

Plan of Activities 2014



CNMV Plan of Activities 2014

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1 Introduction

The Comisión Nacional del Mercado de Valores (CNMV) presents its 2014 Plan of Activities in an economic context in which the main international agencies forecast world growth of 3.7%; 2.2% for advanced economies and 5.1% for emerging and developing economies. There are certain downside risks which include the slow-down in growth of emerging countries, the withdrawal of the monetary stimulus by the US Federal Reserve and the low level of inflation in advanced economies.

Certain risks remain in the European Union and, more specifically, in the Eurozone, although they are relatively mitigated compared with previous years. Growth rates remain low and, even though the European Central Bank (ECB) will take on the functions of single banking supervisor in 2014, the process of banking union still faces obstacles which are essentially focused on the doubts with regard to the effectiveness of the single resolution mechanism and the single deposit guarantee fund in the configuration put forward to date. The effectiveness of banking union is essential for mitigating the fragmentation of credit markets in the Eurozone and for normalising the flow of credit. In addition, this year the ECB and the European Banking Authority (EBA) will submit the sector to a stress test and an asset quality review which will start up the single supervisory mechanism and which could add certain temporary volatility.

There is consensus that the Spanish economy will grow in 2014. The forecasts for GDP growth range between 0.6%, according to the International Monetary Fund (IMF), and figures of around 1% according to various private organisations. This growth, although still modest, is based on the improvement in financial conditions, with a very significant fall in the risk premium and the positive performance of exports of goods and services due to the gains in competitiveness resulting from adjustments in labour costs. Furthermore, it is important to add the positive progress made in the restructuring process of the Spanish banking sector. The biggest weaknesses remain the situation of the labour market and the lack of credit for Spanish companies and families.

In this context, the CNMV presents its seventh Plan of Activities, continuing with the aim of enhancing the institution's effectiveness and increasing its transparency and accountability, as well as promoting the sharing of information with the market, investors and supervised entities.

Security markets have changed significantly since the Plan of Activities was first drawn up in 2007. In this period, there has been an unprecedented financial crisis which has led to structural changes both in the behaviour of economic agents and in the manner in which financial supervisors perceive and act on the current situation.

Three phenomena have added to the above transformations: incessant financial innovation, the influence of technology on markets and the globalisation and internationalisation of financial activity.

All of the above, the new phenomena or their exacerbation over recent years and the lessons which need to be learned following the crisis, require the CNMV to act in a more flexible and dynamic manner. This will convert it into an institution capable of adapting to the different circumstances which arise while protecting investors in any situation without hindering the correct functioning of financial markets and providing effective responses to the needs of market agents.

The aforementioned situation has led the CNMV to introduce **new aspects in the 2014 Plan of Activities**, modifying the approach compared with that followed over recent years.

The 2014 Plan is more qualitative and hence contains fewer, but more significant, objectives which are more directly linked to the institution's strategic lines. Furthermore, the 2014 Plan includes objectives which group together multiple activities with a common purpose, such as the review of internal procedures, which in fact involves a critical analysis of practically all the institution's activities.

In addition, and partly as a result of this more strategic nature, the CNMV has decided to set half-yearly objectives, instead of quarterly objectives, and to adjust the period which the plan is in force to the calendar year, instead of the five quarters covered by the previous plans.

As in previous years, although now to a greater extent as a result of the new approach, it is important to remember that the Plan only represents a limited part of the CNMV's work, as it only includes those objectives in response to criteria which are new, timely and of public importance within the usual functions of the CNMV. The Plan does not therefore include a large part of the tasks performed by the CNMV relating to authorisation, registration and supervision of entities or the tasks relating to market supervision, registration of transactions and control of regulated information. In addition, the Plan does not include disciplinary actions, responses to enquiries and claims by investors, etc.

Starting from the basis of the functions established by law for the CNMV, as the body commissioned to supervise and inspect Spanish securities market and the activity of market participants, the Plan is based on five **strategic lines** which form the basis of the objectives set for 2014.

Firstly, priority will be given to introducing enhancements to the CNMV's functioning by striving to increase the institution's **flexibility**, its capacity to **adapt to the environment** and a concerted effort to **shorten its timescales for action**. This will be the main guiding strategy for the actions conducted by the CNMV over 2014.

The extremely dynamic environment in which financial markets operate nowadays requires the CNMV to be a flexible institution. This involves, among other aspects, encouraging the Spanish market to be an attractive platform for companies to make their issues with full legal guarantees but as quickly as possible.

This flexibility should translate into an ability to adapt to changes which arise both in the market structure and in the actions of its agents, maintaining investor protection in the wide variety of situations which may develop.

To this end, it is essential that the CNMV can react, in terms of available resources and abilities, to new challenges. Despite the intense changes undergone in securities markets over recent years, the CNMV's ability to act, autonomy and staff hiring system have not changed substantially since it was created in 1989. Therefore, in line with recommendations including in the IMF Report on Spain of June 2012¹, it is a priority to promote legislative reforms which grant greater autonomy and supervisory capacity to the institution so that it may adequately discharge the functions attributed to it.

The CNMV's second strategic line is related to the function of **supervising securities markets and issuers**.

Market participants must perceive that no toleration whatsoever is given to market abuse and that disciplinary measures are taken as a result of breaches and inappropriate conduct. This confidence in the CNMV's supervision is essential for attracting and retaining foreign investment, which is necessary for driving growth in the Spanish economy.

The CNMV will therefore continue working intensely on combating market abuse. To this end, it plans to dedicate significant resources to improving supervision tools and it will increase international cooperation, which is essential in the current environment.

Similarly, within this area of activity, the information provided by entities issuing listed securities is of key importance. Inadequate information significantly damages the level of overall transparency. In this regard, special emphasis will be placed in 2014 on supervising corporate governance and remuneration reports which, for the first time, will be drawn up following the formats recently approved by the CNMV. Another extremely important aspect will be the final configuration of the new rules and recommendations on corporate governance.

Finally, as part of this strategic line, the CNMV will continue working on implementing the reform of the clearing, settlement and registration system of Spanish markets, which remains a priority for the CNMV as it allows adaptation of our systems to those of surrounding countries, thus speeding up the procedure for settlement. Furthermore, the CNMV will continue performing the work necessary for entry into operation of the Target2Securities (T2S) system.

The CNMV's third strategic line is related to supervision of the **conduct of business rules of financial intermediaries**. Specific areas have been identified for 2014 which require special supervision to control the activities of intermediaries when they provide investment services. As in previous years, the aim is to carry out **preventive supervision** which makes it possible to anticipate possible problems which might arise so as to prevent damage, which is always more difficult to repair.

1 IMF Country Report (No. 12/143) within the framework of the Financial Sector Assessment Program (FSAP).

The CNMV's relationship with investors and other interested parties is also a strategic area for the institution. Investor assistance and education, together with the resolution of claims, remain priority aspects of the CNMV.

In the current environment, in which many people have been directly affected by the financial crisis, it is important that investors perceive the CNMV as a supportive institution whose priority aim is to safeguard their interests. To this end, it will continue with the efforts made in recent years with regard to responding to enquiries and claims in order to ensure that investors receive adequate responses to their doubts and needs as quickly as possible.

At the same time, within the scope of its responsibilities, the CNMV will promote the financial education of citizens in collaboration with the appropriate institutions. Good financial education is the foundation that allows investors to take investment decisions which match their needs and which has the potential to largely avoid undesirable situations.

Finally, the CNMV's activity in 2014 will be highly determined by the intense process of **international integration** being conducted over recent decades. Since the start of the financial crisis, the importance of international cooperation has become very clear, and we can now talk more of international integration than of simple cooperation.

The importance of the activity of the European Securities and Markets Authority (ESMA) is growing within the activities of the CNMV itself, in line with the common objective of achieving a true single internal market for financial services in the European Union, in which the same rules are consistently applied.

A large part of the intense European regulatory activity which began in previous years is expected to be completed this year.

The most significant legislative amendments expected to be approved in 2014 include the following: revision of the Markets in Financial Instruments Directive (MiFID II); Regulation on insider dealing and market manipulation which updates the Market Abuse Directive; the amendment of the Directive on transparency requirements for listed companies; the UCITS directive on issues relating to the function of depositories (UCITS V); and possible legislative proposals and recommendations on corporate governance (although a full piece of legislation is not expected to be enacted in this case, specific aspects are likely to be introduced into different directives).

In addition, the numerous binding regulatory and implementing technical standards resulting from EU legislation and the ESMA² guidelines and recommendations will require the CNMV to double its efforts. On the one hand, the CNMV must dedicate resources to collaborating, in the area of ESMA, in drawing up the rules and recommendations and, on the other hand, it must quickly adopt the changes necessary in Spain to adapt to the agreement reflected in said rules and recommendations. In addition, the CNMV will promote and support the actions which are required to avoid regulatory arbitrage among EU countries.

2 In 2014, ESMA is expected to draw up 162 binding technical standards and recommendations. The details of ESMA's expected activity for 2014 can be consulted in its work-plan in the area of regulation, which is available on its website (<http://www.esma.europa.eu/>).

The need for cooperation with other supervisors is not limited to Europe, although this is where the greatest level of integration has been achieved. Closer co-operation must be achieved worldwide, which is particularly important bearing in mind that the head office of the International Organisation of Securities Commissions (IOSCO) is located in Madrid. The CNMV aims to support the initiatives promoted by IOSCO to achieve its objectives, especially those aimed at improving the training of supervisors in developing countries or promoting financial education.

2 Attainment of the 2013 Plan of Activities

The CNMV's 2013 Plan of Activities set out 51 objectives aimed at completing the strategic lines planned for the year. In view of the date on which this document was drafted, the objective of the review of the content of the websites of listed companies which was planned for the first quarter of 2014 is not taken into account for the purposes of reviewing the degree of attainment, and this objective is included in the 2014 Plan. Therefore, the total number of objectives to review is 50.

Up to February 2014, the CNMV had attained 72% of the objectives set out in the 2013 Plan. Specifically, of the 36 objectives attained, 32 (89% of the evaluated objectives) were achieved by the established deadline, while the remaining four were completed during the evaluation period. Excluding the three objectives whose completion does not depend solely on the CNMV, which have been proposed for the 2014 Plan, the level of attainment stands at 78%.

Of the other 11 objectives initially planned for 2013 which have not been completed, six have been incorporated in the 2014 Plan and the CNMV has decided not to perform the remaining five objectives for reasons which are presented below.

Firstly, the objective of specifying the CNMV's power to enforce warnings (provided in section 3 of Article 79 *bis* of the Securities Market Act) has been reallocated to a future circular which the CNMV will publish in implementation of this power.

Secondly, publication of a half-yearly advance report with data on claims has been rejected as it has been considered more appropriate to maintain the current criteria of publishing more detailed information on an annual basis which, together with the data, provide explanations of the contents of the claims and the criteria which the CNMV has followed in resolving them.

Thirdly, the CNMV has opted not to organise the third seminar on access of SMEs to capital markets as it believes that it could be redundant as a result of initiatives carried out in 2013 in different areas which had the same objective.

Fourthly, the CNMV's rules on external communication and reporting have not been updated as it has been confirmed that the new proactive communication policy fits in with the existing rules.

Finally, the CNMV has not implemented the staff performance appraisal system. This is expected to be implemented in the coming months, once the initial proposal has been re-drafted to improve the match with the institution's particular characteristics.

Therefore, and as explained, even though the CNMV has been willing to comply with most of these five objectives, it has opted not to do so.

Furthermore, the reason for postponing the six objectives which have been included in the 2014 Plan has been to give priority to other more urgent and relevant actions which arose over the year and which could not be foreseen when publishing the 2013 Plan.

On the one hand, the CNMV's activity has been conditioned by the Government mandate to chair two committees in 2013 created to take steps in areas which are crucial to investor protection.

Firstly, the CNMV Chairwoman has chaired the work of the "Monitoring Committee for hybrid instruments of capital and subordinated debt" which was aimed at monitoring the incidents resulting from the marketing of preferred shares and subordinated debt. The Committee has analysed the factors generating judicial and extrajudicial claims focusing on the marketing of these instruments by entities owned by the Fund for Orderly Bank Restructuring (Spanish acronym: FROB). In addition, it has determined the basic criteria for establishing quick mechanisms for resolving disputes between investors and entities through arbitration.

Secondly, the CNMV has chaired the "Committee of Experts on corporate governance", which, in October 2013, published a report with proposals for legislative amendments to improve the good governance of companies in Spain.

Furthermore, although the 2013 Plan introduced certain objectives aimed at strengthening preventive supervision, reducing the timescales for actions and strengthening the communication policy, additional areas were identified over the year which had an impact on these strategic lines which are new with regard to previous years and which made it necessary to postpone or redefine some of the objectives which were initially planned.

Some of the actions not envisaged in the 2013 plan which the CNMV has performed to progress in the three aforementioned strategic lines are mentioned below.

In the field of supervisory activities characterised by "preventive objectives", transparency has been strengthened in the marketing of funds with a non-guaranteed specific target return, early reviews have been performed of placements between collective investment schemes (CISs) of the same group and the advertising of certain financial products, such as contracts for difference (CFDs), has been reviewed to ensure that it is in line with legislation in view of the potential impact that some of the advertising campaigns might have on markets.

In order to make progress on the objective of reducing the timescales of the CNMV's procedures without undermining the guarantees for investors, the CNMV has reviewed the entity inspection procedures in the Supervision Departments for collective investment schemes - venture capital firms and investment firms - credit and savings institutions, those applied by the Market Monitoring Unit (MMU) and those corresponding to fixed-income issues aimed at wholesale investors.

It has also been considered a priority to speed up as far as possible the time taken in resolving claims brought before the CNMV. Consequently, in 2013 over double the number of claims were resolved than in the previous year: 7,078 claims resolved in 2013 compared with 3,400 resolved in 2012.

Similarly, it is important to note the response of the CNMV with regard to the circumstances surrounding the bankruptcy proceedings of Pescanova and the capital increase of Bankia which took place as a result of its restructuring. The former case not only involved initiating multiple disciplinary proceedings, but the CNMV also dramatically reduced the periods for commencement of the proceedings which will act as a precedent for subsequent occasions. In the second case, a special procedure was determined for supervising the transactions carried out in said capital increase under the focus of the European Regulation on Short Selling which will also be useful for future supervisory actions.

Progress on the third strategic line - strengthening the communication policy - has also been very significant. The CNMV has moved from a reactive communication policy to a more dynamic and proactive policy (in line with the public nature of the institution), giving greater presence and visibility to the CNMV's actions.

Consequently, the CNMV has performed 99 written communication actions, including Notifications, Press Releases, Warnings and Communications coordinated with ESMA, which have contributed towards strengthening dissemination of the CNMV's decisions in a quick, clear and effective manner. Over 40 meetings have been held with the media to pass on the importance of correct transmission of the CNMV's messages when the CNMV is a source of information and to highlight the importance of the accuracy of the information provided. Given the CNMV's intense activity in supervisory functions this year, the Communication Department has performed around 1,200 procedures with journalists, in response to the demands and requests for information by the media. Similarly, the Chairwoman and Vice-chairwoman of the CNMV have participated in 36 public acts this year, in another demonstration of the effort made to guarantee correct transmission of the CNMV's messages and decisions.

A detailed account of the achievement of the objectives set for 2013 is given below according to the different sections into which the Plan is divided: regulatory implementation, efficient and transparent markets, investor education and protection and improvement in the functioning of the CNMV.

With regard to regulatory implementation, seven of the nine objectives considered in the review (78%) were achieved in 2013 and, with the exception of one objective, were completed by the established deadline. Noteworthy among the achieved objectives was the completion of the nine actions grouped together as part of the advisory services provided to the Government on legislative issues. The two incomplete actions were delayed due to the lack of the corresponding legislative mandate and they have been included in this Plan.

A total of 72% of the 29 objectives submitted to review under the heading of supervision and improvements in transparency were attained. All of the objectives attained, except for two, were completed within the scheduled period.

As a result of the aforementioned readjustment of priorities, eight of the planned objectives could not be completed. Four of these were postponed for the 2014 Plan.

Of these four objectives, the creation of new software due to amendments in circulars on requirements for statistical reporting of the ECB were delayed for reasons not attributable to the CNMV as it was impossible to complete drafting of the circulars due to late publication of EU legislation. The other three objectives are redefi-

ned and now form part of a more overall objective which strives towards the same goal as the activity planned for 2013. This is the case, for example, of the seminar with entities' customer service departments, which now forms part of the objective of creating a joint observatory with customer service departments and with the claims services of other bodies.

The four incomplete objectives, as mentioned above, are objectives which the CNMV was willing to comply with but, following an additional analysis, it decided not to do so as it has refocused said objectives.

Nevertheless, it is important to highlight that of the five objectives considered priorities in this section, the CNMV was able to comply with all except one - the creation of a statistical module of primary markets - which now forms part of the 2014 Plan as part of a redefined objective.

In the area of actions expressly related to education and protection of retail investors, the CNMV has completed, within the scheduled period, three of the four objectives included in the 2013 Plan. It decided to postpone the organisation of a conference on the financial education programme, which aimed to raise institutional awareness of the importance of including financial education in the regulated education, until an evaluation of the programme becomes available³. This action has been redefined in the 2014 Plan and now forms part of the objective of ensuring financial education be included in the school curriculum.

Finally, significant progress has been made with regard to improvements in the functioning of the CNMV. Of the eight planned objectives, five were successfully completed (63%). Among these, it is important to highlight the implementation and start-up of the risk management system, which is considered an essential tool for improving the CNMV's effectiveness. Similarly, the standardised forms for procedures have been simplified in order to speed up the authorisations relating to entities.

Of the three incomplete actions, the two relating to the processing of claims have been redefined and now form part of wider objectives in the 2014 Plan, and the implementation of the performance appraisal system is being refocused so as to adapt it to the characteristics of the CNMV's staff.

In conclusion, in general, the level of attainment of the 2013 Plan should be considered as satisfactory especially bearing in mind the intense level of activity of the CNMV in other areas, which has led it to redefine and postpone several objectives until the 2014 Plan. The progress made in achieving the three major strategic lines defined for the 2013 Plan is particularly significant.

3 In this regard is important to highlight the evaluation obtained in the performance of the financial education programme in schools for the 2012-2013 academic year, which is described in the CNMV's last quarterly bulletin of 2013 (IV).

3 2014 Plan of Activities

3.1 Improvements in the functioning of the CNMV: flexibility, capacity of adaptation and reduction of timescales

The main guiding strategic line for the CNMV's activity in 2014 will be to improve the institution's functioning so as to ensure an improved service for market participants and investors.

To this end, the 2014 Plan specifies a set of objectives aimed at making the CNMV an institution with greater supervisory capacity, which is more efficient and with increased collaboration with other bodies. At the same time, the CNMV will continue with the policy started in 2013 of strengthening the institution's communication so as to raise awareness of the CNMV's activity among investors and to ensure that the relevant messages properly reach the target audience.

Improvement of the supervisory capacity

There have been numerous significant changes in financial markets since the creation of the CNMV. The environment in which the CNMV has to discharge its functions is characterised by constant dynamism where the growing internationalisation of markets and ongoing innovation require supervisors to make a significant effort to adapt to the changes.

The financial crisis has shown that it is not easy for regulators and supervisors to anticipate the risks which are growing within the markets. Therefore, the move should be towards institutions with greater supervisory capacity and greater flexibility which, as far as possible, conduct preventive supervision so as to anticipate possible problems.

In addition, the comprehensive modification of the institutional architecture of financial supervision in the European Union, which has led to large-scale legislative reform, requires the necessary adaptation of national authorities. The CNMV's participation in the new structure of European financial supervision requires the institution to have greater independence and autonomy.

For all of the above reasons, and with the aim of performing its functions in a more appropriate manner, during 2014 (II), the CNMV will promote a legislative reform so as to grant the institution greater autonomy and supervisory capacity.

Improvement in efficiency

The CNMV must eliminate all types of aspects which might generate inefficiency in its actions and it must allocate its resources in the most appropriate manner.

In this regard, the CNMV believes it is a priority to undertake over 2014 a critical review of all the internal operating procedures contained in Article 39 of its Internal Regulation⁴ with the aim of identifying possible inefficiencies and rectifying them.

The revision process will involve analysing the need to update applicable legislation, bearing in mind, as the case may be, the ESMA guides which affect the areas referred to in the procedures under review. In addition, an effort will be made to continue moving forward in computerising procedures with the aim of speeding up internal processes and, consequently, reducing the timescales for CNMV actions.

At the same time, the CNMV also plans to analyse the appropriateness of updating the Instructions of the Presidency Service. These instructions, although they are not classified as internal procedures as they are not provided for in Article 39 of the Internal Regulation, standardise extremely important internal processes in areas such as the organisation of the international activity or the handling of claims.

This review will take into account the institution's risks identified in the risk map which began to be drawn up in 2012 and through which potential risks and mitigating measures have been identified. In 2013, the indicators were defined and steps were taken to develop the computer software, and therefore the second phase of implementation is expected to be completed in 2014 (II).

In parallel with the critical review of the internal procedures, the CNMV will analyse the external processes which are carried out with the CNMV with the aim of increasing flexibility and reducing timescales, while maintaining an appropriate level of investor protection.

The Plan includes a series of procedures which, because of their importance for issuers and market participants, require a critical analysis so as to eliminate possible duplicities, reduce the documentation required and strive for standardisation of forms to the extent that this may make it easier to issue and operate in Spanish markets. Specifically, an analysis will be made of those requirements which are not

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- 4 The CNMV will have at least the following internal operating procedures:
- 1 Internal procedures relating to securities markets:
 - a) Procedures for the supervision and inspection of companies, businesses, institutions, persons and entities which participate in secondary securities markets.
 - b) Procedure for drawing up requirements and requests for data and reports from companies, institutions and entities which act in the securities markets.
 - c) Procedure for communication of significant events.
 - d) Procedure for processing the verification of requirements for admission to trading, public offerings of securities and registration of prospectuses for securities issues.
 - e) Procedures for suspension and delisting of certain securities on official markets.
 - f) Procedure for processing takeover bids.
 - g) Procedures for periodic reporting of issuers.
 - h) Procedures for communicating significant shareholdings in listed companies and the acquisition of treasury shares.
 - i) Procedures for authorisation of investment firms and collective investment schemes.
 - j) Procedures for amendment of articles of association, regulations and services provided by companies, institutions and entities which participate in secondary securities markets.
 - 2 Internal procedures in the area of administration services:
 - a) Procedure for the administration, settlement, notification and collection of applicable fees for the activities and services provided by the CNMV.
 - b) Procedures of economic management.
 - c) Procedures of staff selection and hiring.

established by other supervisory authorities in the European Union so as to assess whether they should be maintained in Spain, bearing in mind that investor protection should not be diminished. Special emphasis will be placed on whether the requirements are necessary in supervising the marketing of products.

Specifically, the following actions will be carried out:

- Review of the procedures for issues and admissions to trading aimed at the retail market.
- Review of the procedures for takeover bids.
- Review of the standard forms for authorisations of the management companies of collective investment schemes and venture capital firms which are currently in force so as to adapt them to the legislative changes in process (amendment of the Collective Investment Scheme Act and the Venture Capital Firm Act), facilitating their use by the applicants and speeding up the authorisation process. This objective is dependent on approval of the new legislation.
- Supervision of corporate financial reporting. Specifically, a review will be carried out of the supervision manuals for the Annual Corporate Governance Reports (ACGRs), so as to focus supervision on essential areas, and new procedures will be developed to review the Annual Director Remuneration Reports (ADRRs). In addition, the supervision manuals for financial statements will be updated to adapt them to the new requirements included in the ESMA guides and the CNMV plans to draw up a specific procedure for actions in response to accounting fraud and very serious errors detected in regulated reporting.
- Review of the deadlines for issuing the opinions on legality and the processing of the CNMV's disciplinary proceedings, maintaining the policy which began in 2013 of reducing the timescales for action and for speeding up administrative processes.

Similarly, and in line with the aim of detecting and eliminating any possible inefficiency in the CNMV's actions, in 2014 (II) an analysis will be made of possible duplication in the regulated reporting of issuers. A working group will be created to identify the overlaps existing between the different pieces of information which listed companies are required to publish and which will propose legislative changes and/or recommendations which are necessary for eliminating such duplications. As a culmination of this work, an analysis will be made of whether to undertake a project to draw up a standardised form for integrated reporting for issuers. This single report would bring together the financial, management, corporate governance and remuneration reporting, as well as that relating to social, employment, environmental issues, etc.

Finally, in 2014 (II), the CNMV will analyse the impact of the so-called "Lift Rule", which is expected to be included in the forthcoming Law on Promoting Business Financing, and which aims to simplify the step from the Alternative Stock Market (Spanish acronym: MAB) to the Electronic Market and *vice versa*, by reducing administrative procedures and costs with the aim of facilitating the financing of SMEs.

In this context, speedy procedures will be drawn up to facilitate the transfer of traded securities between regulated markets and multilateral trading facilities (MTFs)

so that companies may pass from one to the other without unnecessary administrative red tape.

Strengthening of communication

Following the practice of recent years, special emphasis will be placed on improving transparency and dissemination of the information considered essential for recovering confidence and for investor protection.

In this regard, the CNMV will continue strengthening its communication policy. Development of this proactive communication strategy in 2013 has led to positive results in terms of improved transfer of the CNMV's messages and decisions. This greater visibility of the actions of the CNMV, as supervisor and guarantor of the transparency of the information disseminated in markets, has led to greater investor protection and a clear perception of the rigour of the Spanish market.

In line with the above, the CNMV has detected the need to pay more attention to the information which is published through non-conventional media. Therefore, in 2014 (I), it will focus especially on controlling the information published through media such as blogs, Internet forums and social networks, which have an increasing ability to impact on public opinion and which of course affect securities markets.

In addition, with the aim of improving the dissemination of the information which the CNMV makes public, an analysis is expected to be carried out in 2014 (II) of the effectiveness of the website and improvements made to the structure of its content so that access is more intuitive allowing users to find the information which they need more easily.

Furthermore, an analysis will be conducted of whether to strengthen the CNMV's audiovisual communication. To this end, the CNMV will consider the option of giving its website the possibility of offering additional audiovisual resources such as watching and listening to the presentations and press conferences given by CNMV staff. The final aim is to exploit the possibilities offered by new technologies as a means to achieve the greatest possible dissemination of the CNMV's messages immediately.

EMIR Implementation

Following incorporation in Spain of the Regulation on OTC derivatives, central counterparties and trade repositories (EMIR), the Plan includes various actions in order to comply with the new obligations deriving from this regulation for 2014 (II).

Specifically, the four initiatives planned for 2014 are as follows:

- Creation of a working group together with the Bank of Spain and the Directorate-General of Insurance and Pension Funds to establish common criteria for action within the scope of their respective authority and coordination for reporting to ESMA.
- The computerised processing of information from trade repositories. The aim is to establish communication channels with all trade repositories, define the

criteria for selecting the information to be requested, entering the information, storing the information and managing its exploitation.

- The automated processing of the notifications related to the EMIR on other aspects such as intra-group exemptions or notifications to non-financial counterparties.
- Review of implementation of the EMIR in authorised and supervised entities (CIS, investment firms and venture capital firms).

Improvements in the functioning of the CNMV: flexibility, capacity of adaptation and reduction of timescales

TABLE 1

	Initiative	Planned schedule (*)
Improvement and supervisory capacity	Reform of the legislation applicable to the CNMV	2014 (II)
Improvement in efficiency	Critical review of the internal operating procedures of the CNMV	2014 (II)
	Second phase of the implementation of the CNMV's risk management system	2014 (II)
	Review of the procedures for issues and admissions aimed at the retail market	2014 (I)
	Review of the procedures for takeover bids	2014 (II)
	Review of the standard forms for authorisations of management companies of CIS and venture capital firms	2014 (II) ^c
	Review of the supervision procedures for corporate and financial reporting	2014 (II)
	Review of the timescales for issuing opinions on legality and processing of disciplinary proceedings	2014 (II)
	Review of duplication in the regulated information published by issuers	2014 (I)
	Drafting of the procedures for transfer of traded securities between regulated market and MTFs	2014 (II) ^c
Strengthening of communication	Control of digital information	2014 (I)
	Update of the CNMV's website	2014 (II)
Implementation of EMIR	Implementation of EMIR	2014 (II)

(*) Half-year deadline for implementation of commitment

^c Conditional objectives, completion of which does not depend solely on the CNMV.

3.2 Market supervision

Corporate governance

Corporate governance of issues has been one of the areas of special importance for the CNMV in 2013 in line with the attention given to it by the Spanish government.

In March, the government published Order ECC/461/2013⁵ which unified the disperse legislation in force up to that date and introduced substantial improvements to the transparency of remuneration systems and risk management systems.

In implementation of this Order, and in order to facilitate the understanding of the information and comparison between companies, the CNMV approved a circular with standardised forms for the annual corporate governance and remuneration reports.

In addition, in May 2013 the government created, within the framework of its National Plan of Reforms, the “Committee of experts on corporate governance”, chaired by the CNMV’s chairwoman, which in October published a report with proposals for legislative reform in this area.

Throughout 2014, the CNMV will take steps in completing the proposed reforms and, in 2014 (I), it will be a priority for the CNMV, dependent upon approval of the legislative reform in process, to approve a new Unified Good Governance Code for listed companies which will complete the work that began in 2013.

Approval of this new Code and the legislative implementations which take place as a consequence of the proposals of the Committee of Experts will require the updating of CNMV Circular 5/2013, of 12 June, which defines the standard ACGR form so as to incorporate the new recommendations and eliminate those which have been introduced in higher level legislation.

In addition, a new development for this year is the drafting of the first report on board remuneration. With the information sent by entities in their ADRRs, the CNMV will publish a report on the remuneration practices of listed companies in 2014 (II), although the report on Ibex 35 companies will be published in the first half of 2014.

Continuing with the efforts towards promoting corporate governance at all levels and with the aim of providing the experience which the institution has acquired in this area over recent years, the CNMV will actively participate in the “European Corporate Governance Codes Network”, the function of which is to advise the European Commission on setting the criteria to develop the European Action Plan on corporate governance. Development of this Action Plan is likely to involve approval of recommendations and legislation, which will be increasingly detailed, on corporate governance at a European level and hence it is essential to participate from the start.

5 Order ECC/461/2013, of 20 March, which determines the content and structure of the annual corporate governance report, the annual report on remuneration and other reporting instruments of listed companies, savings banks and other entities which issue securities admitted to trading on official securities markets.

Finally, as it has not been possible to complete this action as expected in the 2013 Plan, the CNMV also plans to publish a circular on the websites of listed companies and savings banks which issue listed securities in 2014 (II). This circular will determine the technical and legal specifications, as well as the minimum information which must be included on these entities' websites. These are an extremely effective medium for facilitating the right of shareholders to information and, therefore, the CNMV will implement the necessary legislative changes to ensure that they contain all the relevant information in an easily accessible manner.

Supervision of the activity of securities markets

With regard to supervision of the activity of securities markets, the fight against market abuse is once again a priority for the CNMV. A market in which tolerance of abuse situations is perceived is less likely to attract and retain the foreign investment which is essential for the good functioning of the Spanish economy.

On the one hand, progress is expected in 2014 (II) in implementing the functionalities of the SAMMS (advanced secondary market monitoring system) as a tool which facilitates and improves the supervision of all markets. In 2014, it will be a priority to carry out the acceptance tests which aim to ensure correct functioning of the system from the moment of its start-up. Once the system has been accepted and implemented, the last stage of maintenance, which will last for two years, will begin.

Furthermore, the CNMV must also be able to understand and, consequently, supervise the new developments of markets in which speed and technology increasingly prevail. To this end, the CNMV plans to perform an analysis of automated trading so as to allow it to know and foresee possible market abuse actions. Therefore, it will analyse the intraday orders and transactions carried out by professional investors by means of an automatic order entry system so as to detect possible market manipulation practices.

Supervision of market infrastructures

Based on the principles established in the EMIR and approved by the EBA, the CNMV will work on the methodology and determination of the minimum capital requirements of all Spanish market infrastructures in 2014 (I).

In addition, in this area the priority will be to continue the work for implementation of the reform of the system for clearing, settlement and registration of Spanish markets, which will involve adapting the Spanish system to that of surrounding countries and entry into operation of the T2S system. This reform is aimed at speeding up the settlement procedure, while at the same time ensuring that the new system is robust, interoperable, flexible and that it allows full traceability of the transactions.

For 2014 (II), the CNMV has also included another two objectives as priorities. Firstly, it will supervise the establishment of BME Clearing as central counterparty, which will require, among other issues, establishing coordination mechanisms with the other authorities included in the college of supervisors. Secondly, it will supervise the transformation of MFAO into an MTF. Compliance with this objective will be dependent on timely approval of the investment firm which MFAO will establish to operate and perform the role of governing company of the MTF.

Finally, once the empowering ministerial order⁶ has been approved, the CNMV plans to publish in 2014 (II) the circulars which group together the requirements with regard to the registries and statistical data which must be provided by the infrastructures to the CNMV for their supervision. This data is essential for the CNMV to supervise market infrastructures appropriately.

Market supervision

TABLE 2

	Initiative	Planned Schedule
Corporate governance	Approval of the new Good Governance Code	2014 (I) ^c
	Update of Circular 5/2013 which defines the ACGR form	2014 (II) ^c
	Drafting of the first report on remuneration of the boards of directors of listed companies	2014 (II)
	Advice to the European Commission for development of the Action Plan on corporate governance	2014 (II)
	Approval of the circular on the websites of listed companies and savings banks which issue listed securities	2014 (II)
Supervision of the activity in securities markets	Implementation of the functionalities of the advanced secondary market monitoring system (SAMMS)	2014 (II)
	Analysis of the activity of automated trading from the perspective of possible market abuse	2014 (II)
Supervision of market infrastructures	Determination of the minimum capital of all Spanish market infrastructures	2014 (I)
	Development of the reform of the clearing, settlement and registration system	2014 (II)
	Supervision of the establishment of BME Clearing	2014 (II)
	Supervision of the transformation of the Olive Oil Futures Market (MFAO) into a Multilateral Trading Facility (MTF)	2014 (II) ^c
	Approval of the circulars on registries and data to be obtained from market infrastructures	2014 (II) ^c

^c Conditional objectives, completion of which does not depend solely on the CNMV.

3.3 Supervision of the codes of conduct of financial intermediaries

Provision of investment services

In line with the practice started last year, the CNMV will continue carrying out preventive supervision of the marketing of financial products to retail investors so as to anticipate possible future problems.

To this end, the following three areas of special supervision have been identified in which the CNMV will make a greater supervisory effort in 2014:

- Supervision of compliance with the conduct of business rules which specifically affect the marketing of complex products. The CNMV will review, as part of its supervisory activities, effective compliance with the procedures which

6 Order ECC/2515/2013, of 26 December, implementing Article 86.2 of the Securities Market Act 24/1988, of 28 July.

entities are developing in order to comply with the obligations established in CNMV Circular 3/2012, of 12 June, on information requirements in the area of appropriateness and suitability.

- Supervision of the advisory services and discretionary portfolio management in different classes of one single CIS. The CNMV believes it is recommendable to carry out a series of one-off inspections of a limited scope to verify whether there are unsuitable practices in this area such as, for example, the existence of recommendations for the acquisition of classes of one CIS which are less advantageous for the investor than others which he/she could access.
- Supervision of compliance with the ESMA Guidelines on remuneration of the sales network staff. The CNMV will incorporate a review of compliance with ESMA recommendations on this matter into the work plan of the on-site inspections. In particular, it will review the internal controls established by the entities and, more specifically, it will check that the sales remuneration systems do not generate potential risks of inappropriate sales.

In addition, in 2014 (II), the CNMV will analyse, together with the participation of the sector, the viability of developing a classification system which will provide simple information on the level of risk and, separately, on the complexity of the financial products. The ultimate aim of this classification system would be to facilitate investors in their investment decision-making and to simplify the comparison between diverse products.

Supervision of entities which provide investment services

An effort is expected to be made in updating the legislation applicable to the supervision of entities which provide investment services.

Specifically, a priority for the CNMV will be to work on amending, in 2014 (I), CNMV Circular 12/2008, of 30 December, on the solvency of investment firms and their groups, to adapt it to the new EU regulation on solvency which entered into force in January 2014.

In addition, in 2014 (II), the CNMV will update its Circular 1/2010, of 28 July, on the reserved information sent by entities which provide investment services to introduce changes to improve the information, especially on structured products and on claims made to the entity. It will also assess whether to increase the frequency with which said information is sent to the CNMV.

Finally, even though it has not been included as a specific objective in the Plan, following the model of other European supervisors, the CNMV plans to start preliminary work to perform reviews, without prior identification, in the branches of entities' commercial networks aimed at detecting possible breaches of essential conduct of business rules (mystery shopping). The aim of this initiative is twofold: firstly, to supervise how the information (other than contractual information) is transmitted to the customer, particularly verbal information and, secondly, to verify the level of knowledge of the products offered by the staff of the entities' sales network. Performance of this activity is dependent upon approval of the reform of the Securities Market Act, which is expected to grant the CNMV greater supervisory powers and a greater level of autonomy for hiring staff.

Supervision of the conduct of business rules of financial intermediaries

TABLE 3

	Initiative	Planned Schedule
Provision of investment services	Special areas of supervision of entities	2014 (II)
	Development of a product classification system according to their risk and complexity	2014 (II)
Supervision of entities which provide investment services	Update of Circular 12/2008 on the solvency of investment firms and their groups	2014 (I)
	Update of CNMV Circular 1/2010 on reserved information sent by entities which provide investment services.	2014 (II)

3.4 Relations with investors and other interested parties

Investor service

For the CNMV, it is a priority to provide an appropriate service to the numerous investors which approach it by different means (in person, in writing, electronically, etc.) searching for assistance with their doubts and uncertainties regarding possible investment decisions or to submit claims with regard to their relations with financial intermediaries. In all these cases, the CNMV must work to improve the quality of its service as well as to reduce the timescales necessary to deal with the interested parties.

To this end, improvement in processing and resolving investor claims will remain a priority for the CNMV. Following on with the efforts towards modernisation and speeding up procedures with the CNMV, a telematic module will be developed in 2014 (I) to strengthen the electronic processing of claims by professionals and by retail investors. This module will make it possible, among other functions, to consult the status of the claims.

Similarly, the CNMV is expected to develop in 2014 (II) a specific computer module which will facilitate the joint processing of all the documents which the CNMV receives from investors by different routes and which are not classified as claims, complaints or enquiries. It is important that, as far as possible, investors perceive the CNMV's concern in dealing with their documents.

This effort to improve the service offered to investors cannot be isolated and must be developed in collaboration with the rest of the parties involved in processing claims. Therefore, a watchdog together with the Customer Service Departments and claim services of other bodies is expected to be created in 2014 (II). The creation of this forum will involve, among other actions, regular meetings with the claims services of the Bank of Spain and of the Directorate-General of Insurance and Pension Funds with the aim of coordinating and unifying procedural criteria. Similarly, meetings will be held with the customer service departments of the entities affected by claims so as to pass on the criteria of CNMV and to gather information which makes it possible to identify areas for improvement.

The efforts which will be made with regard to investor assistance must be supplemented with promoting the financial education of citizens to achieve a higher level of protection.

In this regard, and within the scope of its authority, the CNMV will continue with the work of recent years. Specifically, it is expected that, within the framework of the agreement signed with the Ministry of Education, Culture and Sport in September 2009, it will collaborate with the ministerial department to incorporate financial education in the school curriculum. The CNMV will develop educational material and tools and will collaborate in training the teaching staff.

Similarly, with the aim that adequate national strategies are carried out in the field of financial education, it is necessary to identify the real needs of the population by analysing population sectors and carrying out national surveys. The CNMV, together with the Bank of Spain, intends to perform a national survey in 2014 (II) following the methodology recommended by the OECD which will help to identify the areas of knowledge which need to be strengthened and to establish the basis by which the effectiveness of the public financial education programmes can be measured and progress made in financial knowledge. This survey will make it possible to monitor progress in the financial education of the adult population over the coming years.

The survey will cover, in addition to aspects relating to skills and knowledge, areas aimed at identifying the behaviour of investors on issues such as money management, short and long-term financial planning and the selection of financial products.

Statistics

It is important that the CNMV prepares and publishes statistics so as to provide investors with relevant information on the situation of the markets and the entities which operate therein. Therefore, the CNMV plans to carry out three actions of this type during 2014.

Firstly, in 2014 (I) a review will be conducted of several CNMV circulars through which information is supplied to the Bank of Spain to contribute towards the statistics of the ECB. In December 2014, the first data must be reported to the ECB with the new information design, and therefore the CNMV must work on preparing and publishing these circulars so that the necessary modifications may be undertaken in the current IT procedures related to circulars.

Secondly, also in 2014 (I), as it was unable to complete the objective within the 2013 Plan, the CNMV will develop the computer application to gather and exploit the information which it receives from foreign CIS marketed in Spain with the aim of providing more complete statistical series in the CNMV's periodic publications.

Finally, as already included in the 2013 Plan, it will be a priority to perform a new quarterly statistical publication on the primary market. This publication will lead to an increase in the frequency of the statistics on issue and admission proceedings, which will become quarterly instead of half-yearly. In order to obtain the necessary data to issue that publication, a new IT module will be developed for storing statistical information from primary markets.

25th Anniversary

2014 marks the 25th anniversary of the creation of the CNMV. In commemoration of this anniversary, the CNMV plans to organise a series of national and international conferences to bring the institution and the sector together and to serve as a reminder of the past, present and future importance of the CNMV in financial markets.

Specifically, the CNMV plans to organise three conferences: a national conference which will review the evolution of Spanish financial markets over these 25 years and the role of the CNMV over that period; another conference with supervisors of Latin American securities; and, finally, an international conference which will analyse current challenges in securities regulation and the corporate governance of companies.

International Activity

One of the strategic lines defined by the CNMV for the 2014 Plan is the promotion of the institution's international activity. The interconnection of markets and legislative harmonisation, especially at a European level, mean that important decisions are increasingly negotiated at an international level.

Consequently, the CNMV has been dedicating significant resources over recent years, in quantitative terms and in technical skills, to participate in international bodies, basically ESMA and IOSCO, and to collaborate with the Government in negotiating EU legislation.

Similarly, over these years and as far as possible taking into account the volume of international activity, the institution has made an effort to involve the sector, mainly through the CNMV's Advisory Committee, in these actions. Nevertheless, the CNMV will make an attempt to increase the previous exchange of positions with the Advisory Committee at the earliest possible stage of the legislative preparation so that the positions and concerns of the Spanish sector may be taken into account and its members may prepare themselves in anticipation of the new rules.

In 2014, the CNMV will review the internal procedures relating to the institution's international activity and it will perform multiple actions to raise the visibility of the work which experts perform in international matters. Among other activities, the CNMV plans to organise seminars to explain to the sector the new developments in international legislation and the possible consequences that their approval will have on the Spanish market.

In addition, the CNMV places special importance on its relationship with Latin American supervisors due to the linguistic similarities and the intensity of the economic and cultural links which Spain has with those countries. Therefore, in 2014, a special effort will be made to strengthen collaboration with Latin America with the aim of facilitating the development of its markets and to demonstrate the advantages of Spanish and European legislation, in collaboration with the IIMV (Ibero-American Institute of Securities Market)

Relations with investors and other interested parties

TABLE 4

	Initiative	Planned schedule
Investor service	Development of a telematic module within the application for comprehensive management for resolving claims proceedings	2014 (I)
	Give joint treatment to all investor documents which are not classified as claims, complaints or enquiries	2014 (II)
	Creation of a watchdog together with the Customer Service Departments and claim services of other bodies	2014 (II)
Financial education	Introduction of financial education in the school curriculum	2014 (II)
	National survey to measure the level of financial education of the population	2014 (II)
Statistics	Update of the CNMV circulars relating to providing information to the ECB for drawing up European financial statistics	2014 (I)
	IT development for statistical exploitation of the information on foreign CIS marketed in Spain	2014 (I)
	New quarterly statistical publication on the primary market, which will require IT development of a new statistical primary market model	2014 (II)
25th anniversary of the CNMV	Conferences commemorating the 25 th anniversary of the CNMV	2014 (II)
International activity	Promoting visibility of the CNMV's international activity	2014 (II)

