

## CNMV BULLETIN: INCLUDES THE MARKET SITUATION REPORT AND THREE ARTICLES

30 January 2020

- Corresponding to the fourth quarter of 2019, it includes three articles on proxy voting at general shareholders' meetings of listed companies, advertising particularly complex financial products and sustainable finance

The Spanish National Securities Market Commission (CNMV) has published its [bulletin corresponding to the fourth quarter of 2019](#). In addition to the biannual market situation report, which analyses the trends in the most relevant national and international indicators for the financial sector in recent months, the bulletin includes a report prepared by the CNMV's Policy and International Affairs Directorate-General on "Advertising CFDs and other complex financial products to the general public" and two academic papers of interest: one on the delegation of attendance and voting rights at general shareholders' meetings of listed companies and another on sustainable finance, which includes an analysis of the sustainable bond market in Spain.

### Market situation report

The report presents an environment marked in macroeconomic terms by a slowdown in global growth, which is expected to be close to 3% for 2019 as a whole. This downturn has been caused, among other uncertainties, by trade tensions and, together with low inflation, has led to a relaxed monetary policy on both sides of the Atlantic.

This environment has coincided with significant increases in prices in international equity markets (over 20% in the majority of financial benchmarks), along with low levels of volatility and falls in bond-market yields, particularly in longer maturities.

In Spain, the trends in financial markets were relatively similar to those of other relevant markets but with a lower than average upturn (the Ibex 35 rose by 11.8%) due, among other reasons, to the sectoral composition of the Spanish index. Volatility levels in the Spanish stock market were also reduced, closing the year at record lows.

Spanish equities transactions stood at 805 billion euros for the year as a whole, with the trading distributed among the Spanish regulated market and other trading venues and competing markets, increasing

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the share of the latter between 2018 and 2019 (from 37.4% to 42.6%), although the trend seems to have reached a ceiling.

As in other European economies, yields on domestic debt markets fell to new historic lows with government debt standing at negative rates for maturities up to five years.

With regard to the primary-debt markets, the volume of fixed-income issues registered with the CNMV in 2019 was 90.066 billion euros, 11% less than in 2018 and the lowest level recorded in recent years. Conversely, fixed-income issues carried out by Spanish issuers abroad - with data up to November - continued to increase at a rate of 6.7%, to 91.13 billion euros.

### **Advertising of CFDs and other complex products**

The paper on "Advertising CFDs and other complex financial products to the general public", prepared by the CNMV's Policy and International Affairs Directorate-General, refers to the many actions that the CNMV has carried out in recent years in relation to the marketing, distribution and sale of these products, which are characterised by their high-risk and high short-term volatility and whose characteristics make them difficult to understand by retail clients, and therefore generally unsuitable for them. The measures adopted by the CNMV are in line with those adopted by other relevant European authorities and include, among others, the establishment of restrictions on their marketing to retail investors. It also analyses the advertising carried out in Spain in relation to this type of product or the entities that market it, in particular, the sponsorship by these firms of Spanish first division football teams which, in some cases, even display the name of the clubs on their kits. This type of sponsorship is not common in other European leagues.

As a result of the analysis performed, the report advocates the introduction of specific restrictions on advertising to the general public of financial products such as CFDs, in line with what other European countries have already done.

### **Proxy voting at general shareholders' meetings**

In the article "Analysis of proxy voting in listed companies", by university professors María Gutiérrez Urriaga and Maribel Sáez, the functioning of proxy voting cards is studied as a mechanism to promote shareholder democracy and participation in general meetings by institutional investors and retailers. The article refers to a series of best practices concerning the preparation and deadlines for the issuance of proxy cards and the handling of matters not included in the general meeting agenda, designed to facilitate the issuance of

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votes, whether these votes are accompanied by specific instructions or are delegated to directors in the absence of such instructions.

### **Sustainable finance**

Finally, the article "Sustainable finance" by Jesús González Redondo, from the CNMV, presents a descriptive analysis of the main sustainable finance tools currently available, at a time when both the European Union and the UN itself have launched different initiatives in the field of sustainability that will require a high volume of economic resources for their financing. The article describes the main characteristics of green and social bonds, as well as other types of financing such as green and sustainable loans, including an analysis of the evolution of the issues made in recent years, with special focus on the Spanish market.

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