

CNMV BENCHMARKING EXERCISE CARRIED OUT BY AN INTERNATIONAL CONSULTING FIRM

5 February 2020

- The study has compared the CNMV with 16 relevant European and international supervisors
- The CNMV stands out among its peers in aspects such as coordination with national and international bodies, its level of accountability and regulatory processes
- The CNMV is in line with other supervisors in most areas, including the level of supervision, independence, governance, organisational structure and sanctioning procedure
- Among the areas of improvement, the report mentions the level of flexibility in staff management, the institution's own risk management system and its level of digitalisation

The CNMV has been subjected to a [benchmarking exercising](#) based on comparing its organisation and how it carries on its activities with a significant sample of supervisors from the financial sector of other countries. The exercise has been carried out by the international consulting firm Oliver Wyman.

Specifically, the benchmarking exercise has been carried out with supervisory institutions from sixteen jurisdictions, including a large number of the most important European and international institutions, which recently have been subject to this same exercise by the same firm. The exercise has mainly been based on publicly available information, the CNMV's replies to a detailed questionnaire and interviews of consultants with management teams of the institution.

The exercise has included the assessment of four main areas:

- mandate and powers,
- governance and responsibilities,
- organisation and resources,
- and key processes.

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Each of these areas has, in turn, included a series of more specific areas.

As a result of the exercise, Oliver Wyman has identified the areas where the organisation and the activity of the CNMV can be considered aligned with the other supervisors analysed, those areas of the institution that apply the best practices, and finally, those areas where there is room for improvement.

1. Areas where the CNMV adheres to best practices

The report concludes that in the following areas the CNMV applies best practices and is therefore above standard:

- External accountability mechanisms

The regular and consistent publication of the Annual Report on the securities markets and the actions carried out by the CNMV, as well as the publication of an annual Activity Plan, are considered positive. The existence and active functioning of the CNMV's Advisory Committee is also valued positively, as well as the fact that both the Court of Auditors and the General Intervention Board of the State Administration periodically validate the financial situation of the CNMV. This is supplemented, according to the report, by a strong and transparent relationship with the media and the public.

- Coordination with other national bodies

The coordination is materialised in elements such as the various memoranda of understanding that the CNMV has signed with the other Spanish supervisors and the cross representation in the boards of the CNMV and the Bank of Spain.

- Coordination with international organisations

Oliver Wyman highlights the attention paid to international affairs by the CNMV, which participates as a member in various bodies, including the World Organization of Securities Commissions (IOSCO) and the European Securities and Markets Authority (ESMA). It also stresses that there is a sound procedure for defining the criteria to be transmitted in the various forums and that the CNMV has signed a significant number of memoranda of understanding with international organisations.

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- Development of the regulatory process

The paper values the fact that the development of regulatory policies at the CNMV is based on a roadmap that is included in the annual Activity Plan. The established process for developing policy proposals ensures strategic coherence and legal quality. In addition, the views of the Advisory Committee, the supervised entities and international bodies, such as ESMA, are adequately taken into account.

2. Areas in which the CNMV is in line with the standards of the other supervisors analysed

The areas in which the organisation and activity of the CNMV, according to Oliver Wyman, is at a level comparable to that of most of the supervisory authorities evaluated are, among others, the following:

- Independence

The report states that the CNMV has operational independence, as it can define its own strategy and objectives, as well as financial independence, through the fees charged to the entities it supervises. However, its independence is limited in terms of the application of funds raised in such a relevant area as human resources (see areas for possible improvement).

- Governance (Board and Executive Committee)

Oliver Wyman considers that the Board's mandate is clearly defined by the regulations, which give it a wide range of responsibilities without prejudice to the delegation of tasks to the Executive Committee, Chairman and Vice-Chairwoman. The report refers to the step-by-step approach followed to deal with the different issues, starting with the Directorates-General and including the Management Committee, which is a useful tool for the Chairman to exercise the function of directing and coordinating the activities of the CNMV's directors. The most relevant issues are raised to the Board and Oliver Wyman considers that the level of review and discussion is effective.

- Organisational structure

The CNMV's organisational structure is considered to be sound, although it differs from that of its leading counterparts in some respects. It follows best practices by being based on functional areas

of activity, except for the risk control function and the lack of cross-cutting centres of excellence (see the next section on areas for possible improvement).

- Authorisation process

The CNMV approval process is assessed as robust in the report, although it is considered that it could be improved through greater involvement of the supervisory departments. It should be noted that the CNMV makes use of mechanisms that facilitate interaction with entities that request authorisations and the report raises the possibility of establishing a separate fit and proper assessment function.

- Securities market supervision

In this core area of the CNMV's mandate, the institution is increasingly applying new technologies, an aspect that should be stressed. In general, a risk-based monitoring process is followed using historical data, prospective factors and information from complaints and consultations. It is suggested that the different areas of supervision should act in a more homogeneous manner, making greater use of common procedures and tools, which, in the medium term, would encourage greater symbiosis and the opportunity for shared efforts. This is mitigated by the weekly meeting of the Management Committee and the overview generated by both the Board and the Executive Committee.

- Financial education and interaction with investors

Oliver Wyman stresses that financial education and interaction with investors is a priority for the CNMV, as is cooperation in this area with the Bank of Spain, which has resulted in a Financial Education Plan. In addition, with regard to interaction with investors, the CNMV is following the trend, observed in leading counterpart entities, of increasing and modernising possible communication channels for this purpose.

- Macro-prudential supervision

It should be pointed out that the CNMV has a more relevant role with regard to macro-prudential supervision following the creation of the Macroprudential Authority Financial Stability Board (AMCESFI), in which it participates.

- Sanctioning procedure

The consulting firm indicates that the sanctioning function is separate and independent from the rest of the organisation, as in most of its leading counterparts.

- Strategic planning

The CNMV is considered to have a sound strategic planning process in place. The design of the strategic plan is delegated to a specific department within the organisation (the Strategy and Innovation Department). The plan follows the main strategic lines proposed by the Chairman and the Executive Committee, incorporating proposals from all departments. However, the report suggests that the supervisor could introduce key performance indicators ("KPIs"). (The latter was done for the first time on the occasion of the publication of the 2018 annual report).

3. Possible areas for improvement

- Process for appointing Commissioners

Oliver Wyman believes that it would be beneficial if the appointment of Commissioners were staggered over time and the length of the terms of office increased from four to six years.

- Autonomy in the definition of the workforce and talent management

The report stresses in a negative sense that the CNMV cannot increase its staff numbers at all or hire any new personnel without the Government's authorisation and that, due to the fact that it is subject to the public employment offer, it cannot even cover the vacancies that arise with the desirable speed.

It should be noted that the institution is financed through fees paid by the supervised entities but that, in spite of this, the CNMV cannot use the corresponding funds for salary purposes, which limits its capacity to attract and retain talent, and implies limitations when designing the organisational chart. This also represents a restriction when it comes to focusing on the profile of new recruits, which is relevant, for example, to better address the need for adaptation to new technologies.

- Governing body

The CNMV's Board and Executive Committee are considered to operate with a clear mandate and a reasonable level of expertise due to the different professional backgrounds of their members. (Reference is made to the possibility of separating the executive function from the maximum representation of the institution, although it is recognised that the executive chairmanship scheme is common practice among counterpart agencies).

It is also recommended to establish mechanisms to evaluate the effectiveness of the Board and structured training programmes for its members. (The CNMV, taking into account these recommendations, carried out an initial exercise in 2019 to evaluate the functioning of the Board and the Executive Committee, which it plans to perform again regularly, and is reviewing, in order to strengthen it, the system for training its members).

- Cooperation and exchange between departments

Although Oliver Wyman considers that the basic characteristics of the CNMV's organisational structure coincide with those of leading counterpart institutions, it considers it appropriate to set up "cross-cutting centres of excellence", which consist of employees from various areas pooling their expertise to address specific issues. (The CNMV already has some cross-cutting groups in areas such as the application of new technologies to the provision of financial services (FinTech) and matters related to sustainability, and plans to continue promoting these types of groups).

- Performance management

Oliver Wyman considers that it would be advantageous if the CNMV were to further develop its performance evaluation system. The consulting firm also mentions in this point the difficulty that, in order to adequately manage performance, is involved in the mandatory approval of any scheme or variable component in remuneration by government bodies.

- Risk management and control

The report also highlights the importance of having an independent risk function, reporting directly to the Board or the Chairman and using risk management tools such as risk maps or control panels. (The CNMV, following this recommendation, has reinforced the risk management function with the appointment of



a Risk Manager who reports directly to the Chairman and with the establishment of an internal Risk Committee).

- Digitalisation

Oliver Wyman acknowledges that the CNMV is carrying out a number of digitalisation initiatives but lacks a comprehensive strategy in this regard which should be supported, in its view, by a specific committee or function. (In this regard, the CNMV's 2020 Activity Plan will include an objective consisting of the design and implementation of a comprehensive digital transformation plan. For this purpose, at the end of last year, the CNMV has set up a committee to manage this process made up of members of the highest level in the institution).

The conclusions from this report can be consulted [at this link](#).