

THE CNMV CHAIRMAN PRESENTS THE 2017 ANNUAL REPORT TO THE SPANISH PARLIAMENT

26 April 2018

- In the context of what was a good year for the markets, in 2017 activity grew significantly in terms of corporate operations such as IPOs and takeovers.
- Likewise, the number of entities supervised by CNMV increased in all categories (investment firms, collective investment scheme and venture capital management companies and crowdfunding platforms). There was also a significant increase in the number and volume invested in investment funds.
- CNMV approved several Technical Guides during the year, including most notably those relating to audit committees and the training of sales network staff.
- The year was also marked by the preparation of the implementation of MiFID II and by the initiatives, including the strengthening of the institution, aimed at making Spanish financial markets more attractive, especially in the context of events such as "Brexit".

CNMV's Chairman, Sebastián Albella, today presented the supervisory body's 2017 Annual Report to the Economy, Industry and Competitiveness Commission of the Spanish Parliament.

This report consists of three parts:

- **the first**, in which the main features of the economic and financial environment and the evolution of the markets in 2017 are set out,
- **the second**, which outlines CNMV's activity in the different areas in which it operates: supervision of markets and financial intermediaries, investor relations and relations with other market participants, as well as international activity and, finally,
- **the third**, which describes some aspects of CNMV's internal organisation and strategy.

According to the Report, 2017 can be described, in general, as positive from a macroeconomic and financial stability point of view, both in

Spain and at international level. Other noteworthy aspects include the consolidation of growth on a global scale and the beginning of the process to standardise the ultra-expansive monetary policy applied for years on both sides of the Atlantic.

In terms of financial markets, the main market indices registered important progress, the foundations of which were the strength of the global economy and a climate of low interest rates, which remained stable in the long-term debt markets.

2017 was a year characterised by low volatility in which financial markets, including the Spanish ones, exhibited moderate stress levels throughout the year. The stress indicator created and calculated by CNMV recorded very low indices over the whole year, even during the political crisis in Catalonia.

As regards the Spanish markets, the funds generated by listed companies through capital increases with pre-emption rights, under the public offer for subscription regime without entitlement or accelerated placements, increased by 31.2% with respect to the previous year, to stand at 9.6 billion euros. The total value of the capital increases, considering all types of fundraising, amounted to 26.8 billion euros, 86% more than in 2016.

Seven new companies were incorporated into the Spanish continuous market (*Mercado Continuo*); in five cases through IPOs in the strict sense of the term and in two cases moving from the Alternative Stock Market (*Mercado Alternativo Bursátil*, MAB) to the primary market. On the other hand, five companies were delisted.

In addition, during 2017, five takeover bids for a total amount ten times that registered in 2016 were approved, the highest in recent years, including most notably the takeover bid for Abertis Infraestructuras.

Regarding **trading on secondary markets**, the trend towards greater distribution in the purchasing of equity was maintained to the detriment of traditional stock markets, although its intensity decreased with respect to previous years. Considering the main European financial markets as a whole, around 40% of the purchase of multilaterally traded equity takes place outside the regulated market of origin of the securities.

The evolution of the **assets of Spanish mutual funds** maintained the expansionary trend displayed in recent years, with growth in 2017 of over 11%, reaching more than 265 billion euros. It should be noted that in 2017 the joint share of high-risk category funds (equity funds and global funds) increased, which reflects a search for higher returns by investors. Furthermore, the evolution towards portfolios with a greater foreign asset component and the volume invested in foreign funds were intensified.

With regard to **CNMV's actions**, it is noteworthy that the commencement of 16 new disciplinary proceedings in relation to a total of 23 alleged infringements, more than half of which are very serious, was approved. The proceedings being conducted were in relation to rules of conduct in client or investor relations, information to be provided by listed companies on remuneration matters, cases of market abuse (market manipulation and use of inside information, in this case, eight infringements), communication of significant shareholdings, regulations on short sales and general regulations on IFs and CISs.

Over the course of the year, 16 cases involving 29 infringements, most of them of a very serious nature, were concluded. **The sanctions imposed (28)** amounted to nearly 14 million euros, representing an increase of 38.8% from the previous year, and there was a penalty of disqualification from holding board and senior management positions in financial institutions for a five-year period.

In 2017, 998 complaints **were received from investors**, compared with 1,205 the previous year (which was largely a consequence of the effects of the preference shares crisis being overcome). A significant percentage was due to alleged irregularities in the information provided about the product before (20%) or after (22%) it was purchased. In terms of the products to which the complaints related, in 2017 the proportion of complaints submitted in relation to collective investment schemes was noteworthy.

Regarding the **warnings that CNMV** publishes on entities not authorised to provide investment services, in 2017 their number increased significantly, to a total of 500, of which the majority, 447, came from other EU supervisory bodies.

During 2017, 309 **annual financial reports** were received from 165 issuers for the 2016 financial year, which led to numerous supervisory measures being taken.

The degree of compliance with the Good Governance Code in the second year of its application was high. On average, listed companies followed 84% of its recommendations, and, as in previous years, the level of adherence by the Ibex 35 companies was higher than that of the listed companies as a whole.

The number of suspicious transaction communications amounted to 235 in 2017, 22% more than in 2016. The majority referred to the potential use or intent to use inside information.

Regarding the supervision of financial intermediaries, in 2017 a horizontal review was conducted on the marketing of CFDs and other speculative products among retail investors. The weaknesses identified, together with the conclusions drawn from similar exercises carried out by other European authorities, led to the recent decision made by ESMA (the European Securities and Markets Authority) to prohibit what are known as binary options and establish restrictions on the marketing of CFDs, the first time that the intervention powers of financial products envisaged in MiFID II have been used.

CNMV approved four Technical Guides, including one on audit committees and another which establishes the criteria for the evaluation of the knowledge and skills of the personnel who provide information and advise in the sales network of financial institutions.

Finally, the strategic lines were defined for the period 2017-2018, to which an additional one, focusing on the technological developments applied to financial services, was recently added. One of the most noteworthy initiatives in this regard was the launch in 2017 of the Fintech Portal, which to date has received more than 160 enquiries, mostly related to crowdfunding and management or robo advice, although in recent months there has been a considerable increase in those related to **cryptocurrencies and other associated phenomena**.

For further information:

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

