

CNMV APPROVES THE TECHNICAL GUIDE TO CIS RELATED-PARTY TRANSACTIONS CARRIED OUT BY CIS MANAGEMENT COMPANIES

Madrid, 27 February 2018

- The objective is to convey to the sector criteria for the scope of what should be classified as "related parties".
- Those related-party transactions for which prior authorisation is required are identified

The CNMV Board, meeting today in Barcelona, has approved the Technical Guide to related-party transactions of collective investment schemes and other similar transactions performed by CIS management companies.

This is the second Technical Guide approved by CNMV in relation to related-party transactions carried out by CIS management companies for the investment funds or other CIS that they manage. The first one, published in February 2017, focused on securities and financial instruments transactions, and provided guidelines on how to evidence that such transactions are carried out in the sole interest of CIS and at prices or under conditions that are the same as or better than those of the market.

Spanish regulations, in the same way as European regulations, accept the execution of related-party transactions by CIS management companies for the CIS that they manage (such as, for example, the acquisition of securities issued by entities belonging to their group, the contracting of services provided by intermediaries that are related parties, or purchases and sales in which the counterparty is an entity in their group or other CIS). However, given the significant conflicts of interest to which such transactions give rise, their execution is conditional upon them being carried out in the sole interest of the CIS and at prices or under conditions that are the same as or better than those of the market. In addition, CIS management companies must have a formal internal procedure in place to ensure that these requirements are met and a person or body responsible for confirming this.

The approved Technical Guide contains criteria regarding what should be considered "transactions and related parties", as well as for how the different types of related-party transactions should be classified. For these purposes, those related-party transactions for which prior authorisation is required, in consideration of the special conflicts of interest that they may involve and those that, due to their repetitive nature or lack of relevance, may be subject to *a posteriori* supervision, are expressly identified. Some of the scenarios specifically defined in the Technical Guide are:

- The applications (transactions in which one CIS has as counterparty another CIS or client managed by its own CIS management company), for which CNMV considers they must be very exceptional, given that it may be difficult to justify contrasting decisions taken by the same entity.
- The sale by CIS of securities issued by entities belonging to their group must be communicated to the person or body responsible for related-party transactions, as a mechanism to reinforce the management of conflicts of interest that may exist at the time of acquisition.

In addition, CNMV clarifies for CIS management companies in the new Guide that adequate management of conflicts of interest consists of the application of a treatment equivalent to that of related-party transactions, in other comparable activities in which conflicts of interest may arise and are not explicitly defined in the regulations as related-party transactions (transactions with promoters and the provision of the portfolio management service and advice).

For further information:
CNMV Communications Office
Tel.: 91 5851530
comunicacion@cnmv.es
www.cnmv.es