



CNMV BULLETIN: INCLUDES THE REPORT ON SECURITIES MARKETS AND THEIR AGENTS, A PAPER ON COSTS AND PERFORMANCE OF SPANISH CISs AND AN ACADEMIC PAPER ON THE EFFECTIVENESS OF GENDER REGULATION ON BOARDS OF DIRECTORS

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The Spanish National Securities Market Commission (CNMV) publishes its [quarterly Bulletin for the first quarter of 2020](#). This edition includes the biannual report “The securities markets and their agents: situation and outlook”, which analyses the impact that the most significant global shock in recent decades, the coronavirus pandemic, has had on financial markets. The bulletin also includes a paper prepared by the CNMV’s Research Department on the evolution of costs and performance of Spanish CISs between 2009 and 2019 and an academic study with a comparative analysis of the influence of the institutional environment on the effectiveness of gender regulation on boards of directors.

The market situation report describes the main features of the crisis, its impact on financial markets, the most relevant measures adopted by governments and other institutions of reference, as well as the key estimates of its impact on the economic activity. In general, the spread of the virus worldwide in just a few weeks and the containment measures adopted by most governments have led to a period of financial market turmoil at national and international levels, which was particularly intense in March, causing significant losses in the main international stock exchange indices, as well as peaks in volatility indicators not seen since the last global financial crisis in 2008.

In fixed-income markets, considerable increases have been observed in the risk premiums of the European countries most quickly affected by the virus, Spain among these, although they declined towards the end of the quarter following the announcement of different support measures adopted by the ECB. Risk premiums of private debt assets also increased sharply, in particular those of high-yield assets, in both the US and Europe.

Governments, central banks and other institutions of reference have approved packages of measures (monetary and fiscal stimuli) that seek to minimise the impact of this crisis, which have been immediate following the halt in a significant part of the economic activity. In fact,

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the IMF has forecast a global recession of 3% for this year, although the degree of uncertainty of the forecast is high. In Spain, where the GDP is expected to fall by between 6.6% and 13.6% in 2020, the most important economic and financial risks expected are related to the increase in unemployment, the intensity and pace of the resumption of economic activity and the need to combine the adoption of all spending measures deemed appropriate with safeguarding the sustainability of public accounts.

The report also details the main actions taken by the CNMV as a result of the crisis, from those of an organisational nature aimed at enabling personnel to access teleworking as quickly as possible, to other issues related to the supervision of financial markets and entities. In the sphere of market supervision, the tasks of monitoring market infrastructures and decisions related to restricting the creation and increase of short positions have been particularly relevant. In the field of the supervision of entities, the tasks include most notably those aimed at ensuring that management companies value their investment portfolios correctly, and at recalling the existence of a wide range of tools to manage liquidity, chief among which are the valuation at the bid price, the methodology known as swing pricing. Another important measure adopted has been the monitoring of CIS management companies most exposed to illiquid assets, with the greatest credit risk and those with the highest redemptions. In this regard, management companies have indicated that, in general, they have not had any difficulties in meeting redemption payments, which since the beginning of the crisis have amounted to slightly more than 2% of the funds' assets.

The article “Análisis de la rentabilidad y los gastos de las IIC (FI y SICAV) domiciliadas en España entre 2009 y 2019” (Analysis of the return and expenses of CISs (IFs and open-ended collective investment schemes) domiciled in Spain between 2009 and 2019), by M^a Isabel Cambón, Gema Pedrón and Juan Ángel Gordillo (technical staff of the CNMV), describes the changes in gross and net performance, as well as the costs of Spanish CISs during the reference period, grouping these entities into seven types, and carrying out specific analyses by type of investor (retail and institutional) and by type of management company (belonging to a banking group or independent). It should be noted that this paper has not been subject to any of the limitations, related to the availability and quality of the information, which affected the report on the same issue published by ESMA last year with reference to the whole EU. It applies a methodology that differs from that of ESMA in certain respects.

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According to the article, interesting patterns have been observed in the calculations: in general, institutional CISs record higher returns than those of CISs for retail investors. The returns of management company CISs are also slightly higher than bank CISs, although this can essentially be explained by the better relative performance of categories with a higher proportion of shares, which are present to a greater extent in institutional CISs and in those managed by independent management companies.

With regard to the comparison with the results of ESMA's study, according to the CNMV's calculations, both gross performance and the costs incurred by Spanish CISs are lower than the figures calculated by the European authority for our country. In the period 2016-2018, net performance of Spanish CISs was similar to or of a higher level than the average of EU countries in most of the areas of the study. This good performance would be even better if it were taken into account that in Spain management fees usually include distribution costs, which in some European countries are expressly paid, and therefore, are not included in the European authority's data.

In the academic paper "Effectivity of gender regulation on boards of directors. The role of institutional environment" Irma Martínez García (who develops in this paper the line of research of her doctoral thesis "Gender diversity on corporate boards: Determinants, characteristics, and implications") and Silvia Gómez Ansón, lecturer at the University of Oviedo, analyse the effectiveness of various regulations including, among others, those promoting gender diversity on boards of directors, and how formal and informal institutional factors affect the relationship between those regulations and the presence of women on boards. The results of the analysis show that the presence of women on boards of directors and on committees is greater when a regulation on gender exists, both recommendations on codes of corporate governance and rules on quotas. However, this relationship is modulated by the institutional environment, so that the regulation is less effective in countries with higher governance quality scores. Likewise, in countries with lower governance quality scores, regulations with penalties for non-compliance are more effective than those based on recommendations.

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