounting standards, annual accounts, public financial statements and reserved statements of statistical information of securitisation funds, including the amendments proposed to incorporate other enhancements in the sending of information of the funds, as established in Circular 4/2010 (Session of 20/10/2014).
– Draft CNMV Circular amending CNMV Circular 6/2013, of 25 September, on accounting standards, annual accounts, public financial statements and reserved statements of statistical information of bank asset funds (Session of 20/10/2014).
– Draft Bill amending the Securities Market Act 24/1988, of 28 July, as regards securities clearing, settlement and registration (Session of 15/12/2014).
– Draft Bill on restructuring and resolution of credit institutions and investment services firms (Session of 15/12/2014).

Voluntary consultations (IOSCO, ESMA and others):

European Securities and Markets Authority (ESMA)

– Consultation on draft implementing technical standards of the European Regulation on central securities depositories (Session of 12/05/2014).
– Consultation of ESMA on draft regulatory technical standards on major shareholdings and an indicative list of financial instruments subject to notification requirements under the revised Transparency Directive (Session of 12/04/2014).
– Consultation on implementing technical standards of MiFID II/MiFIR (Session of 21/07/2014).
– Consultation on technical advice to the European Commission on delegated acts required by MiFID II/MiFIR (Session of 21/07/2014).
– Consultation on possible delegated acts and draft implementing technical standards of the Market Abuse Regulation (Session 29/09/2014).
– Public consultation on the technical advice to the European Commission for implementing the UCITS V Directive (Session of 20/10/14).

CNMV

– CNMV Plan of Activities 2014 (Session of 13/01/2014).
– Consultation on a classification system for financial instruments and identification of especially complex products (Session of 29/09/2014).
– CNMV Plan of Activities 2015 (Session of 15/12/2014).

European Commission (EC)

– Consultation on foreign-exchange financial instruments (Session of 12/05/2014).

Source: CNMV.

VI Report by the Internal Control Body

AUDIT REPORT PURSUANT TO LAW 44/2002, ON REFORM MEASURES FOR THE FINANCIAL SYSTEM - 2014

INTERNAL CONTROL DEPARTMENT
17 April 2015

1.- Introduction

The CNMV's Internal Control Department has performed the audit relating to adaptation of the decisions adopted by the governing bodies to the procedural regulations applicable in each case, in implementation of the Audit Plan and Internal Control Actions approved by the Commission's Board in its session of 25 February 2015, thus complying with the Second Additional Provision of Law 44/2002, of 22 November, on Reform Measures for the Financial System (*BOE* [Official State Gazette] of 23 November).

The work has been performed in accordance with the International Standards for the Professional Practice of Internal Auditing of the IIA (the Institute of Internal Auditors), pursuant to the Internal Audit Rules for the CNMV approved by a Resolution of the Board on 4 April 2011.

2.- Aims and scope

The aim of the work is to verify adaptation to the procedural legislation applicable in adopting supervisory decisions by the CNMV's governing bodies in 2014.

The basic legislation applicable to CNMV procedures is as follows:

- The Securities Market Act 24/1998, of 28 July.
- Law 30/1992 on the Legal Regime of Public Administration Services and Common Administrative Procedures, of 26 November.
- The CNMV's Internal Regime Regulations.

It has also taken into account Resolutions on the delegation of powers of the CNMV in force in 2014.[1]

There have been no limits placed on the scope in the performance of the work.

[1] Resolutions on delegation of 14 December 2012, of 2 October and 18 December 2013 and of 23 July 2014.

3.- Opinion.

In our opinion, having completed the audit work, it can be concluded that in 2014 the decisions adopted by the CNMV's governing bodies have met the requirements established in current legislation relating to the procedure and authority applicable in each case within the scope of the supervision entrusted to it by the Securities Market Act and other legislation.

Madrid, 17 April 2015

Directora del Departamento
de Control Interno

Fdo.: Margarita García Muñoz

[Director of the Internal Control Department

Signed: Margarita García Muñoz]

VII Financial statements of the CNMV

Summary of financial statements 2014

1 Balance sheet

Assets	2014	2013
A) Non-current assets	**141,514,143.31**	**143,976,683.36**
I. Intangible assets	**5,439,610.71**	**5,752,762.88**
1. Investment in research and development	1,855,381.15	1,428,612.22
3. Computer software	3,584,229.56	4,324,150.66
II. Property, plant and equipment	**78,851,349.60**	**79,710,337.02**
1. Land	43,678,478.93	43,653,538.66
2. Buildings	31,554,085.80	32,256,658.91
5. Other property, plant and equipment	3,618,784.87	3,800,139.45
IV. Long-term financial investments in group companies, jointly-controlled entities and associates	**57,045,341.86**	**58,304,886.58**
3. Loans and debt securities	57,045,341.86	58,304,886.58
V. Long-term financial investments	**177,841.14**	**208,696.88**
1. Financial investments in equity	935.36	935.36
2. Loans and debt securities	175,640.15	206,495.89
4. Other financial investments	1,265.63	1,265.63
B) Current assets	**40,265,297.61**	**27,544,675.41**
III. Trade and other receivables	**15,161,593.36**	**18,595,255.72**
1. Receivables for operating activities	12,775,635.30	11,782,229.76
2. Other receivables	2,385,958.06	6,812,688.22
3. Public authorities	0.00	337.74
IV. Short-term financial investments in group companies, jointly-controlled entities and associates	**6,480,757.07**	**1,373,631.55**
2. Loans and debt securities	6,480,757.07	1,373,631.55
V. Short-term financial investments	**174,697.64**	**250,140.66**
2. Loans and debt securities	174,697.64	250,140.66
VI. Prepayments and accrued income	**214,211.85**	**188,863.43**
VII. Cash and cash equivalents	**18,234,037.69**	**7,136,784.05**
1. Cash equivalents	0.00	50,508.95
2. Cash	18,234,037.69	7,086,275.10
TOTAL ASSETS	**181,779,440.92**	**171,521,358.77**

1 Balance sheet *(continuation)*

Equity and liabilities	2014	2013
A) Equity	**176,017,285.11**	**164,877,486.27**
I. Contributed equity	**5,385,871.28**	**5,385,871.28**
II. Equity generated	**164,353,117.20**	**157,235,087.58**
1. Retained earnings / losses	14,651,414.58	17,885,052.09
2. Surplus for the year	8,955,816.33	4,117,509.34
3. Reserves	140,745,886.29	135,232,526.15
III. Valuation adjustments	**6,278,296.63**	**2,256,527.41**
2. Available-for-sale financial assets	6,278,296.63	2,256,527.41
B) Non-current liabilities	**1,141,140.50**	**1,454,407.16**
I. Long-term provisions	**1,141,140.50**	**1,454,407.16**
C) Current liabilities	**4,621,015.31**	**5,189,465.34**
I. Short-term provisions	**828,497.28**	**1,361,116.45**
II. Short-term debts	**390,779.24**	**494,582.83**
4. Other debts	390,779.24	494,582.83
IV. Trade and other payables	**3,401,738.79**	**3,333,766.06**
1. Payables for operating activities	1,191,985.37	1,399,279.79
2. Other payables	954,490.64	693,952.86
3. Public authorities	1,255,262.78	1,240,533.41
TOTAL EQUITY AND LIABILITIES	**181,779,440.92**	**171,521,358.77**

2 Income statement

		2014	2013
1.	**Tax revenues and social contributions**	**47,802,857.80**	**46,238,235.91**
	b) Fees	47,802,857.80	46,238,235.91
5.	**Own work capitalised**	**1,138,581.91**	**1,494,969.20**
6.	**Other ordinary revenue**	**146,131.62**	**245,878.07**
A)	**TOTAL ORDINARY REVENUE (1+2+3+4+5+6+7)**	**49,087,571.33**	**47,979,083.18**
8.	**Personnel expenses**	**-28,375,532.53**	**-27,984,204.11**
	a) Salaries, wages and similar	-22,510,216.12	-22,261,220.37
	b) Employee welfare expenses	-5,865,316.41	-5,722,983.74
9.	**Transfers and subsidies granted**	**-1,659,392.87**	**-1,398,162.62**
11.	**Other ordinary expenses**	**-9,183,289.73**	**-11,620,027.92**
	a) Supplies and outside services	-8,806,261.23	-11,265,056.69
	b) Taxes	-377,028.50	-354,971.23
12.	**Depreciation and amortisation**	**-2,805,495.92**	**-2,795,301.17**
B)	**TOTAL ORDINARY EXPENSES (8+9+10+11+12)**	**-42,023,711.05**	**-43,797,695.82**
I.	**Profit (loss) from ordinary activities (A+B)**	**7,063,860.28**	**4,181,387.36**
13.	**Impairment and gains (losses) from disposal of non-financial assets and assets for sale**	**-58,431.32**	**-290,942.36**
	a) Impairment	32,385.46	32,303.26
	b) Deletions and disposals	-90,816.78	-323,245.62
14.	**Other non-ordinary items**	**-349,042.76**	**-2,064,911.73**
	b) Expenses	-349,042.76	-2,064,911.73
II.	**Profit (loss) from non-financial operations (I+13+14)**	**6,656,386.20**	**1,825,533.27**
15.	**Financial income**	**2,439,049.68**	**2,467,373.65**
	b) From marketable securities and loans forming part of fixed assets	2,439,049.68	2,467,373.65
	b.1) In group companies, jointly-controlled entities and associates	2,229,638.58	2,172,705.20
	b.2) Other	209,411.10	294,668.45
16.	**Financial expenses**	**-6,374.14**	**-765.69**
	b) Other	-6,374.14	-765.69
18.	**Change in fair value of financial assets and liabilities**	**0.00**	**154,671.27**
	c) Allocation to profit (loss) for the year for available-for-sale financial assets	0.00	154,671.27
19.	**Exchange differences**	**-9,344.65**	**-8,653.26**
20.	**Impairment, deletions and disposal of financial assets and liabilities**	**-123,900.76**	**-320,649.90**
	b) Other	-123,900.76	-320,649.90
III.	**Profit (loss) from financial operations (15+16+17+18+19+20+21)**	**2,299,430.13**	**2,291,976.07**
IV.	**Net profit for the year (II+III)**	**8,955,816.33**	**4,117,509.34**

3 Cash flow statement

	2014	2013
I. CASH FLOWS FROM OPERATING ACTIVITIES		
A) Receipts	**53,732,715.61**	**45,959,826.44**
1. Tax revenues and social contributions	51,001,205.90	43,721,245.94
5. Interest and dividends received	2,497,476.28	2,061,109.09
6. Other receipts	234,033.43	177,471.41
B) Payments	**39,730,800.65**	**41,452,711.39**
7. Personnel expenses	28,089,351.05	27,426,870.31
8. Transfers and subsidies granted	1,353,499.52	1,380,362.22
10. Other operating expenses	8,951,494.37	11,601,993.12
13. Other payments	61.86	0.00
Net cash flows from operating activities (+A-B)	**14,001,914.96**	**4,507,115.05**
II. CASH FLOWS FROM INVESTMENT ACTIVITIES		
C) Receipts	**313,748.67**	**33,750,408.69**
1. Sale of property investments	4,657.05	130.00
2. Sale of financial assets	0.00	33,742,265.45
3. Other receipts from investment activities	309,091.62	8,013.24
D) Payments	**1,373,076.49**	**45,523,684.25**
4. Purchase of property investments	1,160,439.54	4,175,132.37
5. Purchase of financial assets	0.00	41,238,015.22
6. Other payments for investment activities	212,636.95	110,536.66
Net cash flows from investment activities (+C-D)	**-1,059,327.82**	**-11,773,275.56**
III. CASH FLOWS FROM FINANCING ACTIVITIES		
F) Payments to owning entity/entities:	**1,837,786.71**	**5,061,000.00**
2. Return of contributions and payment of profit (loss) to owner(s)	1,837,786.71	5,061,000.00
Net cash flows from financing activities (+E-F+G-H)	**-1,837,786.71**	**-5,061,000.00**
IV. CASH FLOWS PENDING CLASSIFICATION		
I) Receipts pending application	5,848.90	61,160.61
J) Payments pending application	4,051.04	2,198.93
Net cash flows pending classification (+I-J)	**1,797.86**	**58,961.68**
V. EFFECT OF EXCHANGE RATE CHANGES	**-9,344.65**	**-4,862.70**
VI. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)	**11,097,253.64**	**-12,273,061.53**
Cash and cash equivalents at the start of the year	**7,136,784.05**	**19,409,845.58**
Cash and cash equivalents at the end of the year	**18,234,037.69**	**7,136,784.05**

4 Statement of changes in equity

	Note to the financial statements	I. Contributed equity	II. Equity generated	III. Valuation adjustments	IV. Other equity increases	Total
A. Equity at end of financial year N-1		**5,385,871.28**	**157,235,087.58**	**2,256,527.41**	**0.00**	**164,877,486.27**
B. Adjustments for changes in accounting criteria and error correction		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
C. Adjusted starting equity for financial year N (A+B)		**5,385,871.28**	**157,235,087.58**	**2,256,527.41**	**0.00**	**164,877,486.27**
D. Changes in equity in financial year N		**0.00**	**7,118,029.62**	**4,021,769.22**	**0.00**	**11,139,798.84**
1. Recognised income and expense in the year		0.00	8,955,816.33	4,021,769.22	0.00	12,977,585.55
2. Transactions with owner(s)		0.00	-1,837,786.71	0.00	0.00	-1,837,786.71
3. Other changes in equity		0.00	0.00	0.00	0.00	0.00
E. Equity at end of financial year N (C+D)		**5,385,871.28**	**164,353,117.20**	**6,278,296.63**	**0.00**	**176,017,285.11**

Annexes

Statistical annexes I: markets and issuers

Capital increases and public offerings[1]

I.1

Million euros

	Number of issuers			Number of issues		
	2013	2014	Change 14/13	2013	2014	Change 14/13
Capital increases[2]	**39**	**47**	**8**	**145**	**140**	**-5**
Subscription offerings	5	6	1	5	8	3
Bonus issues	16	19	3	38	37	-1
Of which, dividend choice	9	12	3	20	28	8
Capital increase by conversion[2]	14	11	-3	50	43	-7
Capital increase for non-monetary consideration	4	4	0	17	9	-8
With pre-emption right	6	5	-1	6	5	-1
Without trading subscription rights	15	16	1	29	38	9
Public share offerings	0	4	4	0	7	7
Total	**39**	**49**	**10**	**145**	**147**	**2**

Source: CNMV. (1) Does not include data from the MAB, ETF or Latibex. (2) Includes capital increases to meet the conversion of bonds and debentures into shares, as a result of conversions of employee stock options and for the execution of warrants.

Capital increases and public offerings: cash amount

Million euros

Issuer	Cash amount[1]	Type of transaction	Date registered with the CNMV
Ercros, S.A.	0.6	Capital increase without trading warrants	07-Jan-14
Caixabank, S.A.	4.7	Capital increase by conversion of bonds or debentures	14-Jan-14
Caixabank, S.A.	256.9	Capital increase by conversion of bonds or debentures	14-Jan-14
Vértice Trescientos Sesenta Grados, S.A.	1.9	Capital increase without trading warrants	16-Jan-14
Repsol, S.A.	389.1	Bonus issue to meet dividend payment	16-Jan-14
Banco Popular Español, S.A.	16.7	Capital increase by conversion of bonds or debentures	23-Jan-14
Banco Popular Español, S.A.	696.4	Capital increase by conversion of bonds or debentures	28-Jan-14
Grupo Ezentis, S.A.	0.7	Capital increase without trading warrants	28-Jan-14
Grupo Ezentis, S.A.	0.0	Capital increase without trading warrants	28-Jan-14
Grupo Ezentis, S.A.	0.3	Capital increase without trading warrants	28-Jan-14
Urbas Grupo Financiero, S.A.	1.2	Capital increase without trading warrants	30-Jan-14
Iberdrola, S.A.	605.5	Bonus issue to meet dividend payment	04-Feb-14
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	04-Feb-14
Faes Farma, S.A.	8.3	Bonus issue to meet dividend payment	04-Feb-14
Banco Santander, S.A.	1,487.9	Bonus issue to meet dividend payment	06-Feb-14
Banco de Sabadell, S.A.	1.9	Capital increase by conversion of bonds or debentures	18-Feb-14
Inmobiliaria Colonial, S.A.	0.0	Capital increase by conversion of bonds or debentures	21-Feb-14
Ercros, S.A.	1.0	Capital increase without trading warrants	21-Feb-14
Quabit Inmobiliaria, S.A.	2.3	Capital increase without trading warrants	25-Feb-14
Quabit Inmobiliaria, S.A.	1.2	Capital increase without trading warrants	25-Feb-14
Quabit Inmobiliaria, S.A.	1.7	Capital increase without trading warrants	25-Feb-14
Banco Popular Español, S.A.	72.6	Bonus issue to meet dividend payment	25-Feb-14
ACS, Actividades de Construcción y Servicios, S.A.	70.9	Bonus issue to meet dividend payment	25-Feb-14
Abengoa, S.A.	2.1	Capital increase for non-monetary consideration	25-Feb-14
Promotora de Informaciones, S.A.	47.3	Capital increase by exercise of warrants	27-Feb-14
Grupo Ezentis, S.A.	10.0	Capital increase without trading warrants	27-Feb-14
Grupo Ezentis, S.A.	3.1	Capital increase without trading warrants	27-Feb-14
Grupo Ezentis, S.A.	0.3	Capital increase by exercise of warrants	04-Mar-14
Lar España Real Estate SOCIMI, S.A.	400.0	Subscription offering	05-Mar-14
Hispania Activos Inmobiliarios, S.A.	550.0	Subscription offering	14-Mar-14
Banco Popular Español, S.A.	1.2	Capital increase by conversion of bonds or debentures	20-Mar-14
Caixabank, S.A.	233.3	Bonus issue to meet dividend payment	27-Mar-14
Unicaja Banco, S.A.	96.6	Capital increase by conversion[2]	28-Mar-14
Inmobiliaria Colonial, S.A.	2.0	Capital increase by conversion of bonds or debentures	03-Apr-14
eDreams Odigeo, S.A.	50.0	Subscription offering	08-Apr-14
eDreams Odigeo, S.A.	326.2	Public offering	08-Apr-14
Caixabank, S.A.	1,179.5	Capital increase by conversion of bonds or debentures	10-Apr-14
Banco Bilbao Vizcaya Argentaria, S.A.	867.2	Bonus issue to meet dividend payment	24-Apr-14

Million euros

Issuer	Cash amount[1]	Type of transaction	Date registered with the CNMV
Sacyr, S.A.	166.2	Capital increase without trading warrants	28-Apr-14
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	29-Apr-14
Abengoa, S.A.	0.4	Capital increase for non-monetary consideration	29-Apr-14
Abengoa, S.A.	3.5	Bonus issue to meet dividend payment	30-Apr-14
Abengoa, S.A.	49.1	Bonus issue to meet dividend payment	30-Apr-14
Inmobiliaria Colonial, S.A.	1,263.3	Capital increase with pre-emptive subscription rights	06-May-14
Banco Santander, S.A.	1,519.7	Bonus issue to meet dividend payment	08-May-14
Jazztel, Plc.	5.4	Capital increase by exercise of share options	08-May-14
Ercros, S.A.	0.5	Capital increase without trading warrants	08-May-14
Banco Popular Español, S.A.	85.6	Capital increase by conversion of bonds or debentures	08-May-14
Applus Services, S.A.	300.0	Subscription offering	09-May-14
Applus Services, S.A.	910.0	Public offering	09-May-14
Liberbank, S.A.	61.9	Capital increase by conversion of bonds or debentures	14-May-14
Cementos Portland Valderrivas, S.A.	110.8	Capital increase without trading warrants	22-May-14
Grupo Ezentis, S.A.	0.9	Capital increase by exercise of warrants	22-May-14
Inmobiliaria Colonial, S.A.	23.3	Capital increase by exercise of warrants	22-May-14
Liberbank, S.A.	100.0	Capital increase without trading warrants	22-May-14
Promotora de Informaciones, S.A.	0.8	Capital increase by exercise of warrants	27-May-14
Promotora de Informaciones, S.A.	0.1	Capital increase for non-monetary consideration	27-May-14
Promotora de Informaciones, S.A.	0.1	Bonus issue to meet dividend payment	27-May-14
Grupo Ezentis, S.A.	0.2	Capital increase without trading warrants	27-May-14
Grupo Ezentis, S.A.	0.5	Capital increase without trading warrants	27-May-14
Realia Business, S.A.	57.6	Capital increase without trading warrants	27-May-14
Faes Farma, S.A.	0.0	Bonus issue	27-May-14
Quabit Inmobiliaria, S.A.	3.9	Capital increase without trading warrants	29-May-14
Bankinter, S.A.	10.5	Capital increase by conversion of bonds or debentures	05-Jun-14
Bankinter, S.A.	2.1	Capital increase by conversion of bonds or debentures	05-Jun-14
Banco de Sabadell, S.A.	0.9	Capital increase by conversion of bonds or debentures	10-Jun-14
CIE Automotive, S.A.	93.2	Capital increase without trading warrants	10-Jun-14
Solaria Energía y Medio Ambiente, S.A.	0.7	Capital increase without trading warrants	11-Jun-14
Urbas Grupo Financiero, S.A.	1.7	Capital increase without trading warrants	13-Jun-14
Abertis Infraestructuras, S.A.	0.0	Bonus issue	13-Jun-14
Liberbank, S.A.	474.8	Capital increase with pre-emptive subscription rights	23-Jun-14
Banco Popular Español, S.A.	0.5	Capital increase by conversion of bonds or debentures	24-Jun-14
MERLIN Properties SOCIMI, S.A.	1,291.5	Subscription offering	30-Jun-14
Caixabank, S.A.	202.4	Bonus issue to meet dividend payment	01-Jul-14
NH Hoteles, S.A.	175.6	Capital increase for non-monetary consideration	08-Jul-14
Grupo Ezentis, S.A.	50.5	Capital increase with pre-emptive subscription rights	08-Jul-14
Axia Real Estate SOCIMI, S.A.	360.0	Subscription offering	09-Jul-14

Million euros

Issuer	Cash amount[1]	Type of transaction	Date registered with the CNMV
Dogi International Fabrics, S.A.	1.3	Capital increase without trading warrants	10-Jul-14
Caixabank, S.A.	742.9	Capital increase by conversion of bonds or debentures	10-Jul-14
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	10-Jul-14
Ercros, S.A.	0.5	Capital increase without trading warrants	10-Jul-14
Promotora de Informaciones, S.A.	104.4	Capital increase for non-monetary consideration	10-Jul-14
Promotora de Informaciones, S.A.	34.5	Capital increase for non-monetary consideration	10-Jul-14
Promotora de Informaciones, S.A.	77.0	Bonus issue to meet dividend payment	10-Jul-14
Compañía de Distribución Integral Logista Holdings, S.A.U.	517.7	Public offering	14-Jul-14
Repsol, S.A.	487.2	Bonus issue to meet dividend payment	15-Jul-14
Banco Popular Español, S.A.	16.7	Capital increase by conversion of bonds or debentures	22-Jul-14
Acerinox, S.A.	59.3	Bonus issue to meet dividend payment	22-Jul-14
Faes Farma, S.A.	6.5	Bonus issue to meet dividend payment	22-Jul-14
Ferrovial, S.A.	94.6	Bonus issue to meet dividend payment	24-Jul-14
Promotora de Informaciones, S.A.	434.0	Capital increase by conversion of bonds or debentures	24-Jul-14
Iberdrola, S.A.	367.9	Bonus issue to meet dividend payment	24-Jul-14
ACS, Actividades de Construcción y Servicios, S.A.	131.5	Bonus issue to meet dividend payment	29-Jul-14
Solaria Energía y Medio Ambiente, S.A.	0.9	Capital increase without trading warrants	29-Jul-14
Banco Popular Español, S.A.	18.0	Bonus issue to meet dividend payment	31-Jul-14
Banco Santander, S.A.	1,564.2	Bonus issue to meet dividend payment	08-Aug-14
Banco de Sabadell, S.A.	3.6	Capital increase by conversion of bonds or debentures	08-Aug-14
Abengoa, S.A.	0.2	Capital increase for non-monetary consideration	08-Aug-14
Urbas Grupo Financiero, S.A.	1.9	Capital increase without trading warrants	19-Aug-14
Promotora de Informaciones, S.A.	25.3	Capital increase by exercise of warrants	02-Sep-14
Quabit Inmobiliaria, S.A.	1.2	Capital increase without trading warrants	04-Sep-14
Quabit Inmobiliaria, S.A.	0.2	Capital increase without trading warrants	04-Sep-14
Gamesa Corporación Tecnológica, S.A.	236.1	Capital increase without trading warrants	10-Sep-14
Solaria Energía y Medio Ambiente, S.A.	0.3	Capital increase without trading warrants	11-Sep-14
Zardoya Otis, S.A.	0.0	Bonus issue	11-Sep-14
Promotora de Informaciones, S.A.	100.0	Capital increase without trading warrants	18-Sep-14
Damm	0.0	Bonus issue	18-Sep-14
Promotora de Informaciones, S.A.	4.5	Capital increase by exercise of warrants	25-Sep-14
Solaria Energía y Medio Ambiente, S.A.	0.5	Capital increase without trading warrants	25-Sep-14
Banco Popular Español, S.A.	0.4	Capital increase by conversion of bonds or debentures	25-Sep-14
Caixabank, S.A.	243.1	Bonus issue to meet dividend payment	02-Oct-14
General de Alquiler de Maquinaria, S.A.	1.1	Capital increase by conversion of bonds or debentures	07-Oct-14
General de Alquiler de Maquinaria, S.A.	0.6	Capital increase by conversion of bonds or debentures	16-Oct-14
Ercros, S.A.	0.6	Capital increase without trading warrants	16-Oct-14

Capital increases and public offerings: cash amount (*continuation)*

Million euros

Issuer	Cash amount[1]	Type of transaction	Date registered with the CNMV
Promotora de Informaciones, S.A.	2.6	Capital increase by exercise of warrants	21-Oct-14
Dogi International Fabrics, S.A.	2.6	Capital increase with pre-emptive subscription rights	21-Oct-14
Banco Popular Español, S.A.	21.4	Bonus issue to meet dividend payment	21-Oct-14
Banco Bilbao Vizcaya Argentaria, S.A.	400.8	Bonus issue to meet dividend payment	23-Oct-14
Papeles y Cartones de Europa, S.A.	0.0	Bonus issue	28-Oct-14
Jazztel, Plc.	0.8	Capital increase by exercise of share options	28-Oct-14
Solaria Energía y Medio Ambiente, S.A.	0.5	Capital increase without trading warrants	04-Nov-14
Endesa, S.A.	3,132.9	Public offering	06-Nov-14
Banco Santander, S.A.	2,496.8	Capital increase for non-monetary consideration	06-Nov-14
Banco Santander, S.A.	1,565.5	Bonus issue to meet dividend payment	11-Nov-14
Liberbank, S.A.	0.3	Capital increase by conversion of bonds or debentures	13-Nov-14
Abengoa, S.A.	0.5	Capital increase for non-monetary consideration	18-Nov-14
Banco de Sabadell, S.A.	17.7	Capital increase by conversion of bonds or debentures	20-Nov-14
Banco de Sabadell, S.A.	6.7	Capital increase by conversion of bonds or debentures	20-Nov-14
Banco Bilbao Vizcaya Argentaria, S.A.	2,000.0	Capital increase without trading warrants	21-Nov-14
Promotora de Informaciones, S.A.	1.0	Capital increase by exercise of warrants	25-Nov-14
General de Alquiler de Maquinaria, S.A.	2.4	Capital increase by conversion of bonds or debentures	27-Nov-14
Ferrovial, S.A.	125.5	Bonus issue to meet dividend payment	27-Nov-14
Vidrala, S.A.	0.0	Bonus issue	27-Nov-14
Banco de Sabadell, S.A.	0.7	Capital increase by conversion of bonds or debentures	04-Dec-14
Adveo Group International, S.A.	0.0	Bonus issue	04-Dec-14
Solaria Energía y Medio Ambiente, S.A.	0.7	Capital increase without trading warrants	09-Dec-14
Telefónica	1,248.7	Bonus issue to meet dividend payment	11-Dec-14
Banco Popular Español, S.A.	1.1	Capital increase by conversion of bonds or debentures	16-Dec-14
Renta Corporación Real Estate, S.A.	5.6	Capital increase without trading warrants	18-Dec-14
Caixabank, S.A.	26.6	Bonus issue to meet dividend payment	18-Dec-14
Fomento de Construcciones y Contratas, S.A.	999.5	Capital increase with pre-emptive subscription rights	19-Dec-14
Iberdrola, S.A.	464.3	Bonus issue to meet dividend payment	22-Dec-14

Source: CNMV. (1) Issues of new shares not paid for in cash have been valued at market prices. (2) Capital increase for swap of shares of Banco CEISS as part of the resolution plan of said entity.

De-listings in 2014[1]

I.3

Company	Market	Reason. Procedure	Date
Campofrío Alimentación	SIBE	Having settled the bid made by the company itself in accordance with Article 7.4 of Royal Decree 1197/1991	19/09/2014
Companyia d'Aigües de Sabadell, S.A.	Open outcry	Having settled the bid made by the company itself in accordance with Article 7.4 of Royal Decree 1197/1991	23/07/2014
Ahorro familiar	Open outcry	Having settled the bid made by the company itself in accordance with Article 7.4 of Royal Decree 1197/1991	19/09/2014
Inmolevante	Open outcry	Having settled the bid made by the company itself in accordance with Article 7.4 of Royal Decree 1197/1991	20/05/2014
AMCI Hábitat (in liquidation)	2nd market	Delisted by Regional Government of Catalonia.	24/12/2014

Source: CNMV. (1) Excludes MAB, Latibex and ETFs.

Sector indices in the Madrid and Barcelona stock exchanges

I.4

Yield in the period (%)

					2014			
	2011	2012	2013	2014	1Q	2Q	3Q	4Q
Madrid Stock Exchange								
Oil and energy	-2.7	-16.0	19.0	11.8	8.8	8.6	1.6	-6.8
Commodities, industry and construction	-14.3	-8.0	28.9	-1.8	11.6	6.2	-8.2	-9.7
Consumer goods	5.7	55.6	17.1	-1.5	-4.3	2.8	-5.5	6.0
Consumer services	-24.2	12.7	58.9	10.0	2.8	-1.4	-3.6	12.6
Financial and real estate services	-18.9	-4.7	19.9	1.4	6.4	6.1	0.8	-10.8
Banking	-20.3	-4.8	18.8	1.6	6.5	6.3	1.3	-11.4
Real estate and others	-47.5	-14.4	38.3	36.3	42.3	10.8	-5.8	-8.2
Technology and telecommunications	-20.9	-18.3	22.8	2.5	-1.3	6.3	-1.5	-0.8
Madrid Stock Exchange General Index	**-14.6**	**-3.8**	**22.7**	**3.0**	**4.4**	**5.7**	**-1.0**	**-5.6**
Barcelona Stock Exchange								
Electricity	-12.8	-4.0	20.8	30.9	14.2	10.5	4.3	-0.5
Banks	-17.1	9.2	23.1	7.6	9.8	6.6	2.3	-10.1
Chemical	14.2	-21.5	27.0	-11.4	3.2	5.3	-4.9	-14.2
Cement, construction and real estate	-0.4	-11.2	41.1	2.3	21.7	3.9	-9.3	-10.7
Metallurgy	-35.9	-21.0	83.0	-10.0	1.0	4.5	-4.7	-10.6
Food, agriculture and forestry	-13.4	2.6	6.6	-8.7	-5.0	4.1	-4.2	-3.6
Textiles and paper	12.0	65.0	13.7	-1.2	-9.0	3.1	-2.8	8.4
Trade and finance	4.3	13.5	35.9	-11.7	0.2	-1.5	-10.1	-0.4
Sundry services	-18.5	-13.2	25.2	7.1	4.0	-1.7	14.6	6.8
BCN Global 100	**-13.6**	**-0.7**	**25.6**	**5.9**	**7.0**	**6.2**	**-0.2**	**-6.6**

Source: Thomson Datastream.

Concentration of capitalisation by sector[1]

I.5

No. of companies required in order to achieve a specific percentage

	2013				2014			
Sector	**25%**	**50%**	**75%**	**100%**	**25%**	**50%**	**75%**	**100%**
Oil	1	1	1	1	1	1	1	1
Energy and water	1	2	3	8	1	2	3	7
Mining and base metals	1	2	3	7	1	1	3	7
Cement and construction materials	1	2	2	4	1	1	2	4
Chemical	1	1	1	6	1	1	2	6
Textile and paper	1	1	1	16	1	1	1	15
Metal-mechanical	1	2	4	15	1	2	4	14
Food	1	2	4	12	1	2	3	10
Construction	1	2	3	7	1	2	3	7
Real estate	1	3	6	19	1	2	4	18
Transport and communications	1	1	2	3	1	1	2	4
Other non-financial	1	3	7	25	1	3	7	26
Banks	1	2	3	9	1	2	3	9
Insurance	1	1	1	2	1	1	1	2
Portfolio companies	1	1	1	7	1	1	1	6
SICAV	1	1	1	1	1	1	1	1
Finance houses	0	0	0	0	0	0	0	0
Total	**16**	**27**	**43**	**142**	**16**	**24**	**41**	**137**

Source: CNMV. (1) Includes only capitalisation of companies that traded at some time during the year. Excludes Latibex, MAB and ETFs.

Concentration of equity stock market trading

I.6

No. of companies required in order to achieve a specific percentage

	2013				2014			
	25%	**50%**	**75%**	**100%**	**25%**	**50%**	**75%**	**100%**
All Stock Exchanges[1]	**2**	**4**	**9**	**147**	**2**	**5**	**13**	**55**
Electronic market	2	4	9	121	2	5	13	120
Spain	2	4	9	114	2	5	13	112
Foreign	1	2	2	7	1	1	2	8
Open outcry	1	2	3	24	1	2	4	24
Secondary market	1	1	1	9	1	1	2	8
Pro memoria:								
ETFs	1	2	4	68	1	2	3	68
Alternative Stock Market (MAB)	10	87	299	3,077	4	44	229	3,258
Latibex	2	5	10	26	1	2	5	24

Source: CNMV. (1) Excludes Latibex, MAB and ETFs.

Percentage of capitalisation by sector and the largest companies within each sector with respect to the overall market[1]

I.7

Sector	% sector/market[2]	Companies with the largest capitalisation in the sector	% company/ market[3]
Oil	3.44	REPSOL YPF	3.44
Energy and water	14.82	IBERDROLA	5.87
Energy and water		GAS NATURAL SDG	3.42
Energy and water		ENDESA	2.88
Mining and base metals	1.05	ACERINOX	0.54
Mining and base metals		CIE AUTOMOTIVE	0.24
Mining and base metals		ARCELOR	0.14
Cement and construction materials	0.28	VIDRALA	0.16
Cement and construction materials		CEMENTOS MOLINS	0.08
Cement and construction materials		CEMENTOS PORTLAND	0.03
Chemical	0.65	ALMIRALL, S.A.	0.39
Chemical		ZELTIA	0.10
Chemical		LABORATORIOS FARMACÉUTICOS ROVI, S.A.	0.08
Textile and paper	14.25	INDUSTRIA DE DISEÑO TEXTIL (INDITEX)	12.12
Textile and paper		GRIFOLS	1.76
Textile and paper		GRUPO EMPRESARIAL ENCE	0.09
Metal-mechanical	1.67	ZARDOYA OTIS	0.66
Metal-mechanical		TÉCNICAS REUNIDAS, S.A.	0.33
Metal-mechanical		ABENGOA	0.26
Food	1.12	EBRO FOODS, S.A.	0.35
Food		VISCOFAN	0.34
Food		SOCIEDAD ANÓNIMA DAMM	0.25
Construction	5.05	FERROVIAL, S.A.	1.97
Construction		ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS	1.50
Construction		ACCIONA, S.A.	0.53
Real estate	1.19	TESTA INMUEBLES EN RENTA, S.A.	0.33
Real estate		GRUPO INMOCARAL	0.28
Real estate		MERLIN PROPERTIES, SOCIMI, S.A.	0.21
Transport and communications	14.00	TELEFÓNICA	9.11
Transport and communications		ABERTIS INFRAESTRUCTURAS	2.42
Transport and communications		INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.	2.07
Other non-financial	7.11	AMADEUS IT HOLDING, S.A.	2.43
Other non-financial		GESTEVISIÓN TELECINCO	0.70
Other non-financial		DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN S.A.	0.60
Banks	33.04	BANCO SANTANDER CENTRAL HISPANO	14.45
Banks		BANCO BILBAO VIZCAYA ARGENTARIA	7.95
Banks		CAIXABANK, S.A.	4.09
Insurance	1.89	MAPFRE, S.A.	1.42
Insurance		GRUPO CATALANA DE OCCIDENTE	0.47
Portfolio companies	0.43	CORPORACIÓN FINANCIERA ALBA	0.39
Portfolio companies		DINAMIA CAPITAL PRIVADO, SCR, S.A.	0.02
Portfolio companies		UNIÓN EUROPEA DE INVERSIONES	0.01
SICAV	0.00	COMPAÑÍA GENERAL DE INVERSIONES	0.00

Source: CNMV. (1) Capitalisation at year-end. (2) Capitalisation of the sector companies as a percentage of the overall market. (3) Capitalisation of the companies listed as a percentage of the overall market.

Capitalisation and trading volume of Ibex 35 companies[1]

I.8

Million euros

	Capitalisation[2]			Trading volume		
Company	2013	2014	% total[3]	2013	2014	% total[3]
Banco Santander	73,735.23	88,040.56	12.1	132,964.6	144,436.7	15.4
Telefónica	53,861.38	55,513.88	8.9	103,246.8	103,932.8	11.9
Banco Bilbao Vizcaya Argentaria	51,772.72	48,469.70	8.5	105,717.2	112,614.7	12.2
Inditex	74,674.98	73,880.24	12.3	50,524.8	45,760.8	5.8
Iberdrola	28,922.28	35,756.34	4.8	43,553.4	55,560.7	5.0
Repsol	23,861.29	20,989.98	3.9	42,528.7	56,018.6	4.9
Caixabank	18,774.41	24,922.92	3.1	10,256.9	18,359.9	1.2
Amadeus IT Group	13,922.04	14,808.25	2.3	17,571.2	26,069.2	2.0
International Airlines Group	9,871.94	12,628.09	1.6	4,198.0	7,411.5	0.5
Gas Natural	18,707.89	20,824.35	3.1	12,161.1	15,044.2	1.4
Grupo Ferrovial	10,316.82	12,029.49	1.7	12,313.6	11,173.4	1.4
Abertis Infraestructuras	13,816.79	14,759.15	2.3	11,187.4	10,274.1	1.3
Red Eléctrica Corporación	6,560.60	9,903.12	1.1	13,171.0	15,183.6	1.5
ACS	7,872.91	9,115.83	1.3	6,397.3	10,407.4	0.7
Banco de Sabadell	7,605.77	8,873.94	1.3	7,487.5	15,972.7	0.9
Banco Popular Español	8,316.38	8,739.20	1.4	17,327.3	23,064.6	2.0
Bankia	14,212.38	14,258.45	2.3	6,275.4	17,482.2	0.7
Grifols	10,790.70	10,723.20	1.8	6,650.5	11,684.7	0.8
Endesa	24,668.92	17,522.35	4.1	2,383.8	10,647.3	0.3
Enagás	4,534.76	6,251.26	0.7	11,466.5	13,559.7	1.3
Bankinter	4,466.28	6,023.30	0.7	5,066.0	9,818.3	0.6
Corporación Mapfre	9,586.65	8,662.78	1.6	6,719.2	8,813.8	0.8
Distribuidora Internacional de Alimentación	4,231.96	3,663.57	0.7	6,585.1	8,344.3	0.8
Mediaset España Comunicación	3,413.16	4,249.67	0.6	2,747.9	4,818.2	0.3
Jazztel	1,963.05	3,178.89	0.3	2,783.9	9,108.5	0.3
Arcelormittal	771.82	835.49	0.1	2,687.4	3,652.8	0.3
BME	2,312.81	2,687.40	0.4	2,578.7	3,566.8	0.3
Acciona	2,391.45	3,217.99	0.4	3,415.1	4,226.0	0.4
FCC	2,059.13	3,061.73	0.3	2,378.7	5,464.4	0.3
Gamesa Corporación Tecnológica	1,924.42	2,110.99	0.3	2,592.6	7,744.7	0.3
Técnicas Reunidas	2,207.05	2,028.47	0.4	3,778.3	3,851.5	0.4
Obrascón Huarte Lain	2,936.87	1,850.19	0.5	3,958.1	4,895.9	0.5
Sacyr Vallehermoso	1,755.10	1,437.83	0.3	3,749.0	7,654.7	0.4
Abengoa	1,817.03	1,562.97	0.3	2,271.0	11,874.2	0.3
Indra Sistemas	1,995.03	1,324.55	0.3	2,867.1	3,688.0	0.3

Source: CNMV. (1) Companies in the Ibex 35 at 31 December 2013. (2) Capitalisation on the last day of the year. (3) With respect to the market total.

Takeover bids authorised in 2014

I.9

Million euros

Company	Offeror	Purpose	% capital addressed by the bid	Cash amount paid	Result (%)[1]
Inmolevante, S.A.	Inmolevante, S.A.	Delisting bid.	5.44	2.17	3.72
Campofrío Food Group, S.A.	Sigma Alimentos S.A. de C.V. and WH Group Ltd. through Sigma & WH Food Europe, S.L.U.	Mandatory takeover bid as a result of direct and unexpected acquisition of control	16.25	92.78	13.15
Companyia d'Aigües de Sabadell, S.A.	Companyia d'Aigües de Sabadell, S.A.	Delisting bid.	2.26	0.17	0.46
Dogi International Fabrics, S.A.	Businessgate, S.L.U.	Mandatory takeover bid as a result of acquisition of control	17.60	0.002	0.14
Ahorro Familiar, S.A.	Lindisfarne Investments, S.L.	Delisting bid.	29.27	25.14	28.45
Deoleo, S.A.	Ole Investments, B.V.	Voluntary takeover bid to take control	70.01	82.54	18.10
Grupo Tavex, S.A.	A.Y.U.S.P.E. Empreendimentos e Participações, S.A.	Delisting bid.	49.52	12.86	46.18
Total				**215.67**	

Source: CNMV. (1) Percentage of capital. In the event of pro-rating, the co-efficient is indicated.

Companies listed on Latibex by sector

I.10

Million euros, unless indicated otherwise

	No. of companies		Market capitalisation			Trading volume		
Sector	2013	2014	2013	2014	% change	2013	2014	% change
Oil	1	1	19.9	19.4	-2.73	55.6	77.5	39.36
Energy and water	4	4	4.7	6.1	29.33	19.5	26.9	38.02
Mining and base metals	5	5	88.4	108.3	22.48	94.6	177.9	88.03
Chemical	1	1	1.2	1.0	-14.10	3.6	3.4	-5.92
Textile and paper	1	1	0.0	0.0	-5.11	0.0	0.0	-
Metal-mechanical	1	1	0.6	0.5	-15.95	19.7	0.6	-96.93
Food	1	1	0.1	0.1	-4.01	17.7	0.2	-98.97
Real estate	2	2	0.2	0.1	-12.31	13.8	0.2	-98.85
Transport and communications	2	2	1.8	1.1	-36.48	19.8	3.7	-81.35
Other non-financial	1	1	0.2	0.2	-9.62	20.3	14.5	-28.39
Banks	4	4	9.6	17.6	84.05	38.8	17.1	-55.90
Portfolio companies	2	2	2.7	1.5	-45.25	18.9	16.9	-10.92
Finance houses	1	1	0.7	48.3	6,625.62	45.0	34.4	-23.49
Total	**26**	**26**	**130.3**	**204.4**	**56.89**	**367.3**	**373.1**	**1.59**

Source: CNMV.

Gross issues by Public Authorities

I.11

Nominal amount in million euros

	Amount				% year-on-year change		
	2011	2012	2013	2014	12/11	13/12	14/13
Central Government	**217,910**	**219,204**	**262,336**	**243,370**	**0.6**	**19.7**	**-7.2**
Short term	101,843	99,499	109,163	99,396	-2.3	9.7	-8.9
Long term	116,067	119,705	153,173	143,974	3.1	28.0	-6.0
Autonomous Regions	**23,479**	**16,006**	**10,777**	**9,513**	**-31.8**	**-32.7**	**-11.7**
Short term	12,479	6,506	2,502	340	-47.9	-61.5	-86.4
Long term	11,000	9,499	8,274	9,174	-13.6	-12.9	10.9
Local authorities	**0**	**21**	**24**	**53**	**–**	**13.5**	**119.4**
Short term	0	0	0	0	–	–	–
Long term	0	21	24	53	–	13.5	119.4
Total Public Authorities	**241,389**	**235,231**	**273,136**	**252,937**	**-2.6**	**16.1**	**-7.4**

Source: Bank of Spain and CNMV.

Net issues by Public Authorities

I.12

Nominal amount in million euros

	Amount				% year-on-year change		
	2011	2012	2013	2014	12/11	13/12	14/13
Central Government	**69,927**	**63,819**	**91,262**	**49,627**	**-8.7**	**43.0**	**-45.6**
Short term	851	-5,995	4,561	-11,248	–	–	–
Long term	69,076	69,814	86,701	60,875	1.1	24.2	-29.8
Autonomous Regions	**8,083**	**-82**	**-5,496**	**-2,348**	**–**	**-6,632.2**	**57.3**
Short term	5,566	-3,910	-2,494	-1,121	–	36.2	55.1
Long term	2,517	3,828	-3,001	-1,228	52.1	–	59.1
Local authorities	**-421**	**-374**	**-131**	**-240**	**11.2**	**64.9**	**-82.5**
Short term	–	–	–	–	–	–	–
Long term	-421	-374	-131	-240	11.2	64.9	-82.5
Total Public Authorities	**77,588**	**63,363**	**85,635**	**47,038**	**-18.3**	**35.1**	**-45.1**

Source: Bank of Spain and CNMV.

Public debt trading between account holders. Outright transactions, repos and sell-buybacks/buy-sellbacks

I.13

Nominal amount in million euros

	Amount				% year-on-year change		
	2011	2012	2013	2014	12/11	13/12	14/13
Treasury bills	**1,651,528**	**1,597,312**	**1,522,409**	**1,032,411**	**-3.3**	**-4.7**	**-32.2**
Outright	142,225	182,767	243,841	283,336	28.5	33.4	16.2
Spot	138,749	180,854	239,107	278,075	30.3	32.2	16.3
Maturity	3,476	1,913	4,733	5,261	-45.0	147.4	11.2
Repos	0	0	0	0	–	–	–
Sell-buybacks/Buy-sellbacks	1,509,302	1,414,545	1,278,569	749,075	-6.3	-9.6	-41.4
Bonds and debentures	**7,514,424**	**5,456,092**	**6,468,526**	**7,126,315**	**-27.4**	**18.6**	**10.2**
Outright	825,653	673,667	1,078,083	1,158,378	-18.4	60.0	7.4
Spot	812,817	663,186	1,048,621	1,106,602	-18.4	58.1	5.5
Maturity	12,836	10,481	29,462	51,776	-18.3	181.1	75.7
Repos	0	0	0	0	–	–	–
Sell-buybacks/Buy-sellbacks	6,688,771	4,782,425	5,390,443	5,967,936	-28.5	12.7	10.7
Debt of Autonomous Regions and other public institutions	**13,768**	**7,598**	**11,089**	**10,274**	**-44.8**	**45.9**	**-7.3**
Outright	10,563	5,578	7,683	9,544	-47.2	37.7	24.2
Spot	8,167	4,362	5,912	4,540	-46.6	35.5	-23.2
Maturity	2,396	1,216	1,771	5,004	-49.2	45.6	182.6
Repos	0	0	0	0	–	–	–
Sell-buybacks/Buy-sellbacks	3,205	2,020	3,406	730	-37.0	68.6	-78.6
Total	**9,179,720**	**7,061,002**	**8,002,024**	**8,169,000**	**-23.1**	**13.3**	**2.1**

Source: Bank of Spain and CNMV.

Public debt trading by account holders and third parties. Outright transactions, repos and sell-buybacks/buy-sellbacks

I.14

Nominal amount in million euros

	Amount				% year-on-year change		
	2011	2012	2013	2014	12/11	13/12	14/13
Treasury bills	**2,040,819**	**1,357,333**	**1,258,850**	**1,032,406**	**-33.5**	**-7.3**	**-18.0**
Outright	758,620	648,849	667,181	460,258	-14.5	2.8	-31.0
Spot	738,092	634,481	652,396	440,930	-14.0	2.8	-32.4
Maturity	20,528	14,368	14,784	19,327	-30.0	2.9	30.7
Repos	1,213,816	682,733	553,084	553,607	-43.8	-19.0	0.1
Sell-buybacks/Buy-sellbacks	68,384	25,751	38,586	18,540	-62.3	49.8	-52.0
Bonds and debentures	**9,089,317**	**5,962,605**	**5,814,850**	**8,004,888**	**-34.4**	**-2.5**	**37.7**
Outright	5,437,080	3,391,260	3,336,868	4,773,180	-37.6	-1.6	43.0
Spot	5,268,243	3,269,098	3,145,206	4,484,641	-37.9	-3.8	42.6
Maturity	168,838	122,162	191,662	288,539	-27.6	56.9	50.5
Repos	2,993,210	2,259,542	2,268,423	2,834,777	-24.5	0.4	25.0
Sell-buybacks/Buy-sellbacks	659,026	311,803	209,558	396,931	-52.7	-32.8	89.4
Debt of Autonomous Regions and other public institutions	**61,261**	**44,705**	**37,387**	**25,500**	**-27.0**	**-16.4**	**-31.8**
Outright	22,910	11,960	21,325	22,896	-47.8	78.3	7.4
Spot	20,454	10,861	19,994	20,362	-46.9	84.1	1.8
Maturity	2,456	1,099	1,331	2,534	-55.3	21.1	90.4
Repos	38,285	32,602	13,449	2,569	-14.8	-58.7	-80.9
Sell-buybacks/Buy-sellbacks	66	143	2,613	35	116.7	1,727.3	-98.7
Total	**11,191,397**	**7,364,642**	**7,111,087**	**9,062,794**	**-34.2**	**-3.4**	**27.4**

Source: Bank of Spain and CNMV.

Number of issuers and issues filed with the CNMV: breakdown by instrument I.15

	Number of issuers[1]		Number of issues	
	2013	2014	2013	2014
Long-term	**40**	**35**	**277**	**644**
Non-convertible bonds and debentures	11	16	170	578
of which, subordinated debt	0	1	0	1
Convertible bonds and debentures	4	1	8	1
Mortgage covered bonds	12	13	40	27
Territorial covered bonds	5	3	6	3
Securitisation bonds	18	13	53	35
asset-backed (ABS)	18	13	53	35
mortgage-backed (MBS)	0	0	0	0
Preferred shares	0	0	0	0
Other issues	0	0	0	0
Short term[2]	**20**	**18**	**20**	**18**
Commercial paper	20	18	20	18
of which, asset-backed[3]	0	1	0	1
Total	**49**	**46**	**297**	**662**

Source: CNMV. (1) In the case of issuers, the totals do not necessarily coincide with the sum, given that the same issuer may issue various types of instruments. (2) Shelf registrations. (3) One single issue of asset-backed commercial paper which renews the issue programme in January 2014.

Main fixed-income issuers[1] registered with the CNMV in 2014 I.16

Nominal amount in million euros

Name of issuing company	Total	Short term[2]	Long term
Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria	29,798	0	29,798
Bankia, S.A.	24,700	15,000	9,700
BBVA Banco de Financiación, S.A.	15,000	15,000	0
Caixabank, S.A.	10,002	5,000	5,002
Banco Popular Español, S.A.	9,641	5,000	4,641
Banco de Sabadell, S.A.	9,251	5,000	4,251
Fondo de Titulización de Activos RMBS Santander 3	7,475	0	7,475
Bankinter, S.A.	6,157	4,000	2,157
Santander Consumer Finance, S.A.	5,000	5,000	0
Fondo de Titulización de Activos PYMES Santander 10	4,560	0	4,560
BBVA RMBS 13 Fondo de Titulización de Activos	4,100	0	4,100

Source: CNMV. (1) Issuers that registered issues exceeding 4 billion euros in 2014. (2) Nominal amount of shelf registrations.

Main fixed-income issuers[1] registered with the CNMV in 2014. Breakdown by instrument I.17

Nominal amount in million euros

Asset type	Issuer	Amount
Simple bonds and debentures	Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria	29,798
	Bankia, S.A.	2,200
	Bankinter, S.A.	1,757
	Banco de Sabadell, S.A.	1,613
Mortgage covered bonds	Bankia, S.A.	7,500
	Banco Popular Español, S.A.	3,950
	Banco Santander, S.A.	3,000
	Banco de Sabadell, S.A.	2,638
Commercial paper[2]	BBVA Banco de Financiación, S.A.	15,000
	Bankia, S.A.	15,000
	Banco de Sabadell, S.A.	5,000
	Caixabank, S.A.	5,000
	Banco Popular Español, S.A.	5,000
	Santander Consumer Finance, S.A.	5,000
	Bankinter, S.A.	4,000
	Bankinter Sociedad de Financiación, S.A.	3,500
	Kutxabank Empréstitos, S.A.	2,000
ABCP[2]	Fondo de Titulización de Activos Santander 2	3,000

Source: CNMV. (1) Issuers which issued more than 1.5 billion euros in 2014 in the corresponding financial instrument. (2) Nominal amount of shelf registrations.

Commercial paper issuers: largest outstanding balances[1] at 31 December 2014 I.18

Nominal amount in million euros

Issuer	Amount	% of total	% accum.
Banco de Sabadell	4,976	23.83	23.83
Bankinter Sociedad de Financiación	3,700	17.72	41.54
Bankinter	3,633	17.39	58.94
Santander Consumer Finance	2,087	9.99	68.93
BBVA Banco de Financiación	1,744	8.35	77.28
Santander	1,079	5.17	82.45
Banco Popular	795	3.81	86.25
Bankia	706	3.38	89.63
Fondo de Titulización de Activos Santander 2	580	2.78	92.41
Kutxabank Empréstitos	520	2.49	94.90

Source: CNMV. (1) Issuers with an outstanding balance greater than 500 million euros.

Main securitisation bond issuers[1] in 2014

I.19

Nominal amount in million euros

Issuer	Amount	Assets securitised
Fondo de Titulización de Activos RMBS Santander 3	7,475	Mortgage loans
Fondo de Titulización de Activos PYMES Santander 10	4,560	SMEs[2]
BBVA RMBS 13, Fondo de Titulización de Activos	4,100	Mortgage loans
Fondo de Titulización de Activos RMBS Santander 2	3,450	Mortgage loans
Fondo de Titulización de Activos PYMES Santander 8	1,860	SMEs[2]
Fondo de Titulización del Déficit del Sistema Eléctrico, FTA	1,850	Other
FONCAIXA PYMES 5, Fondo de Titulización de Activos	1,830	SMEs[2]

Source: CNMV. (1) Issuers with CNMV-registered issues of more than 1.5 billion euros in 2014. (2) Includes funds whose pools include almost all loans to SMEs.

Securitisation bonds, by type of asset securitised

I.20

Nominal amount in million euros

	2009	2010	2011	2012	2013	2014
Mortgage-backed securities (FTH)	**817**	**0**	**2,100**	**0**	**0**	**0**
Asset-backed securities (FTA)	**80,835**	**63,261**	**66,313**	**23,800**	**28,593**	**29,008**
Mortgage-backed FTA	**39,784**	**36,035**	**13,699**	**3,269**	**7,204**	**17,310**
Mortgage loans	24,706	18,425	11,349	2,269	7,204	17,310
Mortgage covered bonds	15,078	17,610	2,350	1,000	0	0
Real estate developer loans	0	0	0	0	0	0
FTA Companies	**31,886**	**10,297**	**35,678**	**12,549**	**10,660**	**8,750**
SMEs[1]	1,010	990	0	7,934	6,185	8,750
FTPYME[1]	0	3,210	3,689	0	0	0
FTGENCAT[1]	1,356	0	0	0	0	0
Loans to companies[2]	25,762	5,350	28,294	4,537	3,325	0
Corporate loans[3]	2,158	748	775	0	0	0
Finance leases	1,600	0	2,920	78	1,150	0
FTA others	**9,165**	**16,928**	**16,937**	**7,982**	**10,729**	**2,948**
Subordinated debt	0	0	0	0	0	0
Treasury bonds	2,559	0	0	0	0	0
Government loans	0	0	0	0	0	0
Territorial covered bonds	965	0	0	0	0	0
Consumer loans	3,725	1,375	4,359	1,000	0	300
Auto loans	1,916	689	1,541	1,225	1,167	798
Accounts receivable	0	0	0	0	0	0
Rights to future loans	0	0	0	0	0	0
Securitisation bonds	0	0	0	0	0	0
Other loans	0	14,865	11,036	5,757	9,562	1,850
Total asset-backed bonds	**81,651**	**63,261**	**68,413**	**23,800**	**28,593**	**29,008**
Total asset-backed commercial paper[4]	**4,758**	**5,057**	**2,366**	**1,821**	**1,544**	**620**
Total bonds and commercial paper	**86,410**	**68,318**	**70,779**	**25,621**	**30,137**	**29,628**
Pro memoria:						
Mortgage subtotal	**40,601**	**36,035**	**15,799**	**3,269**	**7,204**	**17,310**

Source: CNMV. (1) Includes funds whose pools include almost all loans to SMEs. (2) Includes funds whose pools include loans to any type of business: self-employed, micro-enterprises, SMEs, and larger companies. (3) Includes funds whose pools are only comprised of loans to large companies. (4) Gross issues of asset-backed commercial paper programmes registered by the FTAs.

Proprietary trading on AIAF

I.21

Nominal amount in million euros

	2009	2010	2011	2012	2013	2014	% change 14/13
Commercial paper	129,828	98,683	49,657	76,956	51,768	26,728	-48.37
Bonds and debentures	3,635,802	3,519,895	5,757,839	1,148,818	723,081	466,010	-35.55
of which, asset-backed securities	3,426,089	2,702,632	5,376,316	1,036,850	473,321	249,268	-47.34
Mortgage covered bonds	210,273	205,835	576,230	858,283	268,646	285,925	6.43
Territorial covered bonds	767	4,809	516,905	581,313	81,318	77,721	-4.42
Matador bonds	16	0	12	0	0	0	–
Total	**3,976,687**	**3,829,222**	**6,900,642**	**2,665,369**	**1,124,814**	**856,384**	**-23.86**

Source: CNMV.

Numbers, investors, assets and breakdown of change in assets of securities and real estate mutual funds[1]

II.1

Million euros

					Assets					Pro memoria:
	No. of funds		No. of investors		Amount	Total change (%)	Change in assets due to subscriptions and net yield[2]			Distribution net subscriptions mutual funds (%)
Category	2014	Change on Dec-13	2014	Change on Dec-13	2014	On Dec-13	Amount	Net subscriptions	Net yield	
Fixed income[3]	359	-25	1,941,567	433,558	70,331	27.74	15,273	13,821	1,452	38.5
Mixed fixed income[4]	123	1	603,099	362,423	24,314	198.77	16,176	15,689	487	43.7
Mixed equity[5]	131	3	377,265	195,042	13,570	114.99	7,258	6,842	416	19.0
Euro equity	103	-5	381,822	88,629	8,402	-2.68	-231	-338	107	-0.9
International equity	191	-2	705,055	247,449	12,266	38.61	3,417	2,716	702	7.6
Guaranteed fixed-income	280	-94	669,448	-333,010	20,417	-35.15	-11,064	-11,762	697	-32.7
Guaranteed equity[6]	273	-35	557,030	-51,021	12,196	-2.46	-307	-652	345	-1.8
Global funds	162	0	223,670	94,929	6,886	52.08	2,358	2,110	248	5.9
Passively managed	227	58	686,526	244,821	23,838	44.33	7,337	5,632	1,705	15.7
Absolute return	102	5	264,324	76,267	6,498	39.44	1,838	1,736	103	4.8
Total mutual funds	**1,951**	-94	**6,409,806**	**1,359,087**	**198,719**	26.83	**42,055**	**35,795**	**6,260**	**100**
Funds of hedge funds	16	-1	2,510	-250	95	-26.92	-33	-33	0	-0.1
Hedge funds	28	3	2,543	220	1,226	21.03	213	162	51	0.5
Total securities funds	**1,995**	**-92**	**6,414,859**	**1,359,057**	**200,040**	**26.75**	**42,235**	**35,924**	**6,311**	**100**
Real estate funds	**3**	**-3**	**4,021**	**-1,729**	**420**	**-88.60**	**-3,263**	**-3,084**	**-178**	–
Foreign UCITS[7]	**805**	**23**	**1,317,674**	**249,966**	**78,904**	**44.18**	–	–	–	–

Source: CNMV. (1) Fund compartments that have sent reserved statements (therefore excludes funds in process of dissolution or liquidation). (2) For each category, the change in assets is due to net subscriptions, gross profits paid out, net yields on assets and the net asset balance resulting from changes in investment policy. (3) Includes Euro fixed income, Foreign fixed income, Monetary fixed income and Short-term monetary fixed income. (4) Includes Euro mixed fixed income and Foreign mixed fixed income. (5) Includes Euro mixed equity and Foreign mixed equity. (6) Includes Guaranteed variable return and Partial guarantee. (7) The row on foreign UCITS includes both companies and funds registered with the CNMV. Asset data for foreign UCITS refer to the volume of investment, i.e. the product of the number of shares and units marketed in Spain and their year-end value.

Fund portfolio as a percentage of the outstanding balance of Spanish securities II.2

%

	2010	2011	2012	2013	2014
Listed equities[1]	**2.2**	**2.2**	**1.4**	**1.7**	**2.0**
Private fixed income	**3.4**	**3.1**	**2.6**	**3.0**	**3.2**
Short term	16.0	6.6	2.4	9.6	11.7
Long term	3.0	3.0	2.6	2.8	2.9
Public sector fixed income	**4.4**	**5.3**	**5.0**	**7.1**	**7.1**
Short term[2]	7.5	10.4	11.8	13.3	8.7
Long term	3.8	4.5	4.1	6.3	6.9

Source: CNMV and Bank of Spain. (1) Realisation value. The outstanding balance figures are the capitalisation of domestic securities in the electronic market, open outcry market and MAB. (2) Does not include temporary asset acquisitions.

Expenses charged to financial mutual funds II.3

% of average daily assets

	Management fees			Depository fees[1]		
	2012	2013	2014	2012	2013	2014
Total mutual funds	**0.94**	**0.98**	**0.98**	**0.08**	**0.08**	**0.08**
Fixed income	0.66	0.68	0.70	0.08	0.08	0.08
Mixed fixed income	1.10	1.13	1.19	0.08	0.08	0.09
Mixed equity	1.51	1.51	1.42	0.12	0.12	0.10
Euro equity	1.77	1.85	1.80	0.12	0.09	0.12
International equity	1.74	1.83	1.78	0.12	0.12	0.11
Guaranteed fixed income	0.79	0.86	0.88	0.08	0.08	0.08
Guaranteed equity	1.23	1.25	1.20	0.08	0.08	0.08
Global funds	1.01	1.32	1.20	0.08	0.08	0.09
Passively managed	0.81	0.72	0.64	0.08	0.08	0.07
Absolute return	1.03	1.13	1.07	0.08	0.08	0.08
Funds of hedge funds	**1.52**	**1.66**	**1.55**	**0.08**	**0.08**	**0.10**
Hedge funds[2]	**1.43**	**2.99**	**2.32**	**0.03**	**0.05**	**0.03**

Source: CNMV. (1) Except in hedge funds where they are financing fees. (2) Percentage of average monthly assets.

Yield and net subscriptions of mutual funds[1]

II.4

Yield (%) and net subscriptions (million euros)

	2010		2011		2012		2013		2014	
	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.
Fixed income[2]	0.11	0.11	1.56	-10,424	3.54	-7,740	2.28	13,405	2.41	13,821
Mixed fixed income[3]	-0.54	-0.54	-1.34	-1,980	4.95	-19	4.16	2,370	3.67	15,689
Mixed equity[4]	-0.98	-0.98	-5.64	-376	7.83	36	10.85	2,673	4.70	6,842
Euro equity[5]	-2.94	-2.94	-11.71	142	12.31	-115	28.06	1,734	2.09	-338
Foreign equity [6]	14.22	14.22	-10.83	-796	13.05	-425	20.30	866	6.61	2,716
Guaranteed fixed income	-0.67	-0.67	3.28	7,809	4.85	-339	4.96	-6,718	2.54	-11,762
Guaranteed equity[7]	-1.79	-1.79	0.14	-4,054	5.07	-4,226	6.15	-2,689	2.64	-652
Global funds	3.22	3.22	-4.64	972	7.44	-1,021	8.71	-177	4.63	2,110
Passively managed[8]	-2.36	-2.36	-7.33	61	7.10	824	8.88	12,675	7.74	5,632
Absolute return[8]	1.53	1.53	-1.87	-2,208	3.84	-1,572	2.46	-53	1.98	1,736
Total mutual funds	**0.35**	**0.35**	**-0.08**	**-10,853**	**5.50**	**-14,597**	**6.50**	**24,086**	**3.67**	**35,795**
Funds of hedge funds	1.45	1.45	-2.98	-110	2.84	-60	5.09	-210	-0.51	-33
Hedge funds	5.80	5.80	-2.70	55	6.92	135	15.79	36	5.50	162
Total funds (MF+FHF+HF)	**0.38**	**0.38**	**-0.10**	**-10,908**	**5.50**	**-14,522**	**6.57**	**23,912**	**3.67**	**35,924**
Real Estate Funds	**-4.74**	**-4.74**	**-3.23**	**-1,450**	**-5.53**	**-42**	**-11.28**	**-36**	**-5.87**	**-3,085**
Pro memoria: **amount marketed by Spanish firms and Spanish-resident foreign firms**										
Foreign UCITS	–	9,082	–	-4,675	–	8,313	–	24,953	–	22,254

Source: CNMV. (1) Funds that have sent reserved statements (therefore does not include funds in process of dissolution or liquidation). (2) Until 1Q09 includes: Short-term fixed income, Long-term fixed income, Foreign fixed income and Monetary fixed income. From 2Q09 includes: Euro fixed income, Foreign fixed income and Monetary fixed income. From 3Q11 includes: Euro fixed income, Foreign fixed income, Monetary fixed income and Short-term monetary fixed income. (3) Until 1Q09 includes: Mixed fixed income and Foreign mixed fixed income. From 2Q09 includes: Euro mixed fixed income and Foreign mixed fixed income. (4) Until 1Q09 includes: Mixed equity and Foreign mixed equity. From 2Q09 includes: Euro mixed equity and Foreign mixed equity. (5) Until 1Q09 includes: Spanish equity and Euro equity. From 2Q09 includes: Euro equity (that now includes Spanish equity). (6) Until 1Q09 includes: Foreign equity Europe, Foreign equity Japan, Foreign equity USA, Foreign equity Emerging countries and Foreign equity Others. From 2Q09: Foreign equity. (7) Until 1Q09: Guaranteed equity. From 2Q09: Guaranteed equity and Partial guarantee. (8) New categories from 2Q09. All absolute return funds were previously classified in Global Funds.

Foreign UCITS marketed in Spain

II.5

	2013	2014	Change (%)
No. of UCITS	**782**	**805**	**2.9**
No. of investors	**1,067,708**	**1,317,674**	**23.4**
Investment volume (million euros)	**54,727**	**78,904**	**44.2**
Breakdown by country of origin			
Germany	32	33	3.1
Austria	24	25	4.2
Belgium	4	4	0.0
Denmark	1	1	0.0
France	272	264	-2.9
Netherlands	2	2	0.0
Ireland	103	117	13.6
Luxembourg	321	333	3.7
Malta	1	0	-100.0
United Kingdom	22	26	18.2

Source: CNMV.

UCITS operators (SGIIC): registrations and de-registrations in 2014

II.6

UCITS operators	Controlling group
New registrations	
Abaco Capital, SGIIC, S.A.	Independent
Magallanes Value Investors, SGIIC, S.A.	Independent
De-registrations	
Banesto Banca Privada Gestión, SGIIC, S.A.	Banco Santander
BMN Gestión de Activos, SGIIC, S.A.	Banco Mare Nostrum
Foreign operators with branch	
New registrations	
Nordea Investment Funds, S.A., Sucursal en España	Nordea Investment Funds, S.A.

Source: CNMV.

Foreign investment firms with community passport: home Member State[1] II.7

	2013	2014
No. of foreign investment firms operating in Spain		
Free provision of services	2,617	2,628
Branches	38	39
Breakdown by home state		
Free provision of services		
Germany	47	53
Austria	23	21
Belgium	8	8
Bulgaria	6	7
Cyprus	102	129
Denmark	21	22
Slovakia	2	2
Slovenia	1	1
Estonia	1	1
Finland	7	8
France	44	44
Greece	8	8
Netherlands	84	87
Hungary	1	1
Ireland	48	47
Italy	6	6
Latvia	1	1
Liechtenstein	14	17
Lithuania	1	1
Luxembourg	29	32
Malta	16	21
Norway	29	30
Portugal	8	8
United Kingdom	2,094	2,056
Czech Republic	2	2
Romania	3	2
Sweden	11	13
Branches	**38**	**39**
Germany	2	1
Belgium	1	1
France	2	2
Netherlands	2	2
Luxembourg	4	3
Norway	1	1
Poland	1	1
Portugal	1	1
United Kingdom	24	27

Source: CNMV. (1) Countries stated in the notifications of investment firms from EU Member States and in authorisations of investment firms from non-EU countries.

Registrations and de-registrations of broker-dealers, brokers, portfolio management companies, financial advisory firms and foreign investment firms with branches

II.8

Firm	Controlling group
Broker-dealers and brokers	
New registrations	
Eurodeal, SV, S.A.	Independent
Esfera Capital, AV, S.A.	Independent
Altamar Global Investment, AV, S.A.	Independent
Alhambra Partners, AV, S.A.	Independent
De-registrations	
ACA, SV, S.A.	Owned by various Spanish financial institutions (BBVA, Banco Mare Nostrum, Bankia, Caixabank and Catalunya Banc)
Agentes de Bolsa Asociados, SV, S.A.	Independent
Gestiohna Diseño Patrimonial, AV, S.A.	Hermandad Nacional de Arquitectos Superiores y Químicos, Mutualidad de Previsión Social a Prima Fija
Axa Ibercapital, AV, S.A.	Axa Vida, S.A. de Seguros y Reaseguros
Financial Lab, AV, S.A.	Independent
Dicania Investment Partners, AV, S.A.	Independent
Eurodeal, AV, S.A.	Independent
Gesmosa-GBI, AV, S.A.	Ahorro Corporación, S.A.
Financial advisory companies	
New registrations	
Hugo Beltrán Martín	Independent
Baron Capital, EAFI, S.L.	Independent
2013 Fides, EAFI, S.L.	Independent
Capital Care Consulting, EAFI, S.L.	Independent
Sassola Partners, EAFI, S.L.	Independent
Juan González Herrero	Independent
José Velasco Aroca	Independent
Raúl Aznar González	Independent
Angels Roqueta Rodríguez	Independent
Pi Asesores Financieros, EAFI, S.L.	Independent
Cluster Investment Advisors, EAFI, S.L.	Independent
Gabriel Carrillo Capel, EAFI, S.L.	Independent
Alchemia Advisors, EAFI, S.L.	Independent
Javier Acción Rodríguez	Independent
Avantage Capital, EAFI, S.L.	Independent
Vetusta Inversión Patrimonial, EAFI, S.L.	Independent
Feelcapital, EAFI, S.L.	Independent
Alps Investment Advisors, EAFI, S.L.	Independent
Inés Cots Marfil	Independent
Md Wealth Advisors, EAFI, S.L.	Independent
Guillermo Ramón Gregori	Independent
Antonio Yeste González	Independent

Registrations and de-registrations of broker-dealers, brokers, portfolio management companies, financial advisory firms and foreign investment firms with branches *(continuation)*

II.8

Firm	Controlling group
Ethical Finance, EAFI, S.L.	Independent
Ancora Soluciones Patrimoniales, EAFI, S.L.	Independent
Pharum Capital Asesores Financieros, EAFI, S.L.	Independent
Tactical Global, EAFI, S.L.	Independent
De-registrations	
LF Castañeda, EAFI, S.L.	Independent
Ábaco Capital Investments, EAFI, S.L.	Independent
José García Fernández	Independent
Sotogrande Financial Adviser, EAFI, S.L.	Independent
Jaime Borras Martínez	Independent
Begoña Castro Otero	Independent
Andrés Marín Avilés	Independent
Nieves Mateos Asesores Financieros, EAFI, S.L.	Independent
Carlos Rodríguez Pindado	Independent
Foreign investment firms with branch	
New registrations	
Cohen & Company Financial Limited, Sucursal en España	Cohen & Company Financial Limited
AK Jensen Limited, Sucursal en España	AK Jensen Limited
Capital International Limited, Sucursal en España	Capital International Limited
M&G International Investments Limited, Sucursal en España	M&G International Investments Limited
Fisher Investments Europe Limited, Sucursal en España	Fisher Investments Europe Limited
De-registrations	
Leonteq Securities (Europe) GMBH, Sucursal en España	Leonteq Securities (Europe) GMBH
Wallwood Consultants Limited, Sucursal en España	Wallwood Consultants Limited
International Asset Management Limited, Sucursal en España	International Asset Management Limited
Espirito Santo Wealth Management Europe S.A., Sucursal en España	Espirito Santo Wealth Management Europe, S.A.

Source: CNMV.

Changes of control at broker-dealers, brokers and portfolio management companies. 2014

II.9

Firm	Buyer
Acquisitions of control by Spanish financial institutions	
Globalfinanzas Investment Group, AV, S.A.	Independent
Gestión de Patrimonios Mobiliarios, AV, S.A.	Independent
ACA, SV, S.A.	Banco Bilbao Vizcaya Argentaria
Arcogest, SGC, S.A.	Banco Caminos
Finanduero, SV, S.A.	Unicaja Banco

Source: CNMV.

Spanish investment firms with community passport at 31 December 2014: host Member State[1]

II.10

	2013	2014
Number of firms with cross-border transactions		
Free provision of services	40	41
Branches	5	6
Breakdown by country of Spanish investment firms providing cross-border services[2]		
Free provision of services		
Germany	21	21
Austria	10	10
Belgium	17	17
Bulgaria	2	2
Cyprus	1	1
Denmark	9	9
Slovakia	2	2
Slovenia	1	1
Estonia	1	1
Finland	8	8
France	21	21
Greece	8	8
Hungary	2	2
Ireland	12	12
Iceland	1	1
Italy	17	18
Latvia	1	1
Liechtenstein	2	2
Lithuania	1	1
Luxembourg	17	18
Malta	4	4
Norway	6	6
Netherlands	16	16
Poland	4	4
Portugal	30	31
United Kingdom	23	23
Czech Republic	2	2
Romania	3	3
Sweden	11	11
Branches		
Italy	1	1
Portugal	1	1
United Kingdom	2	3
Sweden	1	1
***Pro memoria:* Number of investment firms with cross-border transactions outside the EEA**		
Free provision of services	3	3
Branches	0	0
Breakdown by country[2]		
Free provision of services		
Andorra	1	1
Chile	2	2
Panama	1	0
Peru	2	2
Switzerland	1	1

Source: CNMV. (1) Countries stated in the notifications relating to free provision of services and in authorisations of branches. (2) Number of Spanish investment firms providing services in other countries. A single firm may provide services in more than one country.

Cross-border activity of Spanish financial advisory firms[1]

II.11

	2013	2014
Number of financial advisory firms with cross-border transactions[2]		
Free provision of services	6	11
Branches	0	0
Breakdown by country. Free provision of services		
Germany	1	3
Belgium	1	1
France	1	2
Ireland	0	1
Italy	1	2
Luxembourg	5	9
Malta	1	2
Portugal	0	2
United Kingdom	2	5

Source: CNMV. (1) Countries stated in the notifications relating to free provision of services and in authorisations of branches. (2) Number of Spanish investment firms providing services in other countries. A single firm may provide services in more than one country.

Foreign credit institutions authorised to provide investment services in Spain at 31 December 2014: home Member State

II.12

	2013	2014
Number of foreign credit institutions providing investment services in Spain		
EU credit institutions		
Free provision of services	392	398
Subsidiaries of EU credit institutions under the free provision of services regime	0	0
Branches	52	54
Non-EU credit institutions		
Free provision of services	2	3
Branches	8	6
Breakdown by home State		
Free provision of services	**394**	**401**
EU credit institutions	**392**	**398**
Germany	50	51
Austria	33	32
Belgium	8	8
Cyprus	2	2
Denmark	11	10
Finland	5	7
France	46	44
Greece	1	1

Foreign credit institutions authorised to provide investment services in Spain at 31 December 2014: home Member State *(continuation)* II.12

	2013	2014
Hungary	6	6
Ireland	31	30
Iceland	1	2
Italy	8	8
Liechtenstein	5	5
Luxembourg	49	54
Malta	7	9
Norway	3	3
Netherlands	28	26
Portugal	13	13
United Kingdom	80	80
Sweden	5	7
Non-EU credit institutions	**2**	**3**
Australia	1	1
Canada	0	1
Switzerland	1	1
Subsidiaries of EU credit institutions under the free provision of services regime	**0**	**0**
Branches	**60**	**60**
EU credit institutions	**52**	**54**
Germany	7	8
Austria	0	1
Belgium	2	2
Denmark	1	1
France	10	10
Ireland	1	1
Italy	2	3
Luxembourg	8	7
Netherlands	4	4
Portugal	8	8
United Kingdom	9	9
Non-EU credit institutions	**8**	**6**
Argentina	1	1
Brazil	1	0
United States	4	3
Japan	1	1
Switzerland	1	1

Source: Bank of Spain and CNMV.

Statistical annexes III: regulation and supervision

Number of shareholders of Ibex 35 companies[1] with significant shareholdings III.1

	Shareholdings				
Entities	**3%-5%**	**5%-10%**	**10%-25%**	**25%-50%**	**50%-100%**
Abengoa	–	–	–	–	1
Abertis	1	–	3	–	–
Acciona	–	–	–	2	–
Acerinox	2	2	2	–	–
ACS	2	1	2	–	–
Amadeus	1	2	–	–	–
BBVA	1	–	–	–	–
B. Sabadell	1	1	–	–	–
B. Popular	5	1	–	–	–
B. Santander	1	–	–	–	–
Bankia	1	1	–	–	1
Bankinter	1	2	1	–	–
BME	–	1	–	–	–
Caixabank	–	–	–	–	1
DIA	1	2	–	–	–
Enagás	2	–	–	–	–
Endesa	–	1	–	–	1
Ferrovial	–	–	–	1	–
FCC	1	1	1	1	–
Gamesa	3	–	1	–	–
Gas Natural	1	–	–	–	1[2]
Grifols	2	4	–	–	–
Iberdrola	3	1	–	–	–
IAG	4	3	–	–	–
Indra	–	2	1	–	–
Inditex	–	1	–	–	1
Jazztel	1	1	1	–	–
Mapfre	–	–	–	–	1
Mediaset	2	–	–	1	–
OHL	1	–	–	–	1
REE	4	–	1	–	–
Repsol	1	2	1	–	–
Sacyr	1	4	1	–	–
Técnicas Reunidas	–	1	–	1	–
Telefónica	1	2	–	–	–
Total	**44**	**36**	**15**	**6**	**8**

Source: CNMV. (1) Composition of the Ibex 35 index at the close of the financial year. (2) Concerted action between La Caixa and Repsol.

Outcome of disciplinary proceedings in 2014

Reference	Resolutions
(1/14)	**Ministerial Order of 10 January 2014**
	Resolution of the disciplinary proceedings brought against an issuer – a credit institution – and the members of its Board of Directors for the alleged commission of a very serious breach of Article 99 m) of the Securities Market Act – failure to submit the annual financial report to the CNMV by the established deadline. The credit institution was fined 18,000 euros and the members of the board were each fined 3,000 euros.
(2/14)	**Ministerial Order of 10 January 2014**
	Resolution of the disciplinary proceedings brought against three members of the Board of Directors of an issuer – two legal persons and one natural person – for the alleged commission, by each of them, of a very serious breach of Article 99 p) of the Securities Market Act for failing to report and disclose significant shareholdings in an issuer. The natural person was fined 300,000 euros and each of the legal persons was fined 100,000 euros.
(3/14)	**Ministerial Order of 24 January 2014**
	Resolution of the disciplinary proceedings brought against a member of the Board of Directors of an issuer for the alleged commission of a very serious breach of Article 99 p) of the Securities Market Act for failing to report and disclose significant shareholdings in an issuer. A fine of 100,000 euros was imposed.
(4/14)	**Ministerial Order of 21 February 2014**
	Resolution of the disciplinary proceedings brought against two legal persons and three natural persons – directors of the former – for the alleged commission of a very serious breach of Article 99 q) of the Securities Market Act for failure to comply with the reservation of the activity of companies that provide investment services – specifically for providing a portfolio management service without having the corresponding authorisation. The two legal persons were fined 600,000 and 650,000 euros, respectively; and the three natural persons were fined a total of 60,000 euros.
(5/14)	**Resolution of the CNMV Board of 26 February 2014**
	Resolution of the disciplinary proceedings brought against an issuer for the alleged commission of a serious breach of Article 100 w) of the Securities Market Act – market manipulation relating to treasury stock – as well as against an investment services firm for the alleged commission of a serious breach of Article 100 x) *bis* of the Securities Market Act – failure to report to the CNMV transactions suspected of market abuse. The issuer was fined 50,000 euros and the investment services firm was fined 30,000 euros.
(6/14)	**Ministerial Order of 21 March 2014**
	Resolution of the disciplinary proceedings brought against an insurance company for the alleged commission of a very serious breach of Article 99 p) of the Securities Market Act – failure to report significant shareholdings in an issuer to the CNMV by the established deadline. A fine of 36,000 euros was imposed.
(7/14)	**Resolution of the CNMV Board of 10 April 2014**
	Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of a serious breach of Article 100 j) *bis* of the Securities Market Act for repeated defective reporting to the CNMV of transactions executed with financial instruments. A fine of 200,000 euros was imposed.
(8/14)	**Resolution of the CNMV Board of 10 April 2014**
	Resolution – relating to the non-existence of liability – of the disciplinary proceedings brought against an issuer and the members of its Board of Directors for the alleged commission of a very serious breach of Article 99 m) of the Securities Market Act for submission to the CNMV and disclosure of its consolidated annual accounts with inaccurate or incorrect data. The Board declared the non-existence of liability of six of the directors, and dismissed the charges.
(9/14)	**Ministerial Order of 30 April 2014**
	Resolution of the disciplinary proceedings brought against an investment services firm and its sole director for the alleged commission of four very serious breaches of Article 99 z) *bis*, e) *bis*, q) and l) *bis* of the Securities Market Act for various breaches of the legislation regulating the obligations of investment services firms. The investment services firm and its sole director were fined total amounts of 1,250,000 and 625,000 euros, respectively.
(10/14)	**Ministerial Order of 7 May 2014**
	Resolution of two disciplinary proceedings – previously accumulated – brought against two credit institutions for the alleged commission of four very serious breaches of Article 99 z) *bis* of the Securities Market Act for failure to comply with conduct of business rules of the securities market – specifically with regard to information obligations and deficiencies in the appropriateness test – and for failures to comply with obligations relating to conflicts of interest. Fines were imposed for a total amount of 7,000,000 euros.
(11/14)	**Resolution of the CNMV Board of 21 May 2014**
	Resolution of the disciplinary proceedings brought against a credit institution (subsequently taken over by another) for the alleged commission of a serious breach of Article 100 t) of the Securities Market Act for failures to comply with conduct of business rules of the securities market. The original credit institution which committed the breach was declared liable for the breach and the successor credit institution was fined 2,000,000 euros.

Reference	Resolutions
(12/14)	**Resolution of the CNMV Board of 21 May 2014**
	Resolution – relating to the serious breach – of the disciplinary proceedings brought against a credit institution for the alleged commission of a very serious breach of Article 99 z) *bis* of the Securities Market Act for failure to comply with conduct of business rules of the securities market in the marketing of financial instruments to clients, and a serious breach of Article 100 t) of the Securities Market Act for failure to comply with other conduct of business rules on not acting in the interest of its clients. It was ruled that no serious breach had been committed.
(13/14)	**Resolution of the CNMV Board of 21 May 2014**
	Resolution – relating to serious breaches and the non-existence of liability – of the disciplinary proceedings brought against an issuer and the members of its Board of Directors for the alleged commission of a very serious breach of Article 99 m) of the Securities Market Act for submitting its annual accounts and interim financial reporting with omission of relevant data and a serious breach of Article 100 b) of the Securities Market Act for preparation and disclosure of the annual corporate governance report with omission of information on related-party transactions. The issuer was fined 15,000 euros, and three of its directors were fined a total amount of 10,000 euros. It was ruled that the rest of the directors were not liable for either of the breaches.
(14/14)	**Ministerial Order of 23 May 2014**
	Resolution of the disciplinary proceedings brought against an issuer and the members of its Board of Directors for the alleged commission of a very serious breach of Article 99 m) of the Securities Market Act – submission to the CNMV and disclosure of its consolidated annual accounts with inaccurate or incorrect data. The issuer was fined 100,000 euros and each of the four directors, who were members of its audit committee, was fined 10,000 euros.
(15/14)	**Ministerial Order of 13 June 2014**
	Resolution of the disciplinary proceedings brought against two credit institutions for the alleged commission of a very serious breach of Article 99 z) *bis* of the Securities Market Act for failure to comply with conduct of business rules of the securities market in the marketing of certain complex financial instruments to clients. The two credit institutions were fined 500,000 and 100,000 euros, respectively.
(16/14)	**Ministerial Order of 13 June 2014**
	Resolution – relating to the very serious breach – of the disciplinary proceedings brought against a credit institution for the alleged commission of a very serious breach of Article 99 z) *bis* of the Securities Market Act for failure to comply with conduct of business rules of the securities market in the marketing of financial instruments to clients, and a serious breach of Article 100 t) of the Securities Market Act for failure to comply with other conduct of business rules on not acting in the interest of its clients. The firm was fined 600,000 euros.
(17/14)	**Ministerial Order of 20 June 2014**
	Resolution – relating to the very serious breach – of the disciplinary proceedings brought against an issuer and the members of its Board of Directors for the alleged commission of a very serious breach of Article 99 m) of the Securities Market Act for submitting its annual accounts and interim financial reporting with omission of relevant data, and a serious breach of Article 100 b) of the Securities Market Act for preparation and disclosure of the annual corporate governance report with omission of information on related-party transactions. The issuer was fined 30,000 euros and three of its directors were fined a total amount of 20,000 euros.
(18/14)	**Resolution of the CNMV Board of 23 June 2014**
	Resolution – relating to the serious breach – of the disciplinary proceedings brought against an investment services firm and its sole director for the alleged commission of a very serious breach of Article 99 z) *bis* of the Securities Market Act – failure to comply with conduct of business rules of the securities market relating to investment advisory services – and a serious breach of Article 100 d) of the Securities Market Act – failure to comply with conduct of business rules of the securities market relating to commissions charged to clients. The investment services firm and its sole director were fined 200,000 and 30,000 euros, respectively.
(19/14)	**Ministerial Order of 27 June 2014**
	Resolution of the disciplinary proceedings brought against an issuer and the members of its Board of Directors for the alleged commission of a very serious breach of Article 99 m) of the Securities Market Act – failure to provide the CNMV with periodic financial information, including the annual financial report. The company was fined 30,000 euros and the directors were fined a total of 47,000 euros.
(20/14)	**Ministerial Order of 18 July 2014**
	Resolution – relating to the very serious breach – of the disciplinary proceedings brought against an investment services firm and its sole director for the alleged commission of a very serious breach of Article 99 z) *bis* of the Securities Market Act – failure to comply with conduct of business rules of the securities market relating to investment advisory services– and a serious breach of Article 100 d) of the Securities Market Act – failure to comply with conduct of business rules of the securities market relating to commissions charged to clients. The investment services firm and its sole director were fined 100,000 and 50,000 euros, respectively.
(21/14)	**Resolution of the CNMV Board of 23 September 2014**
	Resolution – relating to dismissal of the charge – of the disciplinary proceedings brought against two credit institutions (one being the successor of the other) for the alleged commission of a very serious breach of Article 99 i) of the Securities Market Act – market manipulation. The charge against the original credit institution which committed the aforementioned breach was dismissed.

Outcome of disciplinary proceedings in 2014 *(continuation)*

Reference	Resolutions
(22/14)	**Resolution of the CNMV Board of 23 September 2014**
	Resolution of the disciplinary proceedings brought against a foreign credit institution for the alleged commission of a very serious breach of Article 99 x) of the Securities Market Act – performing uncovered short sales. It was ruled that there was no liability.
(23/14)	**Resolution of the CNMV Board of 23 September 2014**
	Resolution of the disciplinary proceedings brought against an issuer for the alleged commission of a serious breach of Article 100 w) of the Securities Market Act – market manipulation. A fine of 20,000 euros was imposed.
(24/14)	**Resolution of the CNMV Executive Committee of 16 October 2014**
	Declaration of expiry of the disciplinary proceedings brought against an investment services firm (financial advisory firm) for the alleged commission of a very serious breach of Article 99 z) *bis* of the Securities Market Act – failure to comply with conduct of business rules of the securities market with regard to commissions charged to clients.
(25/14)	**Resolution of the CNMV Board of 22 October 2014**
	Resolution of the disciplinary proceedings brought against the management company of a venture capital entity for the alleged commission of a serious breach of Article 52.2.e) of the Venture Capital Act for accounting irregularities in the information contained in the reserved statements and annual accounts of a managed venture capital entity. A fine of 30,000 euros was imposed.
(26/14)	**Resolution of the CNMV Board of 22 October 2014**
	Resolution of the disciplinary proceedings brought against the management company of a venture capital entity for the alleged commission of a very serious breach of Article 52.1.i) of the Venture Capital Act – submitting periodic accounting information of a managed venture capital entity past the established deadline. The breach was reduced to a serious breach of Article 52.2.e) of the Venture Capital Act and a fine of 5,000 euros was imposed.
(27/14)	**Resolution of the CNMV Board of 27 October 2014**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a serious breach of Article 100 w) of the Securities Market Act – market manipulation. A fine of 50,000 euros was imposed.
(28/14)	**Ministerial Order of 11 November 2014**
	Resolution of the disciplinary proceedings brought against the director of an issuer for the alleged commission of a very serious breach of Article 99 p) of the Securities Market Act for not reporting treasury stock trading. A fine of 30,000 euros was imposed.
(29/14)	**Ministerial Order of 11 November 2014**
	Resolution – relating to the penalty – of the disciplinary proceedings brought against two credit institutions (one being the successor of the other) for the alleged commission of a very serious breach of Article 99 i) of the Securities Market Act – market manipulation. It was ruled that the original credit institution which committed the breach was liable, with the successor entity fined 80,000 euros.
(30/14)	**Resolution of the CNMV Board of 25 November 2014**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a serious breach of Article 100 e) of the Securities Market Act for performing uncovered short sales. A fine of 500 euros was imposed.
(31/14)	**Resolution of the CNMV Board of 25 November 2014**
	Resolution of the disciplinary proceedings brought against a legal person for the alleged commission of a serious breach of Article 100 e) of the Securities Market Act for performing uncovered short sales. A fine of 6,000 euros was imposed.
(32/14)	**Resolution of the CNMV Board of 25 November 2014**
	Resolution of the disciplinary proceedings brought against two natural persons for the alleged commission of a serious breach of Article 100 e) of the Securities Market Act for performing uncovered short sales. A fine of 500 euros was imposed on each of them.
(33/14)	**Resolution of the CNMV Board of 25 November 2014**
	Resolution – relating to serious breaches – of the disciplinary proceedings brought, on the one hand, against an issuer and its chairperson and an investment services firm for the alleged commission of a serious breach of Article 100 w) of the Securities Market Act – market manipulation – and, furthermore, the same issuer and its chairperson for a very serious breach of Article 99 p) of the Securities Market Act – not reporting treasury stock trading. The issuer and its chairperson were fined 150,000 and 75,000 euros, respectively, and the investment services firm was fined 20,000 euros.
(34/14)	**Ministerial Order of 19 December 2014**
	Resolution of the disciplinary proceedings brought against two credit institutions (one being the successor of the other) for the alleged commission of two very serious breaches of Article 99 z) *bis* of the Securities Market Act for various failures to comply with conduct of business rules of the securities market. It was ruled that both credit institutions were liable for the two breaches, with the successor entity fined a total of 2,050,000 euros.
(35/14)	**Ministerial Order of 19 December 2014**
	Resolution of the disciplinary proceedings brought against an investment services firm for the alleged commission of two very serious breaches of Article 99 l) of the Securities Market Act for various failures to comply with organisational requirements of investment services firms. Fines were imposed for a total amount of 80,000 euros.

List of rulings on contentious-administrative appeals against penalties in 2014

No.	Date	Court	Appeal No.	Ruling appealed
1	**27/01/2014**	**National High Court**	**266/2012**	**Order MECC 27/02/2012**
Upholds the penalty imposed by the Ministry of Economic Affairs and Competition Order dated 27 February 2012 for a very serious breach of Article 99 i) of the Securities Market Act.				
2	**27/01/2014**	**National High Court**	**350/2011**	**Order MEH 25/05/2011**
Partially upholds the appeal brought against the Ministry of Economy and Finance Order dated 25 May 2011 for a very serious breach of Article 99 m) of the Securities Market Act. It reduces the penalty.				
3	**27/01/2014**	**National High Court**	**400/2011**	**Order MEH 25/05/2011**
Upholds the penalty imposed by Ministry of Economy and Finance Order dated 25 May 2011 for a very serious breach of Article 99 m) of the Securities Market Act.				
4	**03/02/2014**	**National High Court**	**103/2013**	**Ruling MECC 16/04/2013**
Upholds the penalty imposed by the Ruling of the CNMV Board dated 3 October 2012, upheld on appeal by Ministry of Economic Affairs and Competition Ruling of 16 April 2013, for a serious breach of Article 100 w) of the Securities Market Act.				
5	**25/02/2014**	**National High Court**	**402/2011**	**Order MEH 25/05/2011**
Upholds the penalty imposed by Ministry of Economy and Finance Order dated 25 May 2011 for a very serious breach of Article 99 m) of the Securities Market Act.				
6	**17/03/2014**	**National High Court**	**139/2013**	**Order MECC 28/12/2012**
Partially upholds the appeal brought against the Ministry of Economic Affairs and Competition Order dated 28 December 2012 for a very serious breach of Article 99 q) *bis* of the Securities Market Act. It reduces the penalties.				
7	**15/04/2014**	**National High Court**	**398/2009**	**Ruling MEH 06/05/2009**
Upholds the penalty imposed by the Ministry of Economy and Finance Order dated 18 July 2008, upheld by a Ruling of the same Ministry of 6 May 2009 relating to a very serious breach of Article 99 ñ) of the Securities Market Act.				
8	**03/06/2014**	**National High Court**	**401/2011**	**Order MEH 25/05/2011**
Upholds the penalty imposed by Ministry of Economy and Finance Order dated 25 May 2011 for a very serious breach of Article 99 m) of the Securities Market Act.				
9	**18/06/2014**	**National High Court**	**694/2011**	**Ruling MEH 17/10/2011**
Upholds the penalty imposed by Ministry of Economy and Finance Order dated 25 May 2011, upheld by a Ruling of the same Ministry of 17 October 2011 relating to a very serious breach of Article 99 m) of the Securities Market Act.				
10	**28/10/2014**	**Central Judicial Review Court No. 5**	**623/2013**	**Order MECC 13/06/2013**
Upholds the penalty imposed by Ministry of Economy Affairs and Competition Order dated 13 June 2013 for a very serious breach of Article 99 m) of the Securities Market Act.				
11	**14/11/2014**	**Supreme Court**	**548/2010**	**Ruling AN 20/06/2011**
Rules against the appeal lodged against the National High Court Ruling of 20 June 2011, upholding the penalty imposed in relation to a very serious breach of Article 99 o) of the Securities Market Act by Order of the Ministry of Economy and Finance of 25 February 2010, upheld by a Ruling of the same Ministry dated 15 June 2010.				
12	**19/11/2014**	**Supreme Court**	**558/2010**	**Ruling AN 20/06/2011**
Rules against the appeal lodged against the National High Court Ruling of 20 June 2011, upholding the penalty imposed in relation to a very serious breach of Article 99 o) of the Securities Market Act by Order of the Ministry of Economy and Finance of 25 February 2010, upheld by a Ruling of the same Ministry dated 15 June 2010.				
13	**15/12/2014**	**National High Court**	**87/2014**	**Ruling MECC 13/12/2013**
Nullifies the penalty imposed by Ministry of Economic Affairs and Competition Order dated 11 October 2013, upheld by a Ruling of the same Ministry of 13 December 2013 relating to a very serious breach of Article 99 p) of the Securities Market Act.				

Public warnings in respect of non-registered entities

Date	Company to which the warning relates	Type	Regulator	Comments
Warnings from the CNMV regarding non-authorised entities				
10/03/2014	MERCXYZ ONE LIMITED ASUNCIÓN GUTIÉRREZ LÓPEZ MARIO ERNESTO RUSSI CASAS WWW.MERCXYZONE-EUROPE.COM	Unauthorised entities	CNMV	
28/04/2014	BRUNSWICK CAPITAL NELISSEN ADVISORY S.L.N.E. NELISSEN ADVISORY SOCIETA/DITTA WWW.BRUNSWICKCAPITAL.NET	Unauthorised entities	CNMV	
28/04/2014	PLUSCAPITAL FOREX, S.L. WWW.PLUSCAPITALFX.COM OSCAR BELLETE JIMÉNEZ GABRIEL LÓPEZ RAVIRA JUAN ANTONIO ROUSSELOT MEDINA	Unauthorised entities	CNMV	
05/05/2014	HUCARO GESTIÓN FINANCIERA Y DESARROLLO PATRIMONIAL, S.L. WWW.HUCAROGESTION.COM CARLOS ADOLFO ORTEGA VALDIVIESO	Unauthorised entities	CNMV	
12/05/2014	HPC FOREX TRADING WWW.HPCCORP.COM	Unauthorised entities	CNMV	Unrelated to the duly registered French entity HPC (CNMV registry number: 353)
12/05/2014	WWW.COMISIONESBROKER.NET	Unauthorised entities	CNMV	
19/05/2014	STOCKS TRADING ONE SPAIN, S.L. JUAN RAMÓN GARCÍA VIDAL	Unauthorised entities	CNMV	
19/05/2014	VERSUS WEALTH MANAGEMENT, SARL, SUCURSAL EN ESPAÑA HTTP://VERSUSWM.COM JUAN ANTONIO ROUSSELOT MEDINA	Unauthorised entities	CNMV	
26/05/2014	THE OSW PARTNERSHIP	Unauthorised entities	CNMV	
26/05/2014	WWW.SAKOFX.CO	Unauthorised entities	CNMV	
02/06/2014	BTC INTERNATIONAL GLOBAL MARKETS, S.L. ANTONIO MAYORGAS BERGILLOS HTTP://BTCINTERNATIONAL.NET	Unauthorised entities	CNMV	
02/06/2014	DELOREAN FAMILY, S.L.	Unauthorised entities	CNMV	
02/06/2014	GESTIÓN, PRODUCTOS Y BOLSA, S.L. (GESPROBOLSA) DAVID CABALEIRO RODRÍGUEZ JOSÉ RAMÓN CABALEIRO ÁLVAREZ WWW.GESPROBOLSA.COM	Unauthorised entities	CNMV	
09/06/2014	THE CORLISS GROUP WWW.THECORLISSGROUP.COM	Unauthorised entities	CNMV	
07/07/2014	EUROPEAN FINANCIAL MARKETS GMBH WWW.EUROPE-FINANCIAL.COM	Unauthorised entities	CNMV	
07/07/2014	WORTH UK LIMITED- VENETFX HTTP://VENETFX.COM	Unauthorised entities	CNMV	
21/07/2014	LEFROY HUDSON WWW.LEFROY-HUDSON.COM	Unauthorised entities	CNMV	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
28/07/2014	IBC CAPITAL LIMITED (IBCFX) WWW.IBCFX.COM	Unauthorised entities	CNMV	
24/11/2014	MILLARD EQUITY, S.A. MARTIN JUNCHER JENSEN WWW.MILLARDEQUITY.COM	Unauthorised entities	CNMV	
19/12/2014	MIGUEL SUÁREZ GARCÍA M.SUAREZ.GARCIA@CNMV-JURÍDICO.ES	Unauthorised entities	CNMV	
19/12/2014	DANIEL ARAQUE DANIEL.ARAQUE@CNMV-ES.EU	Unauthorised entities	CNMV	
29/12/2014	INVERBIT BINARY OPTIONS, S.L. WWW.INVERBIT.COM JOSÉ ALBERTO CASADO PÉREZ HEIDE ROBERT	Unauthorised entities	CNMV	
29/12/2014	STOCKS MARKETS CONSULTING, S.L. GERARDO NAVARRO LOZANO	Unauthorised entities	CNMV	
Public warnings forwarded to the CNMV by foreign regulators				
02/01/2014	AMBER ASSET MANAGEMENT WWW.AMBERASSETMANAGEMENT.COM	Unauthorised entities	FCA - UNITED KINGDOM	
02/01/2014	WESTBERG EQUITY RESEARCH CORP (WERC) WWW.WERC-ADVISORY.COM WWW.WESTBERGCORP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
08/01/2014	IOPTION GLOBAL GROUP 2012 LTD. HTTP://WWW.IOPTION.COM	Unauthorised entities	CYSEC- CYPRUS	
08/01/2014	HARDEN-KRAUSE PRIVATE EQUITY LTD. WWW.HARDEN-KRAUSE.COM	Unauthorised entities	SFSA - SWEDEN	
08/01/2014	KANAGAWA ASSOCIATES WWW.KANAGAWA-ASSOCIATES.COM	Unauthorised entities	SFSA - SWEDEN	
08/01/2014	RAMSEY INVESTMENT PARTNERS WWW.RAMSEYINVESTMENTPARTNERS.COM	Unauthorised entities	SFSA - SWEDEN	
15/01/2014	BIO-INVESTOR LTD.	Unauthorised entities	KNF - POLAND	
15/01/2014	FOREX	Unauthorised entities	AMF - FRANCE	
15/01/2014	DYMAN ASSOCIATES HTTP://WWW.DYMANASSOCIATES.COM/	Unauthorised entities	SFSA - SWEDEN	
15/01/2014	ENROXCARD.COM / ROX-PAYMENT LTD.	Unauthorised entities	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
15/01/2014	BULLS CAPITAL MARKETS WWW.BULLSCAPITALMARKETS.COM	Unauthorised entities	CSSF - LUXEMBOURG	
15/01/2014	LIVE BINARY LTD. WWW.LBINARY.COM	Unauthorised entities	CYSEC - CYPRUS	
15/01/2014	SOVEREIGN WEALTH CAPITAL HTTP://SOVEREIGNWEALTHCAPITAL.COM	Unauthorised entities	FSAN - NORWAY	
15/01/2014	INTER GLOBAL EQUITY WWW.INTERGLOBALEQUITY.COM	Unauthorised entities	FSAN - NORWAY	

Date	Company to which the warning relates	Type	Regulator	Comments
15/01/2014	VESTCOR	Unauthorised entities	SFSA - SWEDEN	
15/01/2014	JARVIS COHEN ASSOCIATES WWW.JARVISCOHEN.COM	Unauthorised entities	FCA - UNITED KINGDOM	
15/01/2014	REID & STONE VENTURES WWW.REIDSTONEVENTURES.COM	Unauthorised entities	SFSA - SWEDEN	
22/01/2014	FOREXTRADA WWW.FOREXTRADA.COM	Unauthorised entities	FSMA - BELGIUM	
22/01/2014	IDELSON GROUP - TAIWAN OPTIONS AND FUTURES EXCHANGE	Unauthorised entities	FSMA - BELGIUM	
22/01/2014	FX TRIDENT 365 LTD. HTTP://WWW.TRIDENTFX.COM	Unauthorised entities	CYSEC - CYPRUS	
22/01/2014	BROOKES AND HARGREAVES WWW.BROOKES-HARGREAVES.COM	Unauthorised entities	FCA - UNITED KINGDOM	
22/01/2014	CHELSEA FINANCIAL WWW.CHELSEAFINANCIAL.ORG	Unauthorised entities	FCA - UNITED KINGDOM	
22/01/2014	MESIROW FINANCIAL OR MESIROW FINANCIAL INTERNATIONAL UK WWW.MESIROWFINANCIAL.COM	Unauthorised entities	FCA - UNITED KINGDOM	
22/01/2014	STRATEGIC PRIVATE EQUITY LLC WWW.STRATEGICPE.COM	Unauthorised entities	FCA - UNITED KINGDOM	
22/01/2014	SUMMERS ASSOCIATES LTD. WWW.SUMMERASSOCIATESLTD.COM	Unauthorised entities	FCA - UNITED KINGDOM	
22/01/2014	1ST AMERICAN SECURITIES WWW.1STAMERICANSECURITIES.COM WWW.KERSTDIS.NL	Unauthorised entities	SFSA - SWEDEN	
22/01/2014	CAYMAN ASSET MANAGEMENT WWW.CAYMANASSET.COM	Unauthorised entities	SFSA - SWEDEN	
22/01/2014	CHARTERHOUSE WEALTH MANAGEMENT WWW.CHARTERHOUSEWEALTHMANAGEMENT.COM	Unauthorised entities	SFSA - SWEDEN	
22/01/2014	CLAIRMONT CAPITAL PARTNERS WWW.CLAIRMONTCAPITALPARTNERS.COM	Unauthorised entities	SFSA - SWEDEN	
22/01/2014	SIERRA FINANCE ASSET MANAGEMENT WWW.SIERRAFAM.COM	Unauthorised entities	SFSA - SWEDEN	
29/01/2014	BINARY OPTIONS	Unauthorised entities	AMF - FRANCE	
29/01/2014	ASIA WORLD CAPITAL WWW.ASIAWORLDCAP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
29/01/2014	REDFORD SECURITIES INTERNATIONAL WWW.REDFORDSECURITIES.COM	Unauthorised entities	FCA - UNITED KINGDOM	
29/01/2014	FURLOW CAPITAL WWW.FURLOWCAPITAL.COM	Unauthorised entities	SFSA - SWEDEN	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
05/02/2014	SHEARIN GROUP HTTP://SHEARINGROUP.COM/	Unauthorised entities	DFSA - DENMARK	
05/02/2014	FOREX	Unauthorised entities	AMF - FRANCE	
05/02/2014	AL REEN CAPITAL WWW.ALREENCAPITAL.COM	Unauthorised entities	FCA - UNITED KINGDOM	
05/02/2014	ALTERNATIVE FINANCIAL INVESTMENTS	Unauthorised entities	FCA - UNITED KINGDOM	
05/02/2014	DANSKE CAPITAL (CLONE OF AN FCA AUTHORISED FIRM)	Unauthorised entities	FCA - UNITED KINGDOM	
05/02/2014	LEDBURY MOORE WWW.LEDBURYMOORE.COM	Unauthorised entities	FCA - UNITED KINGDOM	
05/02/2014	NOVA PORTFOLIO MANAGEMENT WWW.NOVAMANAGERS.COM	Unauthorised entities	FCA - UNITED KINGDOM	
05/02/2014	UK RBB BARCLAYS BUSINESS	Unauthorised entities	FCA - UNITED KINGDOM	
05/02/2014	BAXTER-STANLEY AND ASSOCIATES WWW.BAXTERS-STANLEY.COM	Unauthorised entities	SFSA - SWEDEN	
05/02/2014	BRONTE FINANCIAL WWW.BRONTEFINANCIAL.COM	Unauthorised entities	SFSA - SWEDEN	
05/02/2014	THE TUNSTALL GROUP WWW.TUNSTALL-GROUP.COM	Unauthorised entities	SFSA - SWEDEN	
12/02/2014	CAPITAL TRUST MANAGEMENT WWW.CT-MGMT.COM	Unauthorised entities	FMA - AUSTRIA	
12/02/2014	CHRISTIAN FISCHER WWW.INSIDERZERTIFIKAT.NET	Unauthorised entities	FMA - AUSTRIA	
12/02/2014	EUROKASSE NEW ZEALAND LIMITED HTTP://WWW.EUROKASSE.COM	Unauthorised entities	FMA - AUSTRIA	
12/02/2014	GLOBAL-CONSULTING WWW.GLOBAL-CONSULTING.LU	Unauthorised entities	FMA - AUSTRIA	
12/02/2014	NEA EUROPE LIMITED WWW.NEA-EUROPE-LTD.COM	Unauthorised entities	FMA - AUSTRIA	
12/02/2014	WINE STREET INVESTMENT MANAGEMENT KYLE ROBERT CAWLEY	Unauthorised entities	EI CBI - IRELAND	
12/02/2014	VENTURA CAPITAL CONSULTANCY SERVICES WWW.VENTURACAPITALCONSULTING.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Ventura Capital Markets Limited
12/02/2014	FIRST CATHOLIC FINANCIAL WWW.FIRSTCATHOLICFINANCIAL.COM	Unauthorised entities	SFSA - SWEDEN	
19/02/2014	HELVETIA WEALTH AG	Unauthorised entities	EI CBI - IRELAND	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
19/02/2014	MILLECAPITAUX - PRIVATE & INVESTMENT BANKERS WWW.MILLECAPITAUX.EU	Unauthorised entities	CSSF - LUXEMBOURG	
19/02/2014	PALMER SMITH ADVISORS WWW.PALMERSMITHADVISORS.NET	Unauthorised entities	CSSF - LUXEMBOURG	
19/02/2014	TUNSTALL GROUP HTTP://WWW.TUNSTALL-GROUP.COM/	Unauthorised entities	FSAN - NORWAY	
19/02/2014	INVESTEC CAPITAL CORPORATION WWW.INVESTECCAPITALCORPINC.COM	Unauthorised entities	FCA - UNITED KINGDOM	
26/02/2014	PRESTIGE BANQ	Unauthorised entities	FSMA - BELGIUM	
26/02/2014	ABNEY ASSOCIATES HTTP://ABNEYASSOCIATES.COM/	Unauthorised entities	DFSA - DENMARK	
26/02/2014	DFM ASSET MANAGEMENT HTTP://WWW.DFMASSET.COM/	Unauthorised entities	DFSA - DENMARK	
26/02/2014	BINARY OPTIONS	Unauthorised entities	AMF - FRANCE	
26/02/2014	PRIVATE CAPITAL WWW.PRIVATECAPITALS.COM	Unauthorised entities	AMF - FRANCE	
26/02/2014	MONDIAEN BANKER WWW.MONDIAENBANKER.COM	Unauthorised entities	CSSF - LUXEMBOURG	
26/02/2014	ABFX HTTP://WWW.ALPHABETAFX.COM/	Unauthorised entities	MFSA - MALTA	
26/02/2014	MEREX MARKETS HTTP://WWW.MEREXMARKETS.COM/MEREX/	Unauthorised entities	MFSA - MALTA	
26/02/2014	HERRINGTON GLOBAL HTTP://HERRINGTON-GLOBAL.COM/	Unauthorised entities	FSAN - NORWAY	
26/02/2014	SHENZHEN COMMODITY EXCHANGE HTTP://WWW.SZCOX.ORG/	Unauthorised entities	FSAN - NORWAY	
26/02/2014	WESTWARD GROUP HTTP://WESTWARDGROUP.COM/INDEX.HTML	Unauthorised entities	FSAN - NORWAY	
26/02/2014	CHINA INTERNATIONAL CORPORATION CAPITAL LIMITED (CICC) WWW.CICC.CN	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity China International Corporation (UK) Ltd.
26/02/2014	CNB ACQUISITIONS INC. WWW.CNBACQUISITIONS.COM	Unauthorised entities	FCA - UNITED KINGDOM	
05/03/2014	HZ CAPITAL WWW.HZ-INVESTGROUP.COM	Unauthorised entities	CSSF - LUXEMBOURG	
05/03/2014	SPENCER AND RICHARDSON FINANCIAL HTTP://SPENCERRICHARDSONFIN.COM	Unauthorised entities	FCA - UNITED KINGDOM	
05/03/2014	TOYO SECURITIES WWW.TOYOSEC.COM	Unauthorised entities	FCA - UNITED KINGDOM	
05/03/2014	HOOVER BRIGHT INDEPENDENT FINANCE ADVISOR WWW.HOOVERBRIGHT.COM	Unauthorised entities	SFSA - SWEDEN	
05/03/2014	SMO FITZGERALD GLOBAL WWW.SMO-FITZGERALDGLOBAL.COM	Unauthorised entities	SFSA - SWEDEN	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
12/03/2014	SUNDRY HOLLAND	Other warnings	AFM - NETHERLANDS (HOLLAND)	Fraudulent loans
12/03/2014	TREBOL TRADING LLC WWW.TT-FX.US	Unauthorised entities	FSMA - BELGIUM	
12/03/2014	TOKEN FINANCIAL	Unauthorised entities	EI CBI - IRELAND	
12/03/2014	FXGCMI, GLOBAL CAPITAL MARKETS FX LLC HTTP://WWW.FXGCMI.COM/	Unauthorised entities	MFSA - MALTA	
12/03/2014	VENTURES GP HTTP://WWW.VENTURESGP.COM/	Unauthorised entities	FSAN - NORWAY	
12/03/2014	KNOX SECURITIES CORP WWW.KNOXSC.COM	Unauthorised entities	FCA - UNITED KINGDOM	
12/03/2014	TL MALLEN. LLC WWW.TLMALLEN.COM	Unauthorised entities	FCA - UNITED KINGDOM	
12/03/2014	INVESTMENT ASSURANCE CORPORATION WWW.IACINTERNATIONAL.ORG	Unauthorised entities	SFSA - SWEDEN	
12/03/2014	THE CORLISS GROUP WWW.THECORLISSGROUP.COM	Unauthorised entities	SFSA - SWEDEN	
19/03/2014	SUNDRY FRANCE	Other warnings	AMF - FRANCE	Investment in pyramid schemes
19/03/2014	HTTP://FXTTCM.CO.UK	Unauthorised entities	CYSEC - CYPRUS	
19/03/2014	SILICONVALLEY MARKETS LTD. HTTP://TEST.STONE-MARKETS.COM	Unauthorised entities	CYSEC - CYPRUS	
19/03/2014	WBLAKE WWW.WBLAKE.NET	Unauthorised entities	CSSF - LUXEMBOURG	
19/03/2014	FRONTIER HTTP://FRONTIERFOREX.COM/	Unauthorised entities	MFSA - MALTA	
19/03/2014	CONCEPT FUND SOLUTIONS PLC WWW.CONCEPTFUNDSOLUTIONS.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered fund with the same name
19/03/2014	HERRINGTON GLOBAL AND SHENZHEN COMMODITY EXCHANGE, SZCOX WWW.HERRINGTON-GLOBAL.COM WWW.SZCOX.ORG	Unauthorised entities	SFSA - SWEDEN	
19/03/2014	LIN WARWICK WWW.LIN-WARWICK.COM	Unauthorised entities	SFSA - SWEDEN	
26/03/2014	FRONTIERS GROUP INVESTMENT LTD. HTTP://FRONTIERFOREX.COM/	Unauthorised entities	CYSEC - CYPRUS	
26/03/2014	MERCURIA TECHNOLOGIES LTD. HTTP://WWW.OPTIONSMARTER.COM	Unauthorised entities	CYSEC - CYPRUS	
26/03/2014	HOOVER BRIGHT INDEPENDENT FINANCE ADVISORY WWW.HOOVERBRIGHT.COM	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
26/03/2014	ASHLAND MERGERS & ACQUISITIONS MANAGEMENT	Unauthorised entities	EI CBI - IRELAND	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
26/03/2014	DEVONSHIRE HOLDINGS WWW.DEVONSHIREHOLDINGS.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Devonshire Assets Managed Fund PLC
26/03/2014	GLOBAL INTERMEDIATE FINANCE (GIF GROUP) WWW.GIF-GROUP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
26/03/2014	WEALTH PLANNING SOLUTIONS EUROPE	Unauthorised entities	FCA - UNITED KINGDOM	
26/03/2014	BLUE RIBBON FINANCIAL WWW.BLUERIBBONFINANCIAL.COM	Unauthorised entities	SFSA - SWEDEN	
02/04/2014	WALTERS CAPITAL GROUP	Unauthorised entities	EI CBI - IRELAND	
02/04/2014	CFS PLC WWW.CFSPLC.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	
02/04/2014	MORRIS & DAZZ ASSET EVALUATORS LTD. WWW.MDEVALUATORS.COM	Unauthorised entities	SFSA - SWEDEN	
09/04/2014	FXDEALER HTTP://WWW.FXDEALER.US/	Unauthorised entities	MFSA - MALTA	
09/04/2014	SKY FOREX HTTP://WWW.SKYFOREX.ORG.UK/	Unauthorised entities	MFSA - MALTA	
09/04/2014	THE WOO GROUP WWW.THEWOOGROUP.COM	Unauthorised entities	FSAN - NORWAY	
09/04/2014	ALLIANCE CAPITAL SECURITIES WWW.ALLIANCECAPITALSECURITIES.COM WWW.ACSECURITIES.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	
09/04/2014	KINGSTON FINANCIAL GROUP HTTP://WWW.KINGSTON-FG.COM/	Unauthorised entities	FCA - UNITED KINGDOM	
09/04/2014	RBC WEALTH MANAGEMENT/ROYAL BANK OF CANADA WEALTH MANAGEMENT	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the Royal Bank of Canada (RBC) group
09/04/2014	STANFORD CROWN PARTNERS WWW.STANFORDCROWN.COM	Unauthorised entities	FCA - UNITED KINGDOM	
09/04/2014	ASIAN ACQUISITION OVERSIGHT COMMITTEE WWW.AAOC.JP	Unauthorised entities	SFSA - SWEDEN	
16/04/2014	BFXOPTION WWW.BFXOPTION.COM	Unauthorised entities	FSMA - BELGIUM	
16/04/2014	TJB TRADING	Unauthorised entities	FSMA - BELGIUM	
16/04/2014	BLACKROCK OFFSHORE BULLION INVESTMENT FUND	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Blackrock Fund Managers Limited
16/04/2014	EDWARD EVANS GROUP WWW.EDWARDEVANSGROUP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
16/04/2014	LSE WEALTH MANAGEMENT INC. WWW.LSEWEALTH.COM	Unauthorised entities	FCA - UNITED KINGDOM	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
16/04/2014	SVS SECURITIES WWW.SVSSECURITIES.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity SVS Securities PLC
16/04/2014	MORRIS CAPITAL PARTNERS WWW.MORRIS-CAPITAL-PARTNERS.COM	Unauthorised entities	SFSA - SWEDEN	
23/04/2014	CAPITAL HILL GROUP	Unauthorised entities	FSMA - BELGIUM	
23/04/2014	CENTURY DIRECT GROUP LTD. WWW.CENTURYDIRECTGROUP.COM	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
23/04/2014	DAVIS WARD & BECK PARTNERS LLC WWW.DWBPARTNERS.COM	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
23/04/2014	LANSLEY EVERETT AND MOORE LLC WWW.STOCKBRIDGEPARTNERS.COM	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
23/04/2014	EUROPEAN VENTURES CAPITAL ADVISORS I LONDON WWW.EVCADVISORS.COM	Unauthorised entities	FSAN - NORWAY	
23/04/2014	ASHLAND MERGERS & ACQUISITIONS MANAGEMENT WWW.ASHLANDMERGER.COM	Unauthorised entities	SFSA - SWEDEN	
23/04/2014	ASIAN FUTURES TRADING GROUP WWW.ASIAN-FTG.COM	Unauthorised entities	SFSA - SWEDEN	
23/04/2014	BNY MELLON WEALTH MANAGEMENT (CLONE)	Unauthorised entities	SFSA - SWEDEN	Unrelated to the entity with the same name duly registered in the United States
23/04/2014	CLEARSKIES GROUP LTD.	Unauthorised entities	SFSA - SWEDEN	
23/04/2014	GF TRADES WWW.GFTRADES.COM	Unauthorised entities	SFSA - SWEDEN	
23/04/2014	NELTOM LTD.	Unauthorised entities	SFSA - SWEDEN	
23/04/2014	OFFSHORE SECURITIES ACQUISITIONS COMMISSION WWW.OSEACO.COM	Unauthorised entities	SFSA - SWEDEN	
23/04/2014	UNIVERSAL FINANCE BANK	Unauthorised entities	SFSA - SWEDEN	
30/04/2014	NIIGATA GLOBAL HTTP://NIIGATAGLOBAL.COM/	Unauthorised entities	DFSA - DENMARK	
30/04/2014	WILKINS CAPITAL GROUP	Unauthorised entities	EI CBI - IRELAND	
30/04/2014	BNY MELLON WEALTH MANAGEMENT (CLONE)	Unauthorised entities	FSAN - NORWAY	Unrelated to the entity with the same name duly registered in the United States
30/04/2014	NEILSON CAPITAL HTTP://NEILSONCAPITAL.COM/INDEX.HTML	Unauthorised entities	FSAN - NORWAY	
30/04/2014	ING BANK N.V. (CLONE)	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name
07/05/2014	AXA INVESTMENT MANAGERS (CLONE)	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered and authorised entity Axa Investment Managers UK Ltd.

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
07/05/2014	GETBUCKS INVEST GMBH	Unauthorised entities	CSSF - LUXEMBOURG	
07/05/2014	STENSLAND PENSJON OG FINANS ANS WWW.STENSLAND.CZ	Unauthorised entities	CNB - CZECH REPUBLIC	
14/05/2014	HTTP://WWW.CALLANDPUT.COM	Unauthorised entities	CYSEC - CYPRUS	
14/05/2014	BARON GROUP LTD. WWW.BARONGROUPLIMITED.COM WWW.BARONGROUPLTD.COM	Unauthorised entities	FCA - UNITED KINGDOM	
14/05/2014	BNY MELLON WEALTH MANAGEMENT (CLONE) WWW.BNYMELLON.COM/WEALTHMANAGEMENT	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the entity with the same name duly registered in the United States
21/05/2014	GLOBAL GECR WWW.GLOBAL-GECR.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	
21/05/2014	CALTHERM CO. PRIVATE EQUITY LLC WWW.CALTHERMCO.COM	Unauthorised entities	SFSA - SWEDEN	
21/05/2014	COMMITTEE OF REGULATION AND LIQUIDATION ON PRIVATE VENTURES	Unauthorised entities	SFSA - SWEDEN	
28/05/2014	FOREX	Unauthorised entities	AMF - FRANCE	
28/05/2014	BINARY OPTIONS	Unauthorised entities	AMF - FRANCE	
28/05/2014	CHEYNEY GROUP	Unauthorised entities	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
28/05/2014	ARIAD FINANCIAL SERVICES	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
28/05/2014	HARRISON & BRADLEY FINANCIAL HTTP://HARRISONBRADLEYFINANCIALGROUP.COM/	Unauthorised entities	FSAN - NORWAY	
28/05/2014	ARIS UK ADVISORY WWW.UK-ADVISORY.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Aris Management GMBH
28/05/2014	CP BROKERS WWW.CPBROKERS.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity CP Brokers SP. Z.O.O.
28/05/2014	HARTFORD GROUP INTERNATIONAL WWW.HARTFORDGROUPINTERNATIONAL.ORG	Unauthorised entities	FCA - UNITED KINGDOM	
28/05/2014	LUKAS KANTOR SECURITIES WWW.LKSECURITIES.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Lukas Kantor
28/05/2014	PREMIER MERGERS AND ACQUISITIONS	Unauthorised entities	FCA - UNITED KINGDOM	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
28/05/2014	SCOTT THOMAS WEALTH ADVISORY WWW.SCOTTTHOMAS.NET	Unauthorised entities	FCA - UNITED KINGDOM	
28/05/2014	CHEYNEY GROUP WWW.CHEYNEYGROUP.COM	Unauthorised entities	SFSA - SWEDEN	
11/06/2014	LINGOLD.COM S.A.	Unauthorised entities	AMF - FRANCE	
11/06/2014	TJB TRADING HTTP://TJBTRADING.COM	Unauthorised entities	CSSF - LUXEMBOURG	
11/06/2014	AMERICAN FIRST CITY CORPORATION WWW.AMERICANFIRSTCITYCORP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
11/06/2014	ASSIPRIME EURO BROKERING (CLONE)	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Assiprime Euro Brokering SRL
11/06/2014	BROCK HARTWICK WWW.BROCK-HARTWICK.COM	Unauthorised entities	FCA - UNITED KINGDOM	
11/06/2014	HAMILTON CARTER INTERNATIONAL COMMODITIES	Unauthorised entities	FCA - UNITED KINGDOM	
11/06/2014	LONDON PRESTIGE CAPITAL LIMITED WWW.LONDONPRESTIGECAPITAL.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	
11/06/2014	TAXWISE CONSULTANTS / FINANCIAL COMPENSATION AUTHORITY WWW.GOV.FINCA.US HTTP://WWW.TAXWISE.ORG/INDEX.PHP	Unauthorised entities	SFSA - SWEDEN	
18/06/2014	CHANGSHENG ASSOCIATES	Unauthorised entities	FSMA - BELGIUM	
18/06/2014	GENKAI SECURITIES	Unauthorised entities	FSMA - BELGIUM	
18/06/2014	COMLIFE INVESTMENTS LTD. HTTP://WWW.COMLIFEINVESTMENTS.COM/	Unauthorised entities	CYSEC - CYPRUS	
18/06/2014	HTTP://WWW.5MARKETS.COM	Unauthorised entities	CYSEC - CYPRUS	
18/06/2014	WM BORMLA HTTP://WWW.WMBORMLA.EU/SECURE/	Unauthorised entities	MFSA - MALTA	
18/06/2014	CMBS PORTFOLIO WWW.CMBS-PORTFOLIO.COM	Unauthorised entities	FCA - UNITED KINGDOM	
18/06/2014	HEWLETT PARTNERS LIMITED WWW.HEWLETTPARTNERS.COM WWW.HEWLETTPARTNERSLIMITED.COM	Unauthorised entities	FCA - UNITED KINGDOM	
18/06/2014	PL SECURITIES WWW.PL-SECURITIES.COM	Unauthorised entities	FCA - UNITED KINGDOM	
18/06/2014	SETH COHEN LLP WWW.SETHCOHEN.US	Unauthorised entities	FCA - UNITED KINGDOM	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
18/06/2014	ELLIOTT ASSOCIATES WWW.ELLIOTT-ASSOCIATES.COM	Unauthorised entities	SFSA - SWEDEN	
25/06/2014	BDB SERVICES LTD. HTTPS://WWW.AUSTRALIA.BANCDEBINARY.COM HTTPS://WWW.BBINARY.COM	Unauthorised entities	CYSEC - CYPRUS	
25/06/2014	BINARY OPTIONS	Unauthorised entities	AMF - FRANCE	
25/06/2014	ONLINE BINARY OPTIONS TRADING PLATFORMS	Unauthorised entities	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
25/06/2014	RECLAIM LIMITED - BOGUS LIQUIDATORS	Unauthorised entities	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
25/06/2014	THE CATHFORD GROUP	Unauthorised entities	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
25/06/2014	FOREX BROKER INC. OR NOBLE SERVICES LIMITED HTTP://WWW.FOREXBROKERINC.COM/	Unauthorised entities	MFSA - MALTA	
25/06/2014	FOREX CLUB OR FOREX CLUB INTERNATIONAL LIMITED HTTP://CONSULTORFINANCIERO.WIX.COM/FXDD-EDIPOPINHEIROMACHADO	Unauthorised entities	MFSA - MALTA	
25/06/2014	VELARDA FOREX, VELARDA MARKETS OR VELARDA HTTP://VELARDA.COM/	Unauthorised entities	MFSA - MALTA	
25/06/2014	NDD BROKER HTTP://WWW.NDDBROKER.COM/	Unauthorised entities	MFSA - MALTA	
25/06/2014	STRATEGIC GLOBAL EQUITY HTTP://SGEEWEB.COM/CONTACTS.HTML	Unauthorised entities	FSAN - NORWAY	
25/06/2014	SIERRA FINANCE ASSET MANAGEMENT HTTP://SIERRAFAM.COM	Unauthorised entities	FCA - UNITED KINGDOM	
02/07/2014	CONNOR SIMMONS GROUP	Unauthorised entities	EI CBI - IRELAND	
02/07/2014	STEALTH TAKEOVERS	Unauthorised entities	EI CBI - IRELAND	
02/07/2014	KNIGHTSBRIDGE MANAGEMENT INTERNATIONAL ASSET MANAGEMENT (CLONE) WWW.KMI-AM.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Knightsbridge Management International SRO
02/07/2014	RIMAS RISK MANAGEMENT SERVICE (CLONE)	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Rimas Risk Management Service SRL

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
02/07/2014	ARIES VENTURES INC. WWW.ARIESVENTURESINC.COM	Unauthorised entities	SFSA - SWEDEN	
02/07/2014	THE BEACON HILL REGULATORY TRADE COMMISSION	Unauthorised entities	SFSA - SWEDEN	
09/07/2014	24 TRADE LTD.	Unauthorised entities	BFSC - BULGARIA	
09/07/2014	INVESTORS LTD.	Unauthorised entities	BFSC - BULGARIA	
09/07/2014	BINARY OPTIONS	Unauthorised entities	AMF - FRANCE	
09/07/2014	SUNDRY FRANCE	Other warnings	AMF - FRANCE	Persons impersonating employees of the French supervisor
09/07/2014	VANTAGE CAPITAL RESEARCH WWW.VANTAGECAPITALRESEARCH.COM	Unauthorised entities	FSAN - NORWAY	
09/07/2014	ASIATIC ASSOCIATES / ASIATIC ACQUISITIONS WWW.ASIATICACQ.COM	Unauthorised entities	FCA - UNITED KINGDOM	
09/07/2014	EAGLE COMMERCE GROUP WWW.EAGLECOMMERCEGROUP.NET	Unauthorised entities	FCA - UNITED KINGDOM	
09/07/2014	HARGREAVE HALE (CLONE) WWW.HARGREAVEH-ALE.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Hargreave Hale Limited
09/07/2014	LANSLEY EVERETT AND MOORE LLC WWW.LANSLEYEVERETTMOORE.COM	Unauthorised entities	FCA - UNITED KINGDOM	
09/07/2014	LK ADVISORS (CLONE) WWW.LKSECURITIES.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity LK Advisers Limited
16/07/2014	HTTPS://WWW.EUROBONDFX.COM	Unauthorised entities	CYSEC - CYPRUS	
16/07/2014	BROCK HARTWICK	Unauthorised entities	EI CBI - IRELAND	
16/07/2014	CLARION EQUITY MANAGEMENT	Unauthorised entities	EI CBI - IRELAND	
16/07/2014	THUNGEN FINANCIAL WWW.THUNGENFINANCIAL.COM	Unauthorised entities	CSSF - LUXEMBOURG	
16/07/2014	SPRINGER ASSET MANAGEMENT	Unauthorised entities	SFSA - SWEDEN	
16/07/2014	SUNDRY GIBRALTAR	Other warnings	GFSC - GIBRALTAR	Persons impersonating employees of the authorised entity Jyske Bank (Gibraltar) Limited
23/07/2014	FOREXTRADITION LTD. HTTPS://WWW.FOREXTRADITION.COM	Unauthorised entities	CYSEC - CYPRUS	
23/07/2014	MATHESON WANG GROUP	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
23/07/2014	HOPLER GLOBAL INVESTMENT GROUP	Unauthorised entities	EI CBI - IRELAND	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
23/07/2014	FUTURMARKET WWW.FUTURMARKET.COM	Unauthorised entities	CSSF - LUXEMBOURG	
23/07/2014	ROYAL DE BANK WWW.ROYALDEBANK.COM	Unauthorised entities	CSSF - LUXEMBOURG	
30/07/2014	INTER GLOBAL EQUITY	Unauthorised entities	FSMA - BELGIUM	
30/07/2014	HERRINGTON GLOBAL	Unauthorised entities	FSMA - BELGIUM	
30/07/2014	META CAPITAL PARTNERS LTD.	Unauthorised entities	FSMA - BELGIUM	
30/07/2014	SIGMA CAPITAL ADVISORS	Unauthorised entities	FSMA - BELGIUM	
30/07/2014	RIDGEWOOD SECURITIES	Unauthorised entities	FSMA - BELGIUM	
30/07/2014	BINARY OPTIONS	Unauthorised entities	FSMA - BELGIUM	
30/07/2014	DEALERWEB LTD.	Unauthorised entities	BFSC - BULGARIA	
30/07/2014	WORTH LTD. HTTP://VENETFX.COM	Unauthorised entities	SSMA - SLOVENIA	
30/07/2014	THUNGEN FINANCIAL	Unauthorised entities	EI CBI - IRELAND	
30/07/2014	VANTAGE CAPITAL RESEARCH WWW.VANTAGECAPITALRESEARCH.COM	Unauthorised entities	FSAN - NORWAY	
30/07/2014	WORLD FINANCIAL INSTITUTIONS WWW.WORLDFINANCIALINSTITUTIONS.COM	Unauthorised entities	FSAN -NORWAY	
30/07/2014	ALTERNATIVE BRIDGING CORPORATION (CLONE)	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Alternative Bridging Corporation (Cheval) Limited
27/08/2014	ISLANDBAY SERVICES LTD. (BROKER CAPITAL)	Unauthorised entities	BFSC - BULGARIA	
27/08/2014	T.B.S.F. BEST STRATEGY FINANCE LTD. HTTPS://WWW.REGALOPTIONS.COM	Unauthorised entities	CYSEC - CYPRUS	
27/08/2014	CHELESTRA LTD. HTTPS://WWW.LBINARY.COM	Unauthorised entities	CYSEC - CYPRUS	
27/08/2014	GREEN SEED CAPITAL WWW.GREENSEEDCAPITAL.COM	Unauthorised entities	DFSA - DENMARK	
27/08/2014	ASIAN FUTURES TRADING GROUP	Unauthorised entities	EI CBI - IRELAND	
27/08/2014	CITYSTATE CONSULTING CO.	Unauthorised entities	EI CBI - IRELAND	
27/08/2014	HUNT ACQUISITION GROUP	Unauthorised entities	EI CBI - IRELAND	
27/08/2014	BENISON ASSET MANAGEMENT WWW.BENISONAM.COM	Unauthorised entities	FSAN - NORWAY	
27/08/2014	ELLIOTT ASSOCIATES WWW.ELLIOTT-ASSOCIATES.COM	Unauthorised entities	FSAN - NORWAY	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
27/08/2014	ATLANTIC MUTUAL INT LTD. WWW.ATLANTICMUTUAL-INT.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	
27/08/2014	CAPITAL MERGERS AND ACQUISITIONS WWW.CAPITALMAJP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
27/08/2014	DCI FUND MANAGERS IRELAND PLC WWW.DCIFUNDS.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	
27/08/2014	DCI FUNDS PLC (CLONE) WWW.DCIFUNDS.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity DCI Umbrella Funds PLC
27/08/2014	WILLOW AND BLACK WWW.WILLOWBLACK.COM	Unauthorised entities	FCA - UNITED KINGDOM	
27/08/2014	CLIFTON CAPITAL PARTNERS LLC	Unauthorised entities	SFSA - SWEDEN	
03/09/2014	BINARY OPTIONS	Unauthorised entities	FSMA - BELGIUM	
03/09/2014	RSM & RB FINANCE AL WWW.RSMRB-FINANCE.ORG	Unauthorised entities	CSSF - LUXEMBOURG	
03/09/2014	WORLD TRADE CONSORTIUM WWW.WORLD-TRADE-CONSORTIUM.COM	Unauthorised entities	CSSF - LUXEMBOURG	
03/09/2014	FINEXTEN TRANSITION - FINEXTEN SICAV PLC.	Unauthorised entities	MFSA - MALTA	
03/09/2014	DEACON CORPORATE GROUP WWW.DCGROUPCONSULT.COM	Unauthorised entities	FCA - UNITED KINGDOM	
03/09/2014	HEXAGON CAPITAL MANAGEMENT WWW.HEXAGONCAPITALMANAGEMENT.COM	Unauthorised entities	FCA - UNITED KINGDOM	
03/09/2014	KEE GLOBAL CORP WWW.KEEGLOBALCORP.COM	Unauthorised entities ©	FCA - UNITED KINGDOM	
03/09/2014	MARCUS KPO SERVICES LLC WWW.MARCUSKPO.COM	Unauthorised entities	FCA - UNITED KINGDOM	
03/09/2014	MITSUBISHI UFJ FINANCIAL GROUP INC. (CLONE)	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name
03/09/2014	WALTERS CAPITAL GROUP WWW.WALTERSCAP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
03/09/2014	GLACIER BAY CAPITAL LLC WWW.GBCAP.COM	Unauthorised entities	SFSA - SWEDEN	
03/09/2014	MURRAY & VINCENT LAW GROUP WWW.MVLAWGRP.COM	Unauthorised entities	SFSA - SWEDEN	
03/09/2014	MYERS AND BAKER ASSOCIATES	Unauthorised entities	SFSA - SWEDEN	

Date	Company to which the warning relates	Type	Regulator	Comments
03/09/2014	PARLEY ACQUISITION GROUP	Unauthorised entities	SFSA - SWEDEN	
03/09/2014	STRATFORD PRIVATE EQUITY PLC	Unauthorised entities	SFSA - SWEDEN	
10/09/2014	GREEN SEED CAPITAL WWW.GREENSEEDCAPITAL.COM	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
10/09/2014	JAMES DOYLE WWW.JAMES-DOYLE.COM	Unauthorised entities	CSSF - LUXEMBOURG	
10/09/2014	GOLDMAN SHAKS (PVT) LTD.	Unauthorised entities	FCA - UNITED KINGDOM	
17/09/2014	S.C. BINARY FLOOR ONLINE LTD. WWW.BINARYFLOOR.COM	Unauthorised entities	CYSEC - CYPRUS	
17/09/2014	TCL ASSOCIATES WWW.TCLASSOCIATES.COM	Unauthorised entities	DFSA - DENMARK	
17/09/2014	BROOKMORE PARTNERS WWW.BROOKMOORE.CO.UK WWW.BROOKMOOREASSOCIATES.COM WWW.BROOKMOREPARTNERS.COM	Unauthorised entities	FCA - UNITED KINGDOM	
17/09/2014	CARRINGTON GROUP LLC	Unauthorised entities	FCA - UNITED KINGDOM	
17/09/2014	COMMODITIES LINKS WWW.COMMODITIESLINK.COM	Unauthorised entities	FCA - UNITED KINGDOM	
17/09/2014	DRUMMONDS INITIATIVES HTTP://WWW.DRUMMONDSINITIATIVES.COM	Unauthorised entities	FCA - UNITED KINGDOM	
17/09/2014	GE SHAW MANAGEMENT GROUP WWW.GESHAWGROUP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
17/09/2014	JACOB JOHNSON CONSULTANCY	Unauthorised entities	FCA - UNITED KINGDOM	
17/09/2014	SMITH AND STANLEY CORPORATE CONSULTANTS WWW.SMITHSTANLEYCONSULTANTS.COM WWW.SMITHSTANLEY.COM	Unauthorised entities	FCA - UNITED KINGDOM	
17/09/2014	SPRINGER ASSET MANAGEMENT HTTP://WWW.SPRINGERAM.COM/	Unauthorised entities	FCA - UNITED KINGDOM	
24/09/2014	GENKAI SECURITIES HTTP://WWW.GENKAI.SECURITIES.COM/SERVICES.HTML	Unauthorised entities	DFSA - DENMARK	
24/09/2014	EUROASIAN RAIL SKYWAY SYSTEMS LTD.	Unauthorised entities	LSC - LITHUANIA	
24/09/2014	BROOKE POINT LIMITED / BROKE POINT LIMITED WWW.WAINWRIGHTCORPORATE.COM WWW.WAINWRIGHTFINANCE.COM	Unauthorised entities	FCA - UNITED KINGDOM	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
24/09/2014	GRIFFIN ADVISORS LIMITED WWW.GRIFFINADVISORSLTD.COM	Unauthorised entities	FCA - UNITED KINGDOM	
24/09/2014	HIRSCHE PRIVATE ASSET MANAGEMENT LTD. WWW.HIRSCHE.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	
24/09/2014	HUDSON COE & ASSOCIATES, LLC. WWW.HUDSONCOE.COM	Unauthorised entities	FCA - UNITED KINGDOM	
24/09/2014	MARTIN KESSLER (CLONE)	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name
24/09/2014	RT OWENS & ASSOCIATES, LLC WWW.RTOWENS.COM	Unauthorised entities	FCA - UNITED KINGDOM	
24/09/2014	WATTS CORPORATE SERVICES LLC WWW.WATTSCS.COM	Unauthorised entities	FCA - UNITED KINGDOM	
24/09/2014	WB GLOBAL STRATEGIC ASSET MANAGEMENT WWW.WBGLOBAL.NET	Unauthorised entities	FCA - UNITED KINGDOM	
01/10/2014	KENT HUGHES & CO. WWW.KENTHUGHES.COM/	Unauthorised entities	DFSA - DENMARK	
01/10/2014	BINARY OPTIONS	Unauthorised entities	AMF - FRANCE	
01/10/2014	AEGEAN TOURISTIC REAL ESTATE R.E.I.C. HTTP://AEGEANREIC.GR	Unauthorised entities	HCMC - GREECE	
01/10/2014	G-REIC ENERGY REAL ESTATE R.E.I.C. HTTP://GRREIC.GR	Unauthorised entities	HCMC - GREECE	
01/10/2014	VOLCKER CAPITAL MANAGEMENT HTTP://VOLCKERCAPITAL.COM	Unauthorised entities	HCMC - GREECE	
01/10/2014	INTERNATIONAL CAPITAL MARKETS WWW.INTERNATIONALCAPITALMARKETS.COM	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
01/10/2014	LUXEMBOURG FUTURES COMMODITIES OPTIONS TRADING AUTHORITY WWW.LFCOTA.ORG	Unauthorised entities	CSSF - LUXEMBOURG	
01/10/2014	DEAN FOSTER ASSOCIATES	Unauthorised entities	FCA - UNITED KINGDOM	
01/10/2014	ROBINSON CAPITAL PARTNERS WWW.ROBINSONCAPITALPARTNERS.COM	Unauthorised entities	FCA - UNITED KINGDOM	
01/10/2014	VANTAGE POINT LLC VPOINTLLC.COM WWW.VPOINTLIA.COM	Unauthorised entities	FCA - UNITED KINGDOM	
01/10/2014	DUPONT FINANCIAL/DUPONT FX/DP GLOBAL SERVICES LTD. (CLONE) WWW.DUPONTFX.COM	Unauthorised entities	SFSA - SWEDEN	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
01/10/2014	AURA MERGERS & ACQUISITIONS WWW.GEMADM.ORG GLOBAL EQUITIES MARKET ADMINISTRATION	Unauthorised entities	SFSA - SWEDEN	
01/10/2014	HARRISON & BRADLEY FINANCIAL GROUP WWW.HARRISONBRADLEYFINANCIALGROUP.COM	Unauthorised entities	SFSA - SWEDEN	
08/10/2014	LARNACA FINANS LTD. HTTP://WWW.GKFX.COM/LARNACA	Unauthorised entities	CYSEC - CYPRUS	
08/10/2014	VENTURES GB WWW.VENTURESGB.COM	Unauthorised entities	DFSA - DENMARK	
08/10/2014	FOREX MMCIS GROUP HTTPS://FOREX-MMCIS.COM/	Unauthorised entities	MFSA - MALTA	
08/10/2014	BOYD CLARK RESOURCE CAPITAL SOLUTIONS WWW.BCRCS.COM	Unauthorised entities	SFSA - SWEDEN	
08/10/2014	VANTAGE HOLDINGS GROUP LTD. WWW.VANTAGEHOLDINGSGROUP.COM	Unauthorised entities	SFSA - SWEDEN	
08/10/2014	ALLIANCE PRIVATE EQUITY LLP WWW.ALLIANCEPE.US	Unauthorised entities	FCA - UNITED KINGDOM	
08/10/2014	KIYOSE MERGERS WWW.KIYOSEMERGERS.COM	Unauthorised entities	FCA - UNITED KINGDOM	
08/10/2014	MTR GLOBAL WWW.MTRGLOBAL.COM	Unauthorised entities	FCA - UNITED KINGDOM	
08/10/2014	PARETO SECURITIES (CLONE)	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Pareto Securities Limited
15/10/2014	GEN EQUITIES (IRELAND AND SWITZERLAND)	Unauthorised entities	EI CBI - IRELAND	
15/10/2014	NIPPORI GROUP WWW.NIPPORIGROUP.COM	Unauthorised entities	SFSA - SWEDEN	
22/10/2014	MR WAYNE GARRAWAY	Unauthorised entities	JFSC - JERSEY	
22/10/2014	AVA CAPITAL MANAGEMENT WWW.AVACAPITALMANAGEMENT.COM	Unauthorised entities	FCA - UNITED KINGDOM	
22/10/2014	FAST LINE LEGAL SERVICES WWW.FASTLINELEGAL.COM	Unauthorised entities	FCA - UNITED KINGDOM	
22/10/2014	GILMOORE FINANCIAL INC. WWW.GILMOORE-FINANCE.COM	Unauthorised entities	FCA - UNITED KINGDOM	
22/10/2014	INTERNATIONAL MERGERS AND ACQUISITIONS BOARD OF JAPAN WWW.IMABJP.ORG	Unauthorised entities	FCA - UNITED KINGDOM	
22/10/2014	RED LEVEL ENTERPRISES LIMITED (CLONE) WWW.REDLEVELENTERPRISES.CO.UK	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
22/10/2014	SCHWARZ OLIVER THOMAS (CLONE) HTTP://WWW.SCHWARZOLIVERTHOMAS.COM/	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name
22/10/2014	SMITH AND JACOBS WWW.SMITHANDJACOBS.COM	Unauthorised entities	FCA - UNITED KINGDOM	
29/10/2014	TRADERXP LTD.	Unauthorised entities	BFSC - BULGARIA	
29/10/2014	LIVEFX TRADER HTTP://WWW.DIONLIVEFX.COM/INDEX.HTML	Unauthorised entities	CYSEC - CYPRUS	
29/10/2014	CAC INVEST	Unauthorised entities	AMF - FRANCE	
29/10/2014	NOVA NORDIC LIMITED / NORDELIC-PARTNERS.COM	Unauthorised entities	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
29/10/2014	GRANADA CAPITAL HTTP://WWW.GRANADACAPITAL.COM/INDEX.HTML	Unauthorised entities	FSAN - NORWAY	
29/10/2014	NORVELL ASSOCIATES HTTP://NORVELLASSOCIATES.COM	Unauthorised entities	FSAN - NORWAY	
29/10/2014	ASIAN DIRECT CAPITAL MANAGEMENT WWW.ASIANDIRECTCAPITALMANAGEMENT.COM	Unauthorised entities	FCA - UNITED KINGDOM	
29/10/2014	BURTON CAPITAL PARTNERS WWW.BURTONCAPITALPARTNERS.COM WWW.BCP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
29/10/2014	CROWN CAPITAL MANAGEMENT WWW.CROWNCAPITALMANAGEMENT.COM	Unauthorised entities	FCA - UNITED KINGDOM	
29/10/2014	HOULIHAN LOKEY (CLONE)	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name
12/11/2014	BLACKROCK WEALTH (CLONE) WWW.BLACKROCK-WEALTH.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Blackrock Fund Managers Limited
12/11/2014	KINGSLEY ASSET MANAGEMENT (CLONE) WWW.KAM6FX.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Kingsley Asset Management (Global) LLP
12/11/2014	PRITCHARD STOCKBROKERS LIMITED (CLONE) HTTP://WWW.PSIMAGE.COM/	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name
12/11/2014	TAITO SECURITIES GROUP WWW.TAITOSEC.COM	Unauthorised entities	FCA - UNITED KINGDOM	
19/11/2014	ZENITH CAPITAL VENTURES	Unauthorised entities	EI CBI - IRELAND	
19/11/2014	ABERDEEN TRUST WWW.ABERDEENTRUST.COM	Unauthorised entities	FCA - UNITED KINGDOM	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Type	Regulator	Comments
19/11/2014	CROWN GROUP FUNDS UCITS PLC (CLONE) WWW.CROWNINVESTMENTFUND.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name
26/11/2014	ASSETS CREDIT UNION	Unauthorised entities	FSMA - BELGIUM	
26/11/2014	TELETRADE BULGARIA EOOD	Unauthorised entities	BFSC - BULGARIA	
26/11/2014	PHOENIX MERGERS AND ACQUISITIONS	Unauthorised entities	EI CBI - IRELAND	
26/11/2014	MIYAKO MERGERS & ACQUISITIONS	Unauthorised entities	EI CBI - IRELAND	
26/11/2014	AEGIS ACQUISITION CORPORATION WWW.AEGISACQUISITIONCORP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
26/11/2014	CASTLEWOOD CORPORATE PARTNERS WWW.CASTLEWOODCORPORATEPARTNERS.NET	Unauthorised entities	FCA - UNITED KINGDOM	
03/12/2014	CC WEALTH LTD. WWW.CCWEALTHLTD.COM	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
03/12/2014	Q ASIA PACIFIC WWW.QASIAPACIFIC.COM	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
03/12/2014	TRADING LONDON INVESTMENT WWW.TRADING-LONDON-INVESTMENT.COM	Unauthorised entities	AFM - NETHERLANDS (HOLLAND)	
03/12/2014	CAPITAL MERGERS & ACQUISITIONS	Unauthorised entities	EI CBI - IRELAND	
03/12/2014	AMG-CLIENTS S.A. WWW.AMG-CLIENTS.COM	Unauthorised entities	CSSF - LUXEMBOURG	
03/12/2014	INGLEDEW TRADING	Unauthorised entities	FCA - UNITED KINGDOM	
10/12/2014	TRADECORP-PARTNERS.COM	Unauthorised entities	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
10/12/2014	HOYA PARTNERS WWW.HOYA-JP.COM	Unauthorised entities	FCA - UNITED KINGDOM	
10/12/2014	WEST CAPITAL PARTNERS INC. WWW.WESTCAPITALINC.COM	Unauthorised entities	FCA - UNITED KINGDOM	
10/12/2014	WINDLOW GROUP WWW.WINDLOWGROUP.COM	Unauthorised entities	FCA - UNITED KINGDOM	

Date	Company to which the warning relates	Type	Regulator	Comments
17/12/2014	BURTON FINANCIAL PLANNERS	Unauthorised entities	FSMA - BELGIUM	
17/12/2014	EURO ASIA INVEST	Unauthorised entities	FSMA - BELGIUM	
17/12/2014	EXCEL MANAGEMENT	Unauthorised entities	FSMA - BELGIUM	
17/12/2014	GEMASIA INVESTMENTS CORPORATION	Unauthorised entities	FSMA - BELGIUM	
17/12/2014	GREEN SEED CAPITAL AND CDH INVESTMENTS	Unauthorised entities	FSMA - BELGIUM	
17/12/2014	UNITED GLOBAL TRADING	Unauthorised entities	FSMA - BELGIUM	
17/12/2014	BINARY OPTIONS	Unauthorised entities	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
17/12/2014	ACA GROUP LIMITED	Unauthorised entities	EI CBI - IRELAND	
17/12/2014	VANTAGE HOLDINGS GROUP LIMITED	Unauthorised entities	EI CBI - IRELAND	
17/12/2014	BALMORAL INTERNATIONAL GROUP HTTP://BALMORALINTERNATIONALGROUP.NET	Unauthorised entities	CSSF - LUXEMBOURG	
17/12/2014	JEFFREY BROTHERS CAPITAL HTTP://JEFFREY-BROTHERS-CAPITAL.COM/	Unauthorised entities	FSAN - NORWAY	
17/12/2014	APOLLO MULTI ASSET MANAGEMENT LLP (CLONE) WWW.APOLLOMULTIASSETINVEST.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name
17/12/2014	ARTEMIS FUND MANAGERS (CLONE) WWW.ARTEMISFUNDMANAGERS.COM	Unauthorised entities	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Artemis Fund Managers Limited
17/12/2014	MOSS SECURITIES	Unauthorised entities	FSMA - BELGIUM	
Other public warnings forwarded by foreign regulators				
12/03/2014	SUNDRY HOLLAND	Other warnings	AFM - NETHERLANDS (HOLLAND)	Fraudulent loans
19/03/2014	SUNDRY FRANCE	Other warnings	AMF - FRANCE	Investment in pyramid schemes
09/07/2014	SUNDRY FRANCE	Other warnings	AMF - FRANCE	Persons impersonating employees of the French supervisor
16/07/2014	SUNDRY GIBRALTAR	Other warnings	GFSC- GIBRALTAR	Persons impersonating employees of the authorised entity Jyske Bank (Gibraltar) Limited

Legislative annexes

A. Spanish legislation

A.1 Spanish Securities Market Commission

CNMV Resolution of 12 March 2014, which amends Annex I of the Resolution of 16 November 2011, which creates and regulates the CNMV's Electronic Register.

This resolution amends Annex I of the CNMV Resolution of 16 November 2011, which creates and regulates the CNMV's Electronic Register, with the aim of incorporating four new procedures relating to:

– Periodic reporting of bank asset funds (Spanish acronym: FAB).

– Collective investor claims (Spanish acronym: REC).

– Statements by entities subject to investor claims (Spanish acronym: ALR).

– Characteristics of warrants grouped in an issue (Spanish acronym: WAR).

CNMV Board Resolution of 23 July 2014 and Resolution of 22 October 2014, on the delegation of powers.

Pursuant to this Resolution and in accordance with the provisions of Article 18 of the Securities Market Act and Article 13 of Law 30/1992, of 26 November, on the Legal Regime of Public Administrations and the Common Administrative Procedure, with regard to the delegation of powers, the CNMV Board delegates certain powers in favour of its Chairperson, Vice-Chairperson and Executive Committee.

This delegation of powers is given in the scope of the Directorate-General of Markets, in the scope of the Department of the Chairperson's Office, in the scope of the Directorate-General of Entities and in the scope of the Directorate-General of the Legal Service and Secretariat of the Board. It also provides for other general delegations of powers.

Law 16/2014, of 30 September, regulating CNMV fees.

This Law aims to establish the legal structure of the fees applicable for performing activities and providing services. This Law entered into force on 1 January 2015.

This Law repeals Article 13 of Law 22/1993, of 29 December, on tax measures, reforming the legal system of the civil service and unemployment protection (fees applicable for the performance of activities or provision of services by the CNMV), as well as Royal Decree 1732/1998, of 31 July, on fees applicable for activities and services provided by the CNMV.

A.2 Financial instruments

Royal Decree 579/2014, of 4 July, implementing certain aspects of Law 14/2013, of 27 September, on support for entrepreneurs and their internationalisation, with regard to internationalisation bonds and covered bonds.

This Royal Decree culminates the regulatory implementation of matters relating to internationalisation bonds and covered bonds regulated in Article 34 of Law 14/2013, of 27 September.

It is divided into three main parts:

– The first, relating to issues of internationalisation bonds and covered bonds, establishes the information which must be contained by internationalisation covered bonds, the information which must be contained by internationalisation bonds, the method for calculating the maximum limit of issues and the mechanisms to re-establish said limits when they are exceeded. It also establishes the requirement for entities to register the assets which guarantee their issues.

– The second part relates to the secondary market for internationalisation bonds and covered bonds. In this regard, the Royal Decree places special emphasis on regulating the transactions which the issuer may conduct with its own internationalisation bonds and covered bonds, without prejudice to the provisions established in the Securities Market Act.

– The final part, relating to supervision, establishes that the Bank of Spain will supervise the conditions required for the collateral of internationalisation bonds and covered bonds, while the CNMV will supervise issues relating to public offerings of these instruments and their development in the secondary market.

The single additional provision of this Royal Decree establishes the requirement that issuers of territorial covered bonds should keep a special accounting register, which must be continually updated, with the content specified by the Bank of Spain and which will record all the credits and loans which meet the established requirements.

A.3 Secondary securities markets

Order ECC/757/2014, of 25 April, authorising “BME Clearing, S.A.U.” to amend the general conditions of the group of contracts of underlying energy assets.

This Ministerial Order provides the authorisation to amend the general conditions of the group of contracts of underlying energy assets of BME Clearing, S.A.U. The aim of this amendment is so that BME Clearing, S.A.U. may accept, for the purposes of their clearing and settlement, transactions from the Official Futures and Options Secondary Market, whose governing company is MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U., with which BME Clearing has reached the corresponding agreement to act as central counterparty in the contracts traded on said market.

Similarly, this amendment of the general conditions aims to change the manner in which monthly and weekly futures are settled.

A.4 Investment firms and credit institutions

CNMV Circular 1/2014, of 26 February, on internal organisation requirements and control functions of entities which provide investment services.

In use of the authority contained in Section 2 of the second final provision of Royal Decree 217/2008, of 15 February, currently in force, on the legal regime of investment firms and other entities which provide investment services, CNMV Circular 1/2014, of 26 February, implements and clarifies the provisions relating to the internal organisation requirements and control functions of entities which provide investment services, in line with the legislation on the securities market, investment firms and solvency. However, it is important to bear in mind that compliance with the obligations provided for in this Circular does not exempt entities from complying with other specific internal control requirements which are applicable to them pursuant to other legislation.

Section 1 of this Circular defines its scope of application as follows:

- Spanish investment firms and non-EU investment firms which operate in Spain (Articles 64 and 71 *quáter* of the Securities Market Act 24/1988, of 28 July, respectively).

- Spanish credit institutions and credit institutions from non-EU states which operate in Spain and which provide investment services or ancillary services in accordance with Article 65.1 of the Securities Market Act 24/1988, of 28 July.

- The branches of investment firms and credit institutions from Member States of the European Union, as well as the agents in Spain of entities established in other Member States of the European Union, for the purposes of complying with the obligations provided for in Article 70 *ter*, Section 1, letter e) of the Securities Market Act 24/1988, of 28 July.

Based on the principle of proportionality, Section 2 of this Circular specifies the organisational structure and internal control requirements of entities with provide investment services so that their organisation may match the range of services provided.

With the aim of strengthening investor protection, Section 3 of the Circular specifies the responsibilities and tasks performed by certain units, such as the compliance function, risk management and internal audit. Similarly, it specifies these units' reporting obligations to the senior management of the entity itself and to the CNMV.

Section 4 addresses the requirements relating to the delegation of compliance functions, risk management and internal audit, requiring that entities have internal manuals which contain the policies and procedures established for these purposes, and which are available to the CNMV.

This Circular 1/2014 updates CNMV Circular 1/1998, of 10 June, on internal control systems, monitoring and ongoing risk evaluations, which is repealed.

By means of its final provisions, Circular 1/2014 amends CNMV Circular 1/2010, of 28 July, on confidential information of entities which provide investment services;

CNMV Circular 1/2011, of 21 January, which amends Circular 12/2008, of 30 December, on the solvency of investment firms and their consolidated groups; CNMV Circular 1/2012, of 26 July, which amends Circular 6/2010, of 21 December, on transactions with derivative instruments and other operational aspects of collective investment schemes; CNMV Circular 4/2008, of 11 September, on the content of the quarterly, half-yearly and annual reports of collective investment schemes and the statement of financial position; Circular 3/2006, of 26 October, on the prospectuses of collective investment schemes; and CNMV Circular 3/2013, of 12 June, on the implementation of certain obligations relating to information provided to customers who receive investment services, in relation to the appropriateness and suitability test for financial instruments.

CNMV Circular 2/2014, of 23 June, on the exercise of various regulatory options regarding the solvency of investment firms and their consolidated groups.

This Circular implements the authorisation contained in the fifth final provision of Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union legislation on the supervision and solvency of financial institutions. The aforementioned authorisation provided in the fifth final provision was established so that competent authorities could implement the options attributed to them in Regulation (EU) No. 575/2013.

The aim of CNMV Circular 2/2014 is to regulate the options which Regulation (EU) No. 575/2013 attributes to national competent authorities, applicable to the consolidated group of investment firms and to Spanish investment firms whether or not they form part of a consolidated group, relating to those matters which are required for application of the aforementioned Regulation (EU) No. 575/2013 as from 1 January 2014. However, it may be considered useful for investment firms or their groups to implement other provisions not provided for in this Circular in the future.

Without prejudice to the exceptions provided in Rule 1 of the Circular, the scope of this Circular includes the following entities subject to CNMV supervision:

– The consolidated groups of investment firms.

– Individual investment firms whether or not they form part of a consolidated group.

This Circular exempts certain investment firms and their consolidated groups from compliance with the liquidity requirements established in Part 6 of Regulation (EU) No. 575/2013 until the European Commission publishes its report on whether these requirements should be applied to the investment firm sector. These companies will still be subject to the liquidity ratio laid down in CNMV Circular 7/2008, of 26 October.

It also regulates the treatment of certain shareholdings in financial institutions and of qualifying holdings in non-financial companies for the purposes of calculating own fund requirements. It also establishes that the own funds of an institution may not fall below the initial capital required at the time of their authorisation. In addition, the Circular specifies the treatment which entities should apply for the purposes of assessing whether their activity has changed significantly with regard to the previous year, until entry into force of the regulatory technical standards of the European Banking Authority (EBA).

It regulates certain discretionary powers associated with calculating own fund requirements for credit risk. Specifically, it establishes rules for powers relating to advanced calculation methods and to securitisations, the method which entities should use to determine the value of certain exposures with regard to hedging counterparty risk and the treatment which entities should continue applying to positions in stock market indices until entry into force of the regulatory technical standards drawn up by the EBA.

It also regulates certain aspects relating to large exposures: the treatment of positions held in collective investment undertakings or in other exposures with an equivalent level of diversification and the exemption from certain exposures which Regulation (EU) No. 575/2013 leaves to the discretion of the competent authority.

Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions (Corrigendum published in the *BOE* [Official State Gazette] of 28 June 2014).

The main objective of Law 10/2014 is to adapt Spanish regulations to legislative changes imposed internationally and by the European Union, continuing the transposition initiated by Royal Decree-Law 14/2013, of 29 November. In this regard, Regulation (EU) No. 575/2013, of 26 June, and Directive 2013/36/EU, of 26 June, involve a substantial change to the legislation applicable to credit institutions as they modify such important aspects as the supervisory regime, capital requirements and the penalty system.

In order to guarantee the consistency of legislation as a whole and to transpose the legislation recently approved by the European Union, the main supervisory and disciplinary rules for credit institutions are brought together in one single text. Consequently, this Law contains the essential core of the law applicable to credit institutions, without prejudice to other special rules which regulate specific aspects of their activity or the particular legal regime of one specific type of credit institution, such as savings banks or credit cooperatives.

The main structure of this text consists of four titles: Title 1 focuses on the general legal regime for credit institutions; Title II focuses on the solvency of credit institutions; Title III addresses the supervisory regime; and Title IV establishes the penalty system.

Title I includes the general provisions of the legal regime for credit institutions. For this purpose, it defines what constitutes a credit institution, lists those entities considered as credit institutions and establishes the nature of the business reserved exclusively to them. Similarly, this title regulates the system for granting and revoking authorisation, the rules on significant shareholdings, the suitability of members of the governing bodies and incompatibilities to which they are subject and the rules on corporate governance and remuneration policy.

Independently from the provisions contained in Regulation (EU) No. 575/2013, Title II lays down the provisions on solvency which are to be included in Spanish legislation. These provisions mainly refer to assessing the capital adequacy of credit institutions relating to the risks they assume according to the criteria of the Bank of Spain for setting possible liquidity requirements and capital buffers.

Title III designates the Bank of Spain as the supervisory authority for credit institutions, granting it the powers necessary to discharge said functions. With regard to accounting issues, it allows the Ministry of Economic Affairs and Competition to authorise the Bank of Spain, the CNMV or the Institute of Accounting and Account Auditing to establish and modify the accounting standards and forms governing the financial statements of credit institutions and the entities regulated under Article 84.1 of the Securities Market Act 24/1988, of 28 July, as well as the consolidated groups of certain investment firms and other entities.

Title IV establishes the penalty procedure applicable to credit institutions, following the system of the previous legislation. It introduces the specific amendments for transposition of Directive 2013/36/EU and hence includes new types of penalties and an amendment of the amount and calculation method for the applicable infringements, as well as their public disclosure.

The additional provisions contain, *inter alia*, the system for preferred shares and the rules applicable to institutional protection systems. This includes a significant number of transitional rules relating to transposed European Union legislation. It also modifies the composition of the Management Board of the Deposit Guarantee Fund by including ministry representatives.

The final provisions make wide-ranging amendments to the Securities Market Act 24/1988, of 28 July, in order to bring investment firms within the scope of the prudential supervision system envisaged for credit institutions under Directive 2013/36/EU. It also strengthens coordination of the CNMV with other Spanish and international supervisors and updates the current penalty system to include the relevant infringements and penalties resulting from failure to comply with solvency rules.

It also updates the regulation on central counterparties to make it compatible with Regulation (EU) No. 648/2012, of the European Parliament and of the Council, of 4 July, on OTC derivatives, central counterparties and trade repositories and its implementing regulations, and it enhances the penalty system applicable to breaches of European Union rules on short selling.

Law 10/2014 repeals the following provisions, as well as all of those of an equal or lower level which contradict this Law:

– The Banking Act of 31 December 1946.

– Law 31/1968, of 27 July, on incompatibility and limits of chairpersons, directors and senior executives of private banks.

– Law 13/1985, of 25 May, on investment ratios, own funds and reporting obligations of financial intermediaries.

– Royal Legislative Decree 1298/1986, of 28 June, adapting legal rules on credit establishments to the legal system of the European Economic Community.

– Law 26/1988, of 29 July, on Discipline and Intervention of Credit Institutions.

– Article 29, Section 2 of Law 2/2011, of 4 March, on the Sustainable Economy.

– Final Provision 13, letter g) of Law 14/2013, of 27 September, on support for entrepreneurs and their internationalisation.

CNMV Circular 3/2014, of 22 October, amending Circular 1/2010, of 28 July, on reserved information of entities providing investment services and Circular 7/2008, of 26 November, on accounting standards, annual accounts and statements of reserved information of investment firms, management companies of collective investment undertakings and management companies of venture capital vehicles.

This Circular aims to provide the CNMV with the resources necessary so as to more efficiently monitor the types of instruments marketed to retail clients. This requires, *inter alia*, increasing the frequency with which entities submit certain reserved statements or adding relevant descriptive information with regard to some characteristics of certain instruments.

Accordingly, the amendment to Circular 1/2010 carried out through Rule 1 of this Circular 3/2014 aims to update the information collected through the reserved statements established by said Circular. The following amendments are carried out with this aim:

– Certain entities (basically those which have a high volume of retail clients, or those which appear to be more active in marketing complex products) are required to submit certain reserved statements on a more regular basis. Accordingly, in addition to annual information, they will be required to submit quarterly information.

– Some of the standard forms for the reserved statements are modified in order to request more specific information about certain characteristics of the financial instruments, especially those which make it possible to identify the level of complexity of such products. Similarly, the Circular standardises the information collected so as to make it easier to compare and handle.

– With the aim of standardising the information provided by companies offering investment services, the requirement to submit certain statements is extended to broker-dealers and brokers and to portfolio management companies.

Furthermore, Rule 2 of this Circular 3/2014 makes the following amendments to Circular 7/2008:

– It eliminates certain statements so as to avoid overlapping with the reserved statements which broker-dealers, brokers and portfolio management companies are required to submit.

– It modifies the statement of activity which must be submitted by financial advisory firms by eliminating the section relating to the value of the assets under management and changing its frequency from half-yearly to annual.

– It includes a new reserved statement for the management companies of collective investment undertakings with the aim of more efficiently monitoring the activities which they perform.

Entry into force of this Circular is set for the day following its publication. However, a specific transitional regime is established for the different amendments.

A.5 Collective investment schemes and venture capital entities

CNMV Circular 4/2014, of 27 October, amending Circular 1/2007, of 11 July, on statistical information requirements for collective investment undertakings of the

European Union, which partially amends Circular 2/1998, of 27 July, on statistical information requirements for collective investment undertakings of the European Monetary Union.

This Circular aims to amend Circular 1/2007 to adapt the EMU (Economic and Monetary Union) standard forms to the new information requirements for monitoring the monetary policy established by the European Central Bank in its Regulation (EU) No. 1071/2013.

CNMV Circular 5/2014, of 27 October, amending Circular 5/2008, of 5 November, on statistical information requirements on assets and liabilities of collective investment undertakings of the European Union.

Circular 5/2014 amends Circular 5/2008 with the aim of adapting the OFI (Other Financial Intermediaries) standard forms to the new information requirements of the European Central Bank, which it establishes in its Regulation (EU) No. 1073/2013.

It also extends the regulation to include venture capital vehicles and other types of collective investment undertakings which may be created as a consequence of possible subsequent legislative changes and which comply with the definition of investment fund contained in Article 1 of the aforementioned Regulation (EU) No. 1073/2013

Law 22/2014, of 12 November, regulating venture capital vehicles, other closed-end collective investment undertakings and management companies of closed-end collective investment undertakings, and amending Law 35/2003, of 4 November, on Collective Investment Undertakings (Corrigendum published in the *BOE* [Official State Gazette] on 14 November).

The aim of this Law is to regulate the legal system for venture capital vehicles, other closed-end collective investment undertakings and the management companies of closed-end investment undertakings. This Law revises the legal framework for venture capital so as to encourage greater fund raising which will allow a larger number of companies to be financed, particularly small and medium-sized enterprises in their first development and expansion stages. The need to adapt the legal framework to new European Union legislation and to promote balanced growth in the sector led to the approval of this Law, which repeals Law 25/2005, of 24 November, regulating venture capital vehicles and their management companies. This Law applies to collective investment undertakings which obtain capital from a series of investors in order to invest it according to a defined investment policy, which are considered as closed-end in accordance with their divestment policies and which are not regulated under Law 35/2003, of 4 November, which mainly regulates open-end collective investment undertakings.

It almost completely eliminates the framework for the administrative intervention of the CNMV in venture capital vehicles and closed-end collective investment undertakings.

In addition, the first final provision of Law 22/2014 amends Law 35/2003, of 4 November, on Collective Investment Undertakings, with the aim of adapting the legal framework of management companies operating alternative collective investment undertakings to Directive 2011/61/EU, of the European Parliament and of the Council, of 8 June 2011, on alternative investment fund managers, and amending Directive 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010.

This introduces a clear differentiation between collective investment undertakings harmonised by Directive 2009/65/EC, of 13 July, and alternative collective investment undertakings. Accordingly, the structure of Law 35/2003, of 4 November, is maintained and it continues containing the regulation of open-end collective investment undertakings and their management companies, leaving the regulation of venture capital vehicles and closed-end collective investment undertakings and their management companies to the new Law.

As a significant new aspect, Title III of this Law includes the requirements for cross-border marketing and management, which includes the European passport for alternative investment funds of Member States of the European Union operated by alternative investment fund managers authorised in Member States of the European Union in accordance with Directive 2011/61/EU, of the European Parliament and of the Council, of 8 June 2011.

A.6 Securitisation funds and bank asset funds

CNMV Circular 6/2014, of 27 October, partially amending Circular 2/2009, of 25 March, on accounting standards, annual accounts, public financial statements and reserved statements of statistical information of securitisation funds.

Circular 6/2014 amends Circular 2/2009 with the aim of incorporating the amendments introduced by European Central Bank Regulation (EU) No. 1075/2013 and, consequently, to adapt the forms regulated in said Circular to the new information requirements of the European Central Bank. These new requirements essentially refer to the information which, in order to contribute to the statistics of the European Central Bank, must be submitted on the financial vehicle corporations engaged in securitisation transactions, which includes asset securitisation funds and bank asset funds.

CNMV Circular 7/2014, of 27 de October, amending Circular 6/2013, of 25 September, on accounting standards, annual accounts, public financial statements and reserved statements of statistical information of bank asset funds.

Circular 7/2014 amends Circular 6/2013 with the aim of adapting the standard forms regulated therein to the new information requirements of the European Central Bank, by introducing modifications in the information which, in order to contribute to the statistics of the European Central Back, must be submitted on the financial vehicle corporations engaged in securitisation transactions, which includes bank asset funds. These new information requirements are established in European Central Bank Regulation (EU) No. 1075/2013, which repeals European Central Bank Regulation (EC) No. 24/2009 with the aim of adapting to the EU's new European System of National and Regional Accounts (ESA 2010), established by Regulation (EU) No. 549/2013, of the European Parliament and of the Council, of 21 May 2013.

A.7 Corporate governance

Law 31/2014, of 3 December, amending the Capital Companies Act to enhance corporate governance.

Law 31/2014 has been drawn up based on the report of 14 October 2013 prepared by the Commission of Experts on corporate governance created to propose legislative initiatives and reforms considered suitable for ensuring the good governance of companies and to provide support and advice to the CNMV in amending the Unified Good Governance Code of Listed Companies. The final aim of this work was to ensure adequate functioning of the governance and management bodies of Spanish companies with the aim of maximising competitiveness, generating confidence and transparency for Spanish and foreign shareholders and investors, improving the internal control and corporate responsibility of Spanish companies, and ensuring the appropriate segregation of functions, duties and responsibilities in companies, from a perspective of the highest level of professionalism and standards.

With these aims, the sole article of this Law introduces amendments to the consolidated text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, which may be mainly grouped into two categories: those relating to general shareholders' meeting and those relating to the board of directors.

Amendments relating to the general shareholders' meeting aim to strengthen the role of this company body and to open the way for increased shareholder participation. With this aim, it introduces amendments relating to the powers of the general meeting, minority rights in listed companies, conflicts of interest, the calling and adoption of resolutions, shareholders' rights to information and challenges to corporate resolutions. The key amendments are as follows:

– It extends to all capital companies the possibility that the shareholders' meeting may give management instructions, without prejudice to company articles of association that state the opposite.

– It extends the powers of companies' shareholders' meetings to reserve for their approval those corporate operations which, as a result of their importance, have similar effects to structural modifications, such as the acquisition, disposal or contribution to the company of essential assets.

– In listed companies it reduces the necessary threshold for shareholders to be able to exercise certain rights to 3% of the share capital and it establishes the maximum number of shares required by company articles of association for attending the general meeting to one thousand.

– It guarantees that shareholders may give their opinion separately on the appointment, re-election or removal of directors or on modifications to the articles of association, and that they may issue their vote in a differentiated manner.

– It reforms the legal treatment of conflicts of interest. For this purpose, it extends to public limited companies the ban on exercising the right to vote in the most serious cases of conflicts of interest and it provides an assumption of a breach of corporate interests in the event that the corporate resolution has been adopted with the determining vote of any shareholder subject to a conflict of interest.

– It clarifies the information that must be published with regard to resolution proposals.

- It expressly establishes that the criteria for calculating the majority necessary for the valid adoption of a resolution by the general meeting is a simple majority, which removes doubts over interpretation that existed in practice.

- It amends the framework for the right of shareholders to information so as to differentiate between the legal consequences of the different categories of this right. In the case of listed companies, the time period in which shareholders may exercise the right to prior information before the general meeting is extended to five days.

- The legal framework for challenging corporate resolutions is amended by unifying all the challenges under one single general cancellation system, with an expiry deadline of one year, except for resolutions which go against public order, with no statute of limitations. For listed companies, this expiry deadline is reduced to three months.

- A minority shareholding threshold of 1% is established in the case of unlisted companies, and of 0.1% in the case of listed companies, in order to be allowed to challenge corporate resolutions.

With regard to the board of directors, it was necessary to regulate certain increasingly important aspects, such as the transparency of governance bodies, fair treatment of all shareholders, risk management and the independence, participation and professionalism of board members. With this purpose, the key amendments are as follows:

- The powers of the board of directors which may not be delegated are established as those decisions corresponding to essential core management and supervision.

- It establishes that the board of directors must meet at least once a quarter.

- A series of measures is introduced aimed at contributing towards the correct functioning of the board. Noteworthy among the other measures is the requirement of board members to personally attend meeting sessions, certain conditions for directors to delegate their vote and the information which they must receive in order to deliberate and adopt the resolutions.

- The Law regulates the functions of the chair and the secretary of the board of directors, providing for possible extension in the articles of association, and limits the maximum term, which may not exceed four years.

- It allows the board of directors to establish specialised committees, with it being mandatory to establish an audit committee and one or two separate committees for appointments and remuneration. The committees will be made up of non-executive directors and chaired by an independent director.

Similarly, it is important to highlight the amendment to the additional seventh provision of the consolidated text of the Capital Companies Act for the purposes of amending the allocation of the necessary powers to the CNMV to carry out supervision and, consequently, to bring and investigate disciplinary proceedings resulting from breaches of certain requirements established in the Law.

Similarly, it adds a ninth additional provision to the consolidated text of the Capital Companies Act which extends the legal framework for the committees of the board of directors and the audit committee to entities issuing securities other than shares admitted to trading on official secondary markets.

Law 31/2014 also makes amendments to the Securities Market Act 24/1998, of 28 July, which include:

– Article 61 *bis* and 61 *ter*, Article 100 b) *ter* and b) *quáter* and the eighteenth additional provision are repealed.

– Article 100 b) is rewritten.

A.8 Insolvency

Law 1/2014, of 28 February, on the protection of part-time workers and other urgent social and economic measures.

This Law principally establishes reforms which contribute towards the recovery of economic growth and job creation, and at the same time it adopts significant reforms in the infrastructure and transport sector and in the housing sector so as to improve their competitiveness and their efficiency.

In this regard, it is important to highlight the amendments relating to the Social Security protection applicable to part-time workers and the amendments aimed at granting greater legal certainty to the recipients of unemployment benefits and subsidies.

Similarly, Sections 2 and 6 of Article 64 of Insolvency Act 22/2003, of 9 July, are amended by means of Article 10 of Law 1/2014, relating to the processing of procedures for substantial modification of collective work conditions, including collective transfers, and the collective suspension or termination of employment once bankruptcy is declared, and to the changes which affect the negotiating committee in consultation procedures.

The additional provisions of Law 1/2014 regulate and clarify various issues, including the new provision relating to considering the SAREB as a collaborating entity in the management of the support given under State housing plans so that the loans agreed with said entity can maintain the associated State support.

This new provision is necessary due to the fact that the transfer of assets from the different financial institutions to the SAREB has led to the transfer of different agreed loans which are beneficiaries of some type of State support. However, the fact that the SAREB was not in itself considered a collaborating financial institution led to the unwanted consequence of the loss of this support, which needed to be rectified.

Royal Decree-Law 4/2014, of 7 March, adopting urgent measures on business debt refinancing and restructuring.

The main objective of Royal Decree-Law 4/2014 is to adopt measures to promote the financial restructuring of companies so as to allow them to continue meeting their commitments in the course of trade, respecting legitimate expectations of creditors, who must participate actively in the process and with the highest guarantees.

This reform aims to improve the debtor's asset position and it therefore focuses on improving the pre-bankruptcy legal framework of the financing agreements. This is due to the fact that, although this pre-bankruptcy stage is truly decisive for a company's financial restructuring, bankruptcy legislation was somewhat rigid, which made it impossible to achieve the desired results.

Thus, several amendments are made to the Insolvency Act, which include:

– An amendment is made to Article 5 *bis* of the Insolvency Act in the sense that the notification of the start of negotiations to achieve certain agreements may lead to a suspension of certain enforcements, except those which result from public law loans. This amendment aims to promote effective negotiation without accelerating the debtor's insolvency situation as a result of the hurried enforcement of guarantees on certain assets.

– An amendment is made to Article 56 with the aim of limiting the suspension of the enforcement of secured assets when said assets are necessary for the continuity of the professional or business activity.

– A specific article is established (Article 71 *bis*) to regulate the special regime for the non-termination of certain refinancing agreements.

– With the aim of encouraging the granting of new financing, the loans which involve new sources of cash and which are being granted in the framework of a refinancing agreement are given the classification of claims against the estate on an extraordinary and temporary basis for a period of two years.

– At the end of the two-year period following granting the loan, they will be considered claims against the estate in the terms indicated in Section 2.11 of Article 84 of the Insolvency Act.

– Measures are established with the aim of favouring the transformation of debt into capital, reducing the majorities required by the Capital Companies Act and establishing, with the due precautions and guarantees, the presumption of guilt of any debtor who refuses without reasonable cause to execute a recapitalisation agreement.

The final provisions of this Royal Decree-Law 4/2014 amend several rules, among which we can highlight the amendment included in the eighth final provision. By virtue of this provision, an amendment is made to Article 8 of Royal Decree 1066/2007, of 27 July, on rules applicable to takeover bids for securities, removing the need for a takeover bid and the need, as the case may be, for a request for an exemption from the CNMV in the case of operations performed as a direct consequence of a court-approved refinancing agreement, providing a favourable report is given by an independent expert.

Similarly, the main amendments included in the other final provisions include the following:

– The first final provision amends Article 568 of Law 1/2000, of 7 January, on Civil Procedure, to adapt the suspension regime in the case of bankruptcy or pre-bankruptcy situations to the amendments introduced to Article 5 *bis* of the Insolvency Act.

– The fifth final provision amends Law 3/2009, of 3 April, on structural modifications of commercial companies, with the aim of abolishing the requirement for a director's report on the draft terms of a merger in the case of a merger by acquisition with a company in which a holding of over 90% is held in the case of cross-border EU mergers.

– The sixth final provision introduces an amendment to Law 3/2004, of 29 December, on combating late payment in commercial transactions. Specifically, it amends the last paragraph of Section 1 of Article 9 for the purposes of adapting it to current legislation.

– The seventh final provision amends Royal Decree-Law 10/2008, of 12 December, adopting financial measures to improve the liquidity of small- and medium-sized enterprises, and other supplementary economic measures to prevent companies incurring in a legal reason for capital reduction and, as the case may be, of dissolution as a result of losses. This new provision will only be applicable on an exceptional basis in financial years which close in 2014.

Royal Decree-Law 11/2014, of 5 September, regarding urgent measures on insolvency.

This Royal Decree-Law introduces a series of measures on insolvency so as to allow business activity to continue for the benefit not of the company, but of the employees and creditors, among others. It also adopts a series of measures to increase flexibility in transferring the business of the insolvent debtor or some of its business lines and to overcome the obstacles which currently hinder the sale.

Its fourth additional provision includes a new aspect on the trading of asset securitisation funds aimed at institutional investors on multilateral trading facilities. To this effect, it establishes that when the securities issued by said funds are exclusively aimed at institutional investors, they may only be transferred to investors belonging to that category and on a multilateral trading facility in which the subscription and trading are restricted to qualified investors.

The final provisions of Royal Decree-Law 11/2014 make the following legislative amendments:

– Amendment of the transitional provision of the consolidated text of the Capital Companies Act.

– Amendment of Law 9/2012, of 14 November, on restructuring and resolution of credit institutions.

– Amendment of Law 1/2000, of 7 January, on Civil Procedure.

Law 17/2014, 30 September, adopting urgent measures on the refinancing and restructuring of business debt.

This Law amends various provisions of the Insolvency Act 22/2003, of 9 July. The aim of this Law is for public authorities to adopt measures in favour of relieving the financial load or deleveraging companies in order to restructure them from a financial point of view so as to make the remaining debt bearable. This will thus allow the company to continue meeting its commitments in its business operations, generating wealth and creating jobs. This is done with the utmost respect for creditors' legitimate expectations.

The final part of this Law contains various provisions, noteworthy among which are the amendments to Law 3/2009, of 3 April, on structural modifications to commercial companies, with the aim of abolishing the requirement of a director's report on draft terms of merger in the case of the acquisition of a company in which a shareholding of over 90% is held in the case of a cross-border EU merger. This is a requirement which is no longer provided for in Article 15.2 of Directive 2005/56/EC, following its amendment by Directive 2009/109/EC, as regards reporting and documentation requirements in the case of mergers and spin-offs.

Similarly, it amends Article 8 of Royal Decree 1066/2007, of 27 July, on rules applicable to takeover bids for securities, exempting the takeover bid and the need to request, as the case may be, a waiver from the CNMV, in the case of operations performed as a direct consequence of a court-approved re-financing agreement, providing a favourable report has been given by an independent expert.

A.9 Other legislation

Royal Decree 215/2014, of 28 March, approving the Organic Statute of the Independent Authority for Fiscal Responsibility (Corrigendum published in the *BOE* [Official State Gazette] of 1 May 2014).

In accordance with the provisions of Article 8.2 of Constitutional Law 6/2013, of 14 November, on the creation of the Independent Authority for Fiscal Responsibility, this Royal Decree, divided into six chapters, approves the constitutional charter of the authority, which is a public law institution with legal personality and full public and private capacity and which is autonomous and functionally independent from other Public Administration Services.

Royal Decree 304/2014, of 5 May, approving the Regulation of Law 10/2010, of 28 April, on the prevention of money laundering and terrorist financing.

This Royal Decree implements Law 10/2010, of 28 April, on the prevention of money laundering and terrorist financing, by virtue of the authority granted to the government, in its own fifth final provision, to approve the regulatory provisions for executing and implementing the aforementioned Law 10/2010.

This Regulation completes the new risk-orientated approach of preventive legislation in Spain, incorporating the main new international developments arising from the approval of the new recommendations of the Financial Action Task Force (FATF).

For this purpose, this Regulation regulates the obligations of the entities subject to the law as indicated in Article 2 of Law 10/2010, the institutional organisation as regards the prevention of money laundering and terrorist financing and international financial penalties and countermeasures, while at the same time establishing the structure and functioning of the Financial Ownership File.

It establishes basic and common requirements for all entities subject to the Regulation, allowing a margin of adaptation in application of the Regulation to specific cases. It imposes the adoption of measures to increase effectiveness and efficiency in the use of available resources, emphasising situations, products and customers which have a higher risk level. Accordingly, the entities subject to the law will have to analyse the main risks they face in order to design internal policies and procedures adapted to the entity's risk profile, according to the specific characteristics of the customer and the transaction.

Similarly, it limits the procedural obligations for smaller entities subject to the law, and increases the requirements depending on the dimension and business volume of the entity. Larger entities are required to implement centralised, specialised and automated processing.

Furthermore, the law specifies the content, functioning and possibilities of access to the Financial Ownership File, which, pursuant to Article 50 of this Regulation, is an administrative file created with the aim of preventing and impeding money laundering and terrorist financing.

Finally, a review is carried out of the institutional system focused on the prevention of money laundering and terrorist financing, and the Commission for the Prevention of Money Laundering and Monetary Offences is strengthened, by means of extending the participating institutions and creating a new body reporting to it: the Financial Intelligence Committee. In this regard, it is notable that, pursuant to Article 63 of this Regulation, the plenary session of the aforementioned Commission for the Prevention of Money Laundering and Monetary Offences will be made up of members belonging to different State institutions, including the Director General of the Legal Service of the CNMV. Similarly, the members of the Standing Committee provided for in Section 2 of Article 64 of the Regulation include a CNMV representative.

With entry into force of this Royal Decree, Royal Decree 925/1995, of 9 June, approving the Regulation of Law 19/1993, of 28 December, on certain money laundering prevention measures, is repealed. The remaining legislation relating to this matter will remain in force in as much as it does not contradict the provisions in this Regulation.

Royal Decree 636/2014, of 25 July, creating the head office of economic-financial information of the public administration services and regulating the sending of information by the Bank of Spain and financial institutions to the Ministry of Finance and Public Administration Services.

This Royal Decree is passed as a result of the need to have coordinated, organised and clear economic-financial information drawn up with certain standardised criteria relating to the different public administration services and in compliance with the principle of transparency in public information. It creates a head office of economic-financial information which simplifies access to public information and the manner in which it is offered.

The creation and start-up of the head office for economic-financial information of the public administration services will lead to a reduction in information search times, it will improve the quantity and quality of economic, budgetary, financial and statistical information published by the Ministry of Finance and Public Administration Services, it will increase interoperability and the re-use of such information and it will avoid duplication and the dispersion of publications.

It further implements Constitutional Law 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability by regulating the reporting obligations of the Bank of

Spain and banks, savings banks and other financial institutions to the Ministry of Finance and Public Administration Services with regard to the indebtedness of public administration services and their related or dependent entities or bodies.

In accordance with Article 5 of this Royal Decree 636/2014, the following are required to report to the manager of the head office of economic-financial information of the public administration services, through the head office itself:

– The management centres of the Ministry of Finance and Public Administration Services which are responsible for the information, as well as their dependent or related entities or bodies.

– The management centres of the other ministerial departments into which the central government is structured, as well as their dependent or related entities or bodies.

B European legislation

B.1 Markets in financial instruments

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 (MiFIR).

Regulation (EU) No. 600/2014 establishes, together with Directive 2014/65/EU (MiFID II), the legal framework which regulates the requirements applicable to investment firms, regulated markets and data reporting services providers, and therefore both legal instruments should be read as a whole.

This Regulation establishes uniform requirements in relation to the disclosure of trading data. Accordingly, Title II establishes the legal framework applicable to transparency for trading venues, distinguishing between transparency for equity instruments and non-equity instruments. Title III regulates the transparency for systematic internalisers and investment firms trading OTC.

Title IV regulates transaction reporting to competent authorities, establishing the obligations for investment firms to uphold the integrity of markets, maintain records, report transactions and supply financial instrument reference data.

Derivatives are regulated in Title V, which establishes the obligation to trade on a regulated market, MTF or OTF and the clearing obligation for derivatives traded on markets. ESMA is entrusted with the preparation of draft regulatory technical standards in order to specify certain aspects of these obligations.

Title VI regulates the non-discriminatory clearing access for financial instruments. It expressly regulates the non-discriminatory access to a CCP, non-discriminatory access to a trading venue, non-discriminatory access to and obligation to license benchmarks, as well as access for third-country CCPs and trading venues.

The intervention powers of competent authorities, ESMA and the European Banking Authority (EBA), and the powers of ESMA on position management controls and position limits are regulated in Title VII.

Title VIII focuses on the provision of services and performance of activities by third-country firms following an equivalence decision with or without a branch.

This Regulation (EU) No. 600/2014 amends Regulation (EU) No. 648/2012, of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories.

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

This Directive should be read together with Regulation (EU) No. 600/2014 (MiFIR). Specifically, the Directive shall apply to investment firms, market operators, data reporting service providers and third-country firms providing investment services or performing investment activities through the establishment of a branch in the European Union.

The Directive contains the provisions governing the authorisation of the business, the acquisition of qualifying holdings, the exercise of the freedom of establishment and of the freedom to provide services, the operating conditions for investment firms to ensure investor protection, the powers of supervisory authorities of home and host Member States and the regime for imposing sanctions.

Title II regulates the authorisation and operating conditions for investment firms, establishing the requirement for authorisation, as well as the procedure both for the concession and withdrawal of authorisations. It also pays special attention to the corporate governance of investment firms, as well as the suitability of shareholders or members with qualifying holdings.

The authorisation of regulated markets, the requirements applicable to the management body of a market operator or the persons exercising significant influence over the management of the regulated market, and the organisational requirements and certain aspects of their functioning are regulated in Title III of this Directive. This Title also regulates the rules for access to a regulated market and the monitoring of compliance with the rules of the regulated market and with other legal obligations.

Title IV addresses position limits and position management controls in commodity derivatives and reporting.

The authorisation of data reporting service providers (requirement, scope, procedure, withdrawal of authorisations, requirements and conditions) are regulated in Title V of this Directive.

Title VI addresses supervision, cooperation and enforcement by competent authorities.

This Directive repeals Directive 2004/39/EC with effect from 3 January 2017.

Regulation (EU) No. 1286/2014, of the European Parliament and of the Council, of 26 November 2014, on key information documents for packaged retail and insurance-based investment products (Corrigendum published in the OJEU of 13 December 2014).

This Regulation (EU) No. 1286/2014 establishes uniform rules on the format and content of the key information documents which must be drawn up for packaged retail and insurance-based investment products (PRIIPs), as well as the provision of the key information document to retail investors so that they can understand and compare the key features and risks of certain products.

The scope of this Regulation covers packaged retail and insurance-based investment products and the people who provide advice or who sell such products. It excludes the following products:

- Non-life insurance products as listed in Annex I of Directive 2009/138/EC.
- Life insurance contracts where the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity.
- Deposits other than structured deposits as defined in Article 4, Section 1, Point 43 of Directive 2014/65/EU.
- Securities as referred to in letters b) to g), i) and j) of Article 1, Section 2 of Directive 2003/71/EC.
- Pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits.
- Officially recognised occupational pension schemes within the scope of Directive 2003/41/EC, of the European Parliament and of the Council, and of Directive 2009/138/EC.
- Individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider.

As strengthening the confidence of retail investors in financial markets requires improvements to the information on packaged retail and insurance-based products, it is also important to have effective regulation of the sale processes for such products. Consequently, this Regulation is supplementary to the measures on distribution established in Directive 2014/65/EU (MiFID).

B.2 Market abuse

Regulation (EU) No. 596/2014, of the European Parliament and of the Council, of 16 April 2014, on market abuse (Market Abuse Regulation), repealing Directive 2003/6/EC, of the European Parliament and of the Council, and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

This Regulation (EU) No. 596/2014 establishes a common regulatory framework in the area of market abuse, which is more uniform and stronger in order to preserve market integrity, avoid potential regulatory arbitrage and ensure accountability in the event of attempted manipulation. It also aims to provide greater legal certainty and less regulatory complexity for market participants and enhance investor protection and confidence in those markets.

The scope of this Regulation is wider than the previous regulation. The Regulation applies to the following:

- Financial instruments admitted to trading on a regulated market or for which a request for admission to trading on a regulated market has been made.

- Financial instruments traded on a multilateral trading facility (MTF), admitted to trading on an MTF or for which a request for admission to trading on an MTF has been made.

- Financial instruments traded on an organised trading facility (OTF).

- Other financial instruments the price or value of which depends or has an effect on the price or value of a financial instrument referred to in the above points, including, but not limited to, credit default swaps and contracts for difference.

For the purposes of transparency, operators of a regulated market, an MTF or an OTF should notify, without delay, their competent authority of details of the financial instruments which they have admitted to trading, for which there has been a request for admission to trading or that have been traded on their trading venue, as well as when the instrument ceases to be traded or admitted to trading. The notifications should be submitted to the European Securities and Markets Authority (ESMA) by the competent authorities and ESMA should publish a list of all the financial instruments notified.

For the purposes of this Regulation, "market abuse" encompasses unlawful behaviour in the financial markets and should be understood to consist of insider dealing, unlawful disclosure of inside information and market manipulation. In this regard, Article 7 specifies which types of information should be deemed as inside information, Article 10 specifies when unlawful disclosure of inside information takes place, and Article 12 lays down the activities included under market manipulation.

For the purposes of adapting the legislation to legislative, market and technological developments, this Regulation repeals the following legislation as from 3 July 2016:

- Directive 2003/6/EC, of the European Parliament and of the Council, of 28 January 2003, on insider dealing and market manipulation (market abuse) with effect from 3 July 2016.

- Directive 2003/124/EC, implementing Directive 2003/6/EC, of the European Parliament and of the Council, as regards the definition and public disclosure of inside information and the definition of market manipulation.

- Directive 2003/125/EC, implementing Directive 2003/6/EC, of the European Parliament and of the Council, as regards the fair presentation of investment recommendations and the disclosure of conflicts of interest.

- Directive 2004/72/EC implementing Directive 2003/6/EC, of the European Parliament and of the Council, as regards accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of managers' transactions and the notification of suspicious transactions.

Directive 2014/57/EU, of the European Parliament and of the Council, of 16 April 2014, on criminal sanctions for market abuse (Market Abuse Directive).

This Directive establishes minimum rules for criminal sanctions for insider dealing, for unlawful disclosure of inside information and for market manipulation to ensure the integrity of financial markets in the European Union and to enhance investor protection and confidence in those markets.

The scope of this Directive is determined in such a way as to complement and ensure the effective implementation of the Market Abuse Regulation (Regulation (EU) No. 596/2014). For this purpose, this Directive applies to the following:

- Financial instruments admitted to trading on a regulated market or for which a request for admission to trading on a regulated market has been made.

- Financial instruments traded on an MTF, admitted to trading on an MTF or for which a request for admission to trading on an MTF has been made.

- Financial instruments traded on an OTF.

- Other financial instruments the price or value of which depends or has an effect on the price or value of a financial instrument referred to in the above points, including, but not limited to, credit default swaps and contracts for difference.

It also applies to conduct and transactions, including bids, relating to the auctioning on an auction platform authorised as a regulated market of emission allowances or other auctioned products based thereon, including when auctioned products are not financial instruments.

In line with the Market Abuse Regulation, this Directive does not apply to:

- Trading in own shares in buyback programmes.

- Trading in securities or associated instruments for the stabilisation of securities.

- Transactions, orders or conduct carried out in pursuit of monetary policy, exchange rate or public debt management, activities in pursuit of the European Union's Climate Policy or activities in pursuit of the European Union's Common Agricultural Policy or Common Fisheries Policy.

This Directive strengthens compliance with rules on market abuse and establishes criminal sanctions for the most serious types of market abuse.

For this purpose, insider dealing and the unlawful disclosure of inside information should be deemed to be serious in cases such as those where the impact on the integrity of the market, the actual or potential profit derived or loss avoided, the level of damage caused to the market, or the overall value of the financial instruments traded is high. Other circumstances will be taken into account including where an offence has been committed within the framework of a criminal organisation or where the person has committed such an offence before.

Market manipulation should be deemed to be serious is cases such as those where the impact on the integrity of the market, the actual or potential profit derived or loss avoided, the level of damage caused to the market, the level of alteration of the value of the financial instrument or spot commodity contract, or the amount of funds originally used is high or where the manipulation is committed by a person employed or working in the financial sector or in a supervisory or regulatory authority.

This Directive 2014/57/EU requires Member States to ensure that inciting, aiding and abetting the commission of criminal offences are also punishable. It also establishes the minimum duration of the maximum imprisonment for each one of the offences, which is at least four years for insider dealing and market manipulation, and at least two years for unlawful disclosure of inside information.

It establishes that Member States should extend liability for the offences provided for in this Directive to legal persons through the imposition of criminal or non-criminal sanctions or other measures which are effective, proportionate and dissuasive (exclusion from entitlement to public benefits or aid, temporary or permanent disqualification from the practice of commercial activities, placement under judicial supervision, judicial winding up or temporary or permanent closure of establishments which have been used for committing the offence).

B.3 Issuers and listed companies

Commission Delegated Regulation (EU) No. 382/2014, of 7 March 2014, supplementing Directive 2003/71/EC, of the European Parliament and of the Council, with regard to regulatory technical standards for publication of supplements to the prospectus.

This Delegated Regulation establishes regulatory technical standards which specify certain situations in which the publication of a supplement to the prospectus will be mandatory, without prejudice to the fact that, depending on the characteristics of the issuer or the specific securities, it may be appropriate to publish a supplement in other additional cases.

In this regard, in general, the Delegated Regulation establishes the requirement to publish a supplement to the prospectus at least in the following circumstances:

– Publication of new annual audited financial statements.

– Publication of an amendment to a profit forecast or profit estimate already included in the prospectus.

– Change in control of the issuer.

– Submission of a new public takeover bid by third parties during the offer period of a previous bid, or outcome of any public takeover bid.

– Change in the working capital statement included in the prospectus when the working capital becomes sufficient or insufficient for the issuer's present requirements.

– Application for admission to trading on (an) additional regulated market(s) in (an) additional Member State(s) or intention to make an offer to the public in (an) additional Member State(s) other than the one(s) provided for in the prospectus.

– Undertaking of a new significant financial commitment.

– Increase of the aggregate nominal amount of an offering programme.

B.4 Investment services firms and credit institutions

Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms, and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012, of the European Parliament and of the Council.

This Directive lays down rules and procedures relating to the recovery and resolution of the following entities:

– Institutions that are established in the European Union.

– Financial institutions that are established in the European Union when the financial institution is a subsidiary of a credit institution or investment firm.

– Financial holding companies, mixed financial holding companies and mixed-activity holding companies that are established in the European Union.

– Parent financial holding companies in a Member State, European Union parent financial holding companies, parent mixed financial holding companies in a Member State and European Union parent mixed financial holding companies.

– Branches of institutions that are established outside the European Union in accordance with the specific conditions laid down in this Directive.

This Directive seeks to a establish a regime which provides authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of the institution's failure on the economic and financial system.

In this regard, the new powers given to authorities should help avoid destabilising financial markets and minimise the costs for taxpayers. These powers should enable authorities, for example, to maintain uninterrupted access to deposits and payment transactions, sell viable portions of the institution where appropriate, and apportion losses in a manner that is fair and foreseeable.

Member States are free to designate one or, exceptionally, more resolution authorities that are empowered to apply the resolution tools and exercise the resolution powers in line with this Directive, ensuring the required speed of action, guaranteeing independence from economic agents and avoiding conflicts of interest. These resolution authorities may be national central banks, competent ministerial departments or other public administrative authorities entrusted with public administrative powers.

This Directive 2014/59/EU pays special attention to recovery and resolution planning, which are key components of effective resolution.

Directly related to this is early intervention, which is the focus of Title III of this Directive. In this regard and in order to preserve financial stability, it is important that competent authorities are able to remedy the deterioration of an institution's financial and economic situation before that institution reaches a point at which authorities have no other alternative than to resolve it. To that end, competent authorities should be granted early intervention powers.

Title IV focuses on resolution, which must be carried out to ensure the continuity of critical functions, avoid adverse effects on financial stability, protect public funds by minimising reliance on extraordinary public financial support to failing institutions, protect depositors covered by Directive 2014/49/EU and investors covered by Directive 97/9/EC, and to protect client funds and assets.

Titles V, VI and VII cover the legislative framework applicable to cross-border group resolution, to relations with third countries and to financing arrangements, respectively.

Title VIII addresses both administrative penalties and other administrative measures, in order to cover all actions applied after an infringement is committed, and which are intended to prevent further infringements, irrespective of their qualification as a sanction or another administrative measure under national law.

Finally, Title IX regulates the powers of execution and, specifically, the exercise of the delegation, pursuant to which power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in the Directive.

Similarly, Articles 116 to 126 of this Directive establish the amendments to Directives 82/891/EEC, 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU and to Regulations (EU) No. 1093/2010 and (EU) No. 648/2012.

Regulation (EU) No. 806/2014 of the European Parliament and of the Council, of 15 July, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms within the framework of a Single Resolution Mechanism and a Single Resolution Fund, and amending Regulation (EU) No. 1093/2010.

This Regulation establishes uniform rules and a uniform procedure for the resolution of entities included in its scope which are established in the participating Member States in accordance with Article 4.

The scope of this Regulation includes the following entities:

– Credit institutions established in the participating Member States.

– Parent undertakings, including financial holding companies and mixed financial holding companies, established in a participating Member State, where they are subject to consolidated supervision carried out by the ECB in accordance with Article 4, Section 1, Letter g) of Regulation (EU) No. 1024/2013.

– Investment firms and financial institutions established in a participating Member State, where they are covered by the consolidated supervision of the parent undertaking carried out by the ECB in accordance with Article 4, Section 1, Letter g) of Regulation (EU) No. 1024/2013.

The Regulation is divided into four parts:

– Part I covers the general provisions and includes mainly the subject matter, scope, definitions and other general aspects.

– Part II contains specific provisions relating to functions within the Single Resolution Mechanism (SRM) such as planning, early intervention, resolution, cooperation, investigatory powers and penalties.

– Part III, relating to the institutional framework, regulates the Board and, particularly, its plenary sessions, its executive sessions and its chairperson. It also regulates the Single Resolution Fund, particularly its constitution, its administration and use.

– Part IV regulates the powers of execution.

Regulatory technical standards and implementing technical standards adopted by the Commission:

– **Commission Delegated Regulation (EU) No. 183/2014, of 20 December 2013**, supplementing Regulation (EU) No. 575/2013, of the European Parliament and of the Council, on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments.

– **Commission Delegated Regulation (EU) No. 241/2014, of 7 January 2014**, supplementing Regulation (EU) No. 575/2013, of the European Parliament and of the Council, with regard to regulatory technical standards for own fund requirements for institutions.

– **Commission Delegated Regulation (EU) No. 342/2014, of 21 January 2014**, supplementing Directive 2002/87/EC, of the European Parliament and of the Council, and Regulation (EU) No. **575/2013**, of the European Parliament and of the Council, with regard to regulatory technical standards for the application of the calculation methods of capital adequacy requirements for financial conglomerates.

– **Commission Delegated Regulation (EU) No. 604/2014, of 4 March 2014**, supplementing Directive 2013/36/EU, of the European Parliament and of the Council, with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

– **Commission Delegated Regulation (EU) No. 523/2014, of 12 March 2014**, supplementing Regulation (EU) No. 575/2013, of the European Parliament and of the Council, with regard to regulatory technical standards for determining what constitutes the close correspondence between the value of an institution's covered bonds and the value of the institution's assets.

– **Commission Delegated Regulation (EU) No. 524/2014, of 12 March 2014**, supplementing Directive 2013/36/EU, of the European Parliament and of the Council, with regard to regulatory technical standards specifying the information that competent authorities of home and host Member States must supply to one another.

– **Commission Delegated Regulation (EU) No. 525/2014, of 12 March 2014,** supplementing Regulation (EU) No. 575/2013, of the European Parliament and of the Council, with regard to regulatory technical standards for the definition of "market".

– **Commission Delegated Regulation (EU) No. 526/2014, of 12 March 2014,** supplementing Regulation (EU) No. 575/2013, of the European Parliament and of the Council, with regard to regulatory technical standards for determining proxy spread and limited smaller portfolios for credit valuation adjustment risk.

– **Commission Delegated Regulation (EU) No. 527/2014, of 12 March 2014,** supplementing Directive (EU) No. 2013/36/EU, of the European Parliament and of the Council, with regard to regulatory technical standards specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration.

– **Commission Delegated Regulation (EU) No. 528/2014, of 12 March 2014,** supplementing Regulation (EU) No. 575/2013, of the European Parliament and of the Council, with regard to regulatory technical standards for non-delta risk of options in the standardised market risk approach.

– **Commission Delegated Regulation (EU) No. 529/2014, of 12 March 2014,** supplementing Regulation (EU) No. 575/2013, of the European Parliament and of the Council, with regard to regulatory technical standards for assessing the materiality of extensions and changes of the Internal Ratings Bases Approach and the Advanced Measurement Approach.

– **Commission Delegated Regulation (EU) No. 530/2014, of 12 March 2014,** supplementing Directive (EU) No. 2013/36/EU, of the European Parliament and of the Council, with regard to regulatory technical standards further defining material exposures and thresholds for internal approaches to specific risk in the trading book.

– **Commission Delegated Regulation (EU) No. 625/2014, of 13 March 2014,** supplementing Regulation (EU) No. 575/2013, of the European Parliament and of the Council, by way of regulatory technical standards specifying the requirements for investors, sponsors, original lenders and originator institutions relating to exposures to transferred credit risk**.**

– **Commission Implementing Regulation (EU) No. 680/2014, of 16 April 2014,** laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No. 575/2013, of the European Parliament and of the Council.

– **Commission Implementing Regulation (EU) No. 591/2014, of 3 June 2014,** on the extension of the transitional period related to own fund requirements for exposures to central counterparties in Regulation (EU) No. 575/2013 and Regulation (EU) No. 648/2012, of the European Parliament and of the Council.

– **Commission Implementing Regulation (EU) No. 602/2014, of 4 June 2014,** laying down implementing technical standards for facilitating the convergence of supervisory practices with regard to the implementation of additional risk weights according to Regulation (EU) No. 575/2013, of the European Parliament and of the Council.

– **Commission Implementing Regulation (EU) No. 620/2014, of 4 June 2014**, laying down implementing technical standards with regard to information exchange between competent authorities of home and host Member States, according to Directive 2013/36/EU, of the European Parliament and of the Council.

– **Commission Implementing Regulation (EU) No. 650/2014, of 4 June 2014**, laying down implementing technical standards with regard to the format, structure, contents list and annual publication date of the information to be disclosed by competent authorities in accordance with Directive 2013/36/EU, of the European Parliament and of the Council.

– **Commission Delegated Regulation (EU) No. 1151/2014, of 4 June 2014**, supplementing Directive 2013/36/EU, of the European Parliament and of the Council, with regard to regulatory technical standards on the information to be notified when exercising the right of establishment and the freedom to provide services.

– **Commission Delegated Regulation (EU) No. 1152/2014, of 4 June 2014**, supplementing Directive 2013/36/EU, of the European Parliament and of the Council, with regard to regulatory technical standards on the identification of the geographical location of the relevant credit exposures for calculating institution-specific countercyclical capital buffer rates.

– **Commission Implementing Regulation (EU) No. 710/2014, of 23 June 2014**, laying down implementing technical standards with regard to conditions of application of the joint decision process for institution-specific prudential requirements according to Directive 2013/36/EU, of the European Parliament and of the Council.

– **Commission Implementing Regulation (EU) No. 926/2014, of 27 August 2014**, laying down implementing technical standards with regard to standard forms, templates and procedures for notifications relating to the exercise of the right of establishment and the freedom to provide services according to Directive 2013/36/EU, of the European Parliament and of the Council.

– **Commission Implementing Regulation (EU) No. 945/2014, of 4 September** 2014, laying down implementing technical standards with regard to relevant appropriately diversified indices according to Regulation (EU) No. 575/2013, of the European Parliament and of the Council.

– **Commission Implementing Regulation (EU) No. 1030/2014, of 29 September 2014**, laying down implementing technical standards with regard to the uniform formats and date for the disclosure of the values used to identify global systemically important institutions according to Regulation (EU) No. 575/2013, of the European Parliament and of the Council.

– **Commission Delegated Regulation (EU) No. 1187/2014, of 2 October 2014**, supplementing Regulation (EU) No. 575/2013, of the European Parliament and of the Council, as regards regulatory technical standards for determining the overall exposure to a client or a group of connected clients in respect of transactions with underlying assets.

– **Commission Delegated Regulation (EU) No. 1222/2014, of 8 October 2014**, supplementing Directive 2013/36/EU, of the European Parliament and of the Council, with regard to regulatory technical standards for the specification of the methodology for the identification of global systemically important institutions and for the definition of subcategories of global systemically important institutions**.**

– **Commission Implementing Regulation (EU) No. 1317/2014, of 11 December 2014**, on the extension of the transitional periods related to own fund requirements for exposures to central counterparties in Regulations (EU) No. 575/2013 and (EU) No. 648/2012, of the European Parliament and of the Council**.**

B.5 Collective investment schemes and venture capital firms

Directive 2014/91/EU, of the European Parliament and of the Council, of 23 July, amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depository functions, remuneration policies and sanctions.

This Directive amends Directive 2009/65/EC, of the European Parliament and of the Council, in order to take into account market developments and experiences of market participants and supervisors gathered so far to address discrepancies between national provisions. For this purpose, the main amendments focus on the duties and liability of depositories, remuneration policy and sanctions.

This Directive regulates the following aspects relating to undertakings for collective investment in transferable securities (UCITS):

– It regulates remuneration policies so as to ensure sound risk management.

– It establishes that UCITS should appoint a single depository and it introduces a list of oversight duties that are incumbent on depositories in relation to UCITS, including the proper monitoring of the cash flows of the UCITS.

– It allows the delegation of custody functions, but not oversight duties or control of cash flows. It also establishes the requirement for external audits to be performed to ensure that the assets remain in their possession.

– It introduces rules on sanctions, with regard to their amount and publication and on reporting irregular practices.

Implementing technical standards of the Commission:

Commission Implementing Regulation (EU) No. 593/2014, of 3 June 2014, laying down implementing technical standards with regard to the format of notifications according to Article 16(1) of Regulation (EU) No. 345/2013, of the European Parliament and of the Council, on European venture capital funds**.**

B.6 Corporate governance

Commission Recommendation of 9 April 2014 on the quality of corporate governance reporting ("comply or explain").

The purpose of this Recommendation is to provide guidance to Member States, bodies responsible for national corporate governance codes, companies and other parties concerned. The guidance aims to improve the overall quality of corporate governance statements published by companies in accordance with Article 20 of Directive 2013/34/EU and, specifically, the quality of explanations provided by companies in case of departure from the recommendations of the relevant corporate governance code.

The main aim is for companies to avoid making overly general statements, which might not cover important aspects to shareholders, and to avoid providing lengthy information which might not give sufficient insight with regard to the company situation. For this purpose, paragraph 8 of Section III of this Recommendation establishes that companies should clearly state which specific recommendations they have departed from and for each they should:

– Explain in what manner the company has departed from that recommendation.

– Describe the reasons for the departure.

– Describe how the decision to depart from the recommendation was taken.

– Where the departure is limited in time, explain when the company envisages complying.

– Where applicable, describe the measure taken instead of compliance and explain how that measure achieves the underlying objectives of the specific recommendation or of the code as a whole, or clarify how it contributes to good corporate governance of the company.

B.7 Central securities depositories and central counterparties

Regulation (EU) No. 909/2014, of the European Parliament and of the Council, of 23 July, on improving securities settlement in the European Union and on central securities depositories, and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012.

This Regulation 909/2014 lays down uniform requirements for the settlement of financial instruments in the European Union and rules on the organisation and conduct of central securities depositories (CSDs) to promote safe, efficient and smooth settlement.

It will apply to the settlement of all financial instruments and activities of CSDs unless otherwise specified in the regulation.

It is structured into six titles:

– Title I covers the subject matter, scope and definitions.

– Title II focuses on security settlement, establishes the requirement for securities to be represented in book-entry form and recorded in a CSD and the obligation to settle on intended settlement dates. It also establishes measures to solve settlement failures and it regulates internalised settlement.

– Title III focuses on CSDs. It regulates the authorisation and supervision of CSDs and, in this regard, establishes the competent authorities, the conditions and procedures for granting authorisation, supervision, the system for provision of services in another Member State and relations with third countries.

– This title also establishes the requirements applicable to CSDs, specifically organisational requirements and conduct of business rules, and the requirements applicable to CSD services, prudential requirements and requirements for CSD links.

– It also regulates access to CSDs both of issuers and between CSDs.

– Title IV regulates the provision of banking-type ancillary services for CSD participants. For this purpose, it mainly establishes the requirements for authorisation to provide the services, the procedure for granting and refusing authorisation, the extension of banking-type ancillary services and the revocation of authorisation.

– Title V relates to sanctions. Among other aspects, it regulates administrative sanctions and other measures, the publication of decisions, effective application of sanctions and reporting of infringements.

– Title VI relates to the delegation of powers, implementing powers, and transitional, amending and final provisions.

Regulatory technical standards of the Commission:

– **Commission Delegated Regulation (EU) No. 285/2014, of 13 February 2014**, supplementing Regulation (EU) No. 648/2012, of the European Parliament and of the Council, with regard to regulatory technical standards on direct, substantial and foreseeable effect of contracts within the Union and to prevent the evasion of rules and obligations.

– **Commission Delegated Regulation (EU) No. 667/2014, of 13 March 2014**, supplementing Regulation (EU) No. 648/2012, of the European Parliament and of the Council, with regard to rules of procedure for penalties imposed on trade repositories by the European Securities and Markets Authority, including rules on the right of defence and temporary provisions.

B.8 European System of Financial Supervision

Directive 2014/51/EU of the European Parliament and of the Council, of 16 April 2014, amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No. 1060/2009, (EU) No. 1094/2010 and (EU) No. 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational

Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority).

This Directive has objectives which, as they cannot be sufficiently achieved by the Member States, can rather, by reason of its scale, be better achieved at a European Union level.

These objectives are:

- Improving the functioning of the internal market by means of ensuring a high, effective and consistent level of prudential regulation and supervision.
- Protecting policyholders and beneficiaries and hence businesses and consumers.
- Protecting the integrity, efficiency and orderly functioning of financial markets.
- Maintaining the stability of the financial system.
- Strengthening international supervisory coordination.

The articles of this Directive amend certain EU legislation, specifically:

- Directive 2003/71/EC, of the European Parliament and of the Council, of 4 November 2003, on the prospectus to be published when securities are offered to the public or admitted to trading, and amending Directive 2001/34/EC.
- Directive 2009/138/EC, of the European Parliament and of the Council, of 25 November 2009, on the taking-up and pursuit of the business of Insurance and Re-insurance (Solvency II).
- Regulation (EC) No. 1060/2009, of the European Parliament and of the Council, of 16 September 2009, on credit rating agencies.
- Regulation (EU) No. 1095/2010, of the European Parliament and of the Council, of 24 November 2010, establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/77/EC.

B.9 ESMA guidelines and recommendations

Guidelines and recommendations regarding the implementation of the CPSS-IOSCO principles for financial market infrastructures in respect of central counterparties, published on 4 September 2014 (compliance therewith was notified to ESMA on 30 October 2014).

These guidelines and recommendations concern the implementation of the CPSS-IOSCO Principles for Financial Market Infrastructures (PFMIs) by competent authorities as part of the exercise of their duties resulting from EMIR for the authorisation and supervision of CCPs pursuant to Article 22, Section 1 of EMIR.

ESMA Guidelines on enforcement of financial information, published on 28 October 2014 (compliance therewith was notified to ESMA on 15 December 2014).

These guidelines are applied with regard to the enforcement of financial information under the Transparency Directive to ensure that financial information in harmonised documents provided by issuers whose securities are admitted to trading on a regulated market comply with the requirements resulting from said directive.

They apply to all competent authorities of Member States of the European Union undertaking enforcement of financial information under the Transparency Directive. They are also designed to apply to competent authorities of countries from the European Economic Area which are not EU Member States insofar as the Transparency Directive is applicable in these countries.

Joint Guidelines on the convergence of supervisory practices relating to the consistency of supervisory coordination arrangements for financial conglomerates, published on 22 December 2014 (compliance therewith was notified to ESMA on 29 December 2014).

These guidelines aim to clarify and enhance cooperation between competent authorities on a cross-border and a cross-sectoral basis and to supplement the functioning of sectoral colleges (if any) where a cross-border group has been identified as a financial conglomerate in accordance with Directive 2002/87/EC. These guidelines also aim to enhance a level playing field in the internal market, thus guaranteeing the existence of consistent supervisory coordination.

B.10 Other legislation

Directive 2014/49/EU, of the European Parliament and of the Council, of 16 April 2014, on deposit guarantee schemes.

This Directive lays down rules and procedures relating to the establishment and the functioning of deposit guarantee schemes, and constitutes an essential instrument for the achievement of the internal market from the point of view of both the freedom of establishment and the freedom to provide financial services in the field of credit institutions, while increasing the stability of the banking system and the protection of depositors.

This legislation starts from the idea that in order to make it easier to take up and pursue the business of credit institutions, it is necessary to eliminate certain differences between the laws of the Member States as regards the rules on deposit guarantee schemes to which those credit institutions are subject. In this regard, it requires all credit institutions to join a deposit guarantee scheme.

This Directive 2014/49/EU shall apply to:

– Statutory deposit guarantee schemes.

– Contractual deposit guarantee schemes that are officially recognised as such pursuant to the Directive.

– Institutional protection schemes which are officially recognised as deposit guarantee schemes in accordance with the Directive.

– Credit institutions affiliated to the aforementioned schemes.

Directive 94/19/EC, of the European Parliament of the Council, of 30 May 1994, on deposit guarantee schemes, is repealed with effect from 4 July 2019.

Regulation (EU) No. 537/2014, of the European Parliament and of the Council, of 16 April 2014, on specific requirements regarding the statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Corrigendum published in the OJEU on 11 June 2014).

This Regulation lays down requirements for the carrying out of the statutory audit of annual and consolidated financial statements of public-interest entities, rules on the organisation and selection of statutory auditors and audit firms by public-interest entities to promote their independence and the avoidance of conflicts of interest, and rules on the supervision of compliance by statutory auditors and audit firms with those requirements.

In this regard, Title II of the Regulation regulates the conditions for carrying out the statutory audits of public-interest entities. For this purpose, it lays down, among other aspects, the audit fees, the prohibition of the provision of non-audit services, the engagement quality control review, as well as the different reports which must be submitted by the statutory auditors or audit firms which carry out the statutory audit of public-interest entities (audit report, additional report to the audit committee, report to supervisors of public-interest entities and transparency report) and the information which must be provided to the competent authorities on an annual basis.

Title III lays down the conditions, procedure and duration of the engagement of statutory auditors and audit firms by public-interest entities.

Title IV of this Regulation addresses the supervision and surveillance of the activities of statutory auditors and audit firms carrying out statutory audits of public-interest entities, which are mainly conducted by competent authorities, and which must comply with independence and transparency requirements. For this purpose, it highlights the importance of cooperation between the competent authorities of the Member States in ensuring the consistently high quality of statutory audits throughout the European Union.

This Regulation (EU) No. 537/2014 expressly repeals Commission Decision 2005/909/EC.

Directive 2014/56/EU, of the European Parliament and of the Council, of 16 April 2014, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

The aim of this Directive is to reinforce investor confidence in the truth and fairness of the financial statements published by further enhancing the quality of statutory audits that are performed within the European Union. To this end, the Directive harmonises the rules on independence, objectivity and professional ethics of those persons that carry out statutory audits and the framework for their public oversight.

In order to enhance the independence of statutory auditors and audit firms from the audited entity, when they are carrying out statutory audits, a statutory auditor and audit firms should not be involved in the audited entity's decision-making process. It is also important that they keep records of all possible threats to their independence and of the safeguards applied. Auditors should also avoid conflicts of interest.

Statutory auditors and audit firms should establish appropriate internal policies and procedures in relation to employees and other persons involved in the statutory audit activity within their organisations, in order to ensure their independence and objectivity. The Directive establishes that Member States shall ensure that there are effective systems of investigation and sanctions to detect, correct and prevent inadequate execution of the statutory audit.

Regulatory technical standards of the Commission:

– **Commission Delegated Regulation (EU) No. 2015/1, of 30 September 2014**, supplementing Regulation (EC) No. 1060/2009, of the European Parliament and of the Council, with regard to regulatory technical standards for the periodic reporting on fees charged by credit rating agencies for the purpose of ongoing supervision by the European Securities and Markets Authority.

– **Commission Delegated Regulation (EU) 2015/97, of 17 October 2014**, correcting Delegated Regulation (EU) No. 918/2012 as regards the notification of significant net short positions in sovereign debt.

Annexes on CNMV Organisation

Composition of the CNMV Board as at 30 April 2015

Chairperson	Ms María Elvira Rodríguez Herrer
Vice-Chairperson	Ms Lourdes Centeno Huerta
Board members	Mr Fernando Restoy Lozano (Bank of Spain Deputy Governor)
	Ms Rosa María Sánchez-Yebra Alonso ((Secretary General of the Treasury and Financial Policy)
	Mr Oriol Amat i Salas
	Mr Juan Manuel Santos-Suárez Márquez
	Ms Beatriz Gloria Viana Miguel
Secretary	Mr Fabio Pascua Mateo

Composition of the CNMV Executive Committee as at 30 April 2015[1]

Chairperson	Ms María Elvira Rodríguez Herrer
Vice-Chairperson	Ms Lourdes Centeno Huerta
Board members	Mr Oriol Amat i Salas
	Mr Juan Manuel Santos-Suárez Márquez
	Ms Beatriz Gloria Viana Miguel
Secretary	Mr Fabio Pascua Mateo

1 The creation, constitution and functions of the Executive Committee are regulated by Section 18 of the Securities Market Act 24/1988, of 28 July, as amended by Law 44/2002, of 22 November, on Measures to Reform the Financial System.

Composition of the CNMV Advisory Committee as at 30 April 2015[2]

Chairperson	Ms Lourdes Centeno Huerta
Secretary	Mr Fabio Pascua Mateo
Technical Secretary	Mr Víctor Rodríguez Quejido

Members	
Representatives of market infrastructures	
Member	Mr Jaime Aguilar Fernández-Hontoria
Alternate	Mr Jorge Yzaguirre Scharfhausen
Member	Mr Francisco Oña Navarro
Alternate	Mr Ignacio Solloa Mendoza
Member	Ms Ana Ibáñez Díaz-Bustamante
Alternate	Ms Aránzazu Ullivarri Royuela
Representatives of issuers	
Member	Mr Vicente Santamaría de Paredes Castillo
Alternate	Mr Rafael Mateu de Ros Cerezo
Member	Mr Salvador Montejo Velilla
Alternate	Mr Rafael García de Diego Barber
Representatives of investors	
Member	Mr Mariano Rabadán Forniés
Alternate	Mr Ángel Martínez-Aldama Hervás
Member	Mr Antonio Mª Malpica Muñoz
Alternate	Mr José Manuel Pomarón Bagües
Member	Mr Manuel Pardos Vicente
Alternate	Mr Daniel Araque Galván
Member	Mr Jofre Farrés Roselló
Alternate	Mr Santiago Pérez Beltrán
Representatives of credit institutions and insurance companies	
Member	Mr Javier Rodríguez Pellitero
Alternate	Mr Juan Basurto Solaguren-Beascoa
Member	Mr José María Méndez Álvarez-Cedrón
Alternate	Mr Antonio Jesús Romero Mora
Member	Ms Cristina Freijanes Presmanes
Alternate	Pending appointment
Member	Ms Pilar González de Frutos
Alternate	Ms María Aránzazu del Valle Schaan

2 Royal Decree 303/2012, of 3 February, regulating the CNMV Advisory Committee.

Representatives of professional associations	
Member	Mr Javier Lapastora Turpín
Alternate	Mr Valentín Pich Rosell
Member	Mr Javier Méndez Llera
Alternate	Mr Alfredo Jiménez Fernández
Member	Mr Fernando Vives Ruiz
Alternate	Ms María Gutiérrez Urtiaga

Representatives of the Investment Guarantee Fund	
Member	Mr Ignacio Santillán Fraile
Alternate	Mr José Ignacio García-Junceda Fernández

Representatives of the Autonomous Regions with an official secondary market	
Basque Country	
Member	Mr Juan Miguel Bilbao Garai
Alternate	Ms Zuriñe Embid Zubiría
Catalonia	
Member	Mr Josep María Sánchez i Pascual
Alternate	Ms Alba Currià Reynal
Valencia	
Member	Mr Enrique Montes Estellés
Alternate	Mr Roberto Esteve Carbonell

CNMV organisational chart