CNMV
Comisión Nacional del Mercado de Valores

Annual Report 2020

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Abbreviations

AA. PP.	Public administration service
ABS	Asset-Backed Security
AIAF	Spanish Market in Fixed-income Securities
AIF	Alternative Investment Fund
ANCV	Spanish National Numbering Agency
APA	Approved Publication Arrangement
APR	Annual Percentage Rate
ASCRI	Spanish Venture Capital & Private Equity Association
AV	Broker
BIS	Bank for International Settlements
BME	Spanish Stock Markets and Financial Systems
CADE	Public Debt Book-entry Trading System
CC. AA.	Autonomous regions
CCP	Central Counterparty
CDS	Credit Default Swap
CFA	Atypical financial contract
CFD	Contract For Differences
CISMC	CIS Management Company
CNMV	(Spanish) National Securities Market Commission
CP	Crowdfunding Platform
CS	Customer Service
CSD	Central Securities Depository
CSRD	Central Securities Depositories Regulation
DLT	Distributed Ledger Technology
EAF	Financial advisory firm
EBA	European Banking Authority
EBITDA	Earnings Before Interest Taxes, Depreciation and Amortisation
EC	European Commission
ECA	Credit and savings institution
ECB	European Central Bank
ECR	Venture capital firm
EFAMA	European Fund and Asset Management Association
EFSM	European Financial Stabilisation Mechanism
EICC	Closed-ended collective investment company
EIOPA	Occupational Pensions Authority
EIP	Public interest entity
EMIR	European Market Infrastructure Regulation
EMU	Economic and Monetary Union
ESFS	European System of Financial Supervision
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange Traded Fund
EU	European Union
EUSEF	European Social Entrepreneurship Fund
FICC	Closed-ended collective investment fund
FII	Real estate investment fund
FIN-NET	Financial Dispute Resolution Network
FINTECH	Financial Technology
FOGAIN	Investment Guarantee Fund

FRA	Forward Rate Agreement
FROB	Fund for Orderly Bank Restructuring
FSB	Financial Stability Board
FTA	Asset securitisation fund
FTH	Mortgage securitisation fund
GDP	Gross Domestic Product
HF	Hedge Fund
HFT	High Frequency Trading
IAGC	Annual corporate governance report
IARC	Annual report on director remuneration
IAS	International Accounting Standards
ICIS	Collective investment company/scheme
ICO	Initial Coin Offering
IF	Investment Firm / Investment Fund
IFRS	International Financial Reporting Standards
IIMV	Ibero-American Securities Market Institute
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering (for sale/subscription of securities)
IPP	Periodic public information
IRR	Internal Rate of Return
ISIN	International Securities Identification Number
KIID/KID	Key Investor Information Document
Latibex	Market of Latin American Securities
LEI	Legal Entity Identifier
LIIC	Spanish Collective Investment Companies Act
LMV	Spanish Securities Market Act
MAB	Alternative Stock Market
MAD	Market Abuse Directive
MAR	Market Abuse Regulation
MARF	Alternative Fixed-Income Market
MBS	Mortgage Backed Securities
MEFF	Spanish Financial Futures Market
MFP	Maximum Fee Prospectus
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MOU	Memorandum Of Understanding
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MTF	Multilateral Trading Facility
MTS	Market for Treasury Securities
NCA	National Competent Authority
NDP	National Domestic Product
OECD	Organisation for Economic Cooperation and Development
OIS	Overnight Indexed Swaps
OTC	Over The Counter
OTF	Organised Trading Facility
PER	Price-to-Earnings Ratio
PRIIP	Packaged Retail and Insurance Based Investment Product
PUI	Loan of last resort
RAROC	Risk-Adjusted Return On Capital
REIT	Real Estate Investment Trust
RENADE	Spanish National Registry for Greenhouse Gas Emission Allowances
RFQ	Request For Quote
ROA	Return On Assets
ROE	Return On Equity
SAMMS	Advanced Secondary Market Tracking System
SAREB	Asset Management Company for Assets Arising from Bank Restructuring

SENAF	Electronic Trading Platform for Spanish Government Bonds
SEND	Electronic Debt Trading System
SEPBLAC	The Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences
SGC	Portfolio management company
SGECR	Venture capital firm management company
SGEIC	Closed-ended investment scheme management company
SGFT	Asset securitisation fund management company
SIBE	Electronic Spanish Stock Market Interconnection System
SICAV	Open-ended collective investment company
SICC	Closed-ended collective investment company
SII	Real estate investment company
SIL	Hedge fund with legal personality
SME	Small and Medium Enterprise
SNCE	National Electronic Clearing System
SPV/SFV	Special purpose/financial vehicle
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
STOR	Suspicious Transaction and Order Report
SV	Broker-dealer
T2S	Target2-Securities
TER	Total Expense Ratio
TOB	Takeover Bid
TRLMV	Recast text of the Spanish Securities Market Act
TVR	Theoretical Value of the Right
UCITS	Undertaking for Collective Investment in Transferable Securities
VCF	Venture Capital Firm / Venture Capital Fund
XBRL	Extensible Business Reporting Language

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1 Economic and financial environment

1.1 International environment

The coronavirus pandemic shaped the financial year 2020, which was characterised by lockdown measures and a halt in economic activity in most economies. According to estimates by the International Monetary Fund (IMF) global gross domestic product (GDP) shrank by 3.3%, 6.1 percentage points (pp) less than in 2019, with advanced and emerging economies performing unevenly. The role played by central banks during the year to attempt to mitigate the negative effects of this crisis should be highlighted, with expansionary monetary policy measures implemented on both sides of the Atlantic. The US Federal Reserve and the Bank of England cut their official interest rates twice in March, and both these bodies, alongside the European Central Bank (ECB) and the Bank of Japan strengthened bank financing and carried out ambitious asset purchase programmes to provide credit and ensure the market functioned smoothly.

The international financial markets were conditioned by the economic, political and health uncertainties deriving from the spread of COVID-19. Short-term rates in advanced economies fell in line with official rates, as did long-term government debt yields, which declined, despite the temporary spikes experienced in many countries in the early months of the pandemic. Equity markets posted heavy losses at the beginning of the year, especially in March, in addition to high levels of volatility that had not been observed since the global financial crisis. The stock market indices subsequently recovered throughout the year, albeit at different speeds according to the region. In the final part of the year, the easing of some uncertainties, most notably the start of vaccination programmes in several countries, the agreement avoiding a hard Brexit and confirmation of the victory of the Democratic party in the US elections, led to stronger growth in the equity markets. Thus, for the year as a whole, the US and Japanese stock markets made gains, while the European indices closed with losses (except for the German Dax 30).

The growth outlook for 2021 points to a gradual recovery in economic activity (the IMF forecasts global growth of 6%), partly due to the start of the mass vaccination process. Fresh outbreaks and new strains of the virus, as well as the slow and ineffective distribution and administration of vaccines, will remain key sources of risk, as they may lead to further lockdowns, bring business activity to a halt and engender market turmoil.

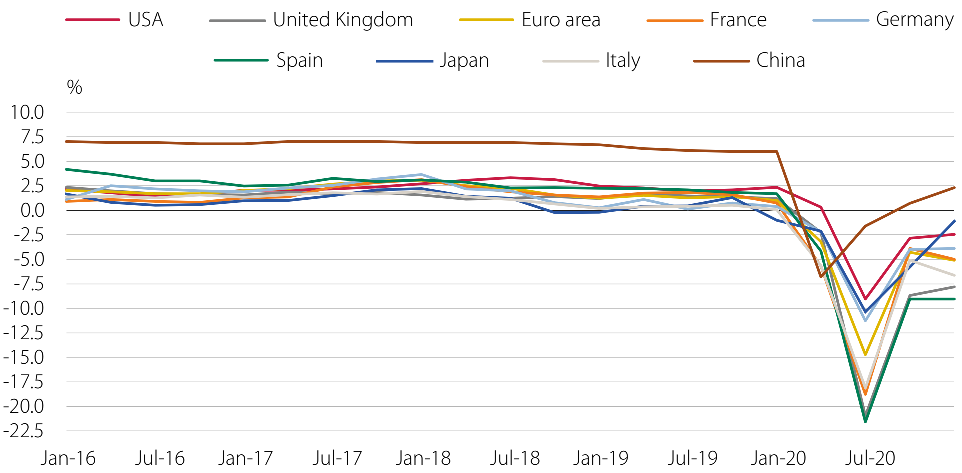
1.1.1 The world economy

World GDP contracted by 3.3% in 2020, far below the growth of 2.8% seen in 2019

According to IMF estimates,[1] the world economy contracted by 3.3% in 2020, a decrease of 6.1 pp compared to 2019. The decline in developed economies was 4.7% (6.3 pp lower than in the previous year), while the emerging economies recorded a drop of 2.2%, 5.8 pp lower than the figure seen in 2019. The spread of the coronavirus around the world and subsequent grinding to a halt of a large part of activity during the early months of the year were the main causes of this contraction in global growth. The uncertainty generated by COVID-19 and the economic and health consequences of its spread, caused significant contractions in almost all countries in the year.

In the advanced economies, GDP decreased across the board, although to different extents (the drop was lower in the United States and Japan compared to the euro area). In the United States, where less restrictive lockdowns were enforced and, consequently, the paralysis of economic and productive activity was less pronounced than in other advanced economies, GDP contracted by 3.5% (compared to growth of 2.2% in 2019). In Japan, the fall was slightly larger, at 4.8%, while in the previous year it had grown by a modest 0.3%.

GDP: annual change[1] FIGURE 1.1.1



Source: Refinitiv Datastream. (1) Year-on-year GDP rates are shown for each quarter in all economies except China, where growth rates accumulated in the year are represented in year-on-year terms.

In the euro area, GDP contracted by 6.8% in 2020. In Spain and Italy, there was a sharp decrease in activity, since the virus spread more rapidly in these countries at first and their economies are more dependent on tourism – a sector that was severely affected by the pandemic. Thus, in Spain GDP fell by 10.8% in 2020 and 8.9% in Italy (compared to the previous year's growth of 2.0% and 0.3%, respectively). In France, the recession was also severe, with GDP falling by 8.2% (9.7 points less than in 2019). In Germany, however, the contraction was much smaller, at 4.9%, 5.5 pp less than in the previous year. GDP in the United Kingdom fell by 9.9% (down 11.3 pp vs 2019), where the uncertainty caused by COVID-19 was compounded by Brexit.

1 *World Economic Outlook* (6 April 2021).

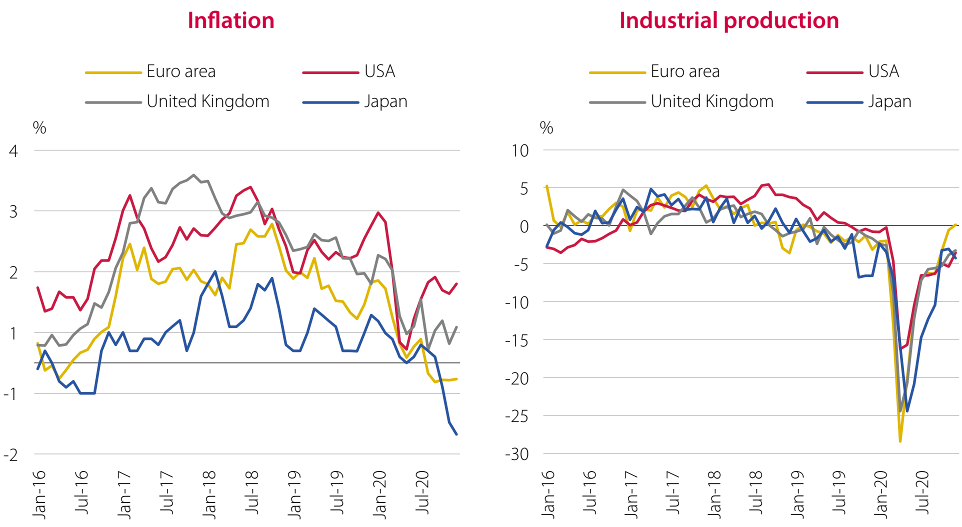
Emerging and developing economies, on the other hand, saw a much smaller decline compared to advanced countries, standing at 2.2% overall (compared to growth of 3.6% in 2019). Emerging Asian economies contracted by just 1% (vs growth of 5.3% in 2019), boosted by the Chinese economy, which grew by 2.3% in the year (the only large economy to register annual growth). China was the first economy to be hit by the spread of the virus and led the way in the recovery phase. Emerging European economies contracted by 2% overall, 4.4 pp less than in 2019, and in Latin America the fall was 7% (vs very modest growth of 0.2% in the previous year).

Inflation rates in the main advanced economies fell significantly in 2020

In an environment of contracting GDP and global uncertainty, inflation rates in the main advanced economies fell significantly compared to 2019 (see Figure 1.1.2). In the United States, inflation followed a downward trend throughout the year, although this was somewhat irregular – it decreased until May, when it stood at 0.2%, and subsequently reversed this trend. In December it was 1.3% (compared to 2.3% in 2019). The inflation rate in the United Kingdom followed a similar path, declining to 0.5% in May and rising to 1.0% in July. At the end of the year it stood at 0.6% (vs 1.3% in 2019). In the euro area and Japan, inflation rates showed a more marked downward trend, ending the year in negative figures in both cases. In the euro area, inflation was below the ECB's target (rates close to but slightly below 2%). The downward trend was in place for most of the year, except for the period from May to August, after which the year-on-year rate was below zero. At the end of 2020, it stood at -0.3% (1.3% in December 2019). In Japan, inflation was negative from October and ended 2020 at -1.2% (0.8% in December 2019). Core inflation, which excludes the most volatile elements of the index (fresh food and energy), marked a much more stable trend in the year, with the highest levels also seen in the United States and the United Kingdom. In the United States, core inflation stood at 1.6% in December and in the United Kingdom, it was 1.4%. This compares to 0.2% in the euro area and -0.4% in Japan.

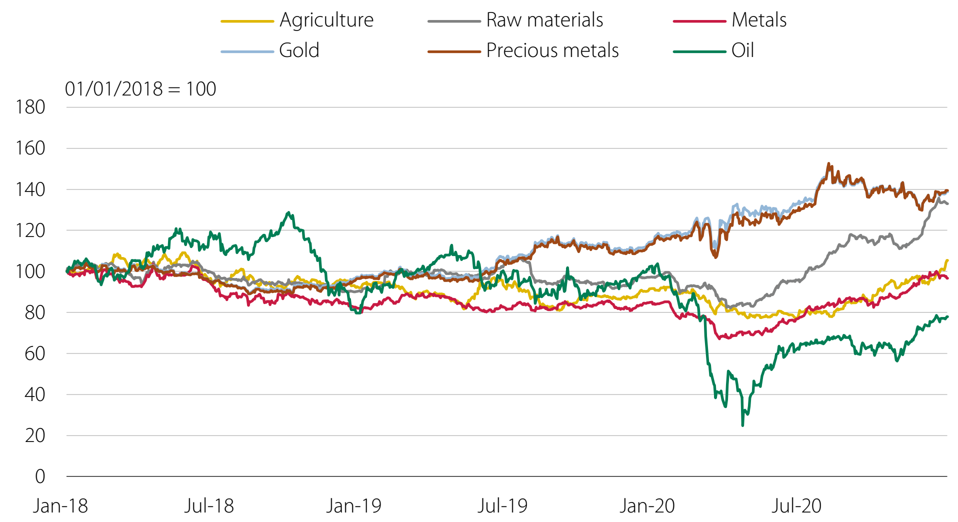
It is also worth highlighting the variations in commodities price trends throughout 2020 due to the divergent performance of the price of gold and other precious materials, which grew significantly, and the price of oil, which fell in the year as a whole (despite the recovery seen from the end of April). The former benefited from their nature as safe haven assets during the crisis and were the subject of significant investments in an environment of high uncertainty. Meanwhile, oil prices were affected, among other issues, by the tight restrictions on movement, which had a negative impact on demand (see Figure 1.1.3).

Inflation and industrial production (annual % change) FIGURE 1.1.2



Source: Refinitiv Datastream.

Commodities prices FIGURE 1.1.3



Source: Refinitiv Datastream.

Throughout 2020, the central banks of the main economies adopted multiple expansionary measures to combat the effects of the crisis

The official interest rates of the main advanced economies ended 2020 at relatively similar levels and close to zero, which had not occurred since the end of 2015 and was due to the markedly expansionary nature of the policies adopted by the monetary authorities to combat the coronavirus crisis.

In the United States, the Federal Reserve, which in January kept its official rates in the range of 1.50-1.75%, made two rate cuts in March 2020 to a range of 0-0.25%, the levels seen during the 2008 financial crisis. It also increased its holdings of treasury bills and mortgage-backed securities to keep the market running smoothly and support the flow of credit. At its last meeting of the year, the central bank undertook not to raise official rates until labour market conditions reach levels consistent with full employment and inflation is over 2%. In the euro area, the ECB kept its official interest rates unchanged during the year: i.e. the rates for main refinancing operations, marginal credit and deposit facility (at 0%, 0.25% and -0.50% respectively). However, it implemented expansive measures to address the economic crisis caused by the COVID-19 pandemic, which increased in duration and scope as the year progressed, from additional asset purchase programmes to new longer-term financing operations for credit institutions.[2]

Role of the European Central Bank in the context of the COVID-19 crisis

EXHIBIT 1

The outbreak of the coronavirus pandemic forced the European Central Bank (ECB) to adopt a series of extraordinary monetary policy measures, in addition to those already in force[1] to address the enormous impact of the health crisis on the economy and markets.

These measures were adopted in two stages. The first, at the onset of the crisis, aimed at reducing tensions in financial markets, especially debt markets, in addition to guaranteeing that monetary policy transmission mechanisms worked properly, and the second, from the summer of 2020 onwards, focused on combating the effects of the economic crisis and supporting the recovery of the euro area economy. These measures were sustained by the framework of a highly expansionary monetary policy that included a new debt purchase programme (public and private debt), in addition to those already under way (with two successive increases in the amount allocated), keeping official interest rates at very low levels, the lowest in their history, in order to keep financing costs down, and new unconventional measures aimed at boosting financing for the financial sector so that it, in turn, could provide credit to the private sector and ultimately encourage investment and consumption.

Initially, on 12 March 2020, the ECB approved a first package of measures that included liquidity injections for banks[2] at a more favourable interest rate and extraordinary asset purchases amounting to €120 billion up until the end of 2020, in addition to the €20 billion per month of the asset purchase programme (APP) in force at that time, with the aim of providing more

2 Initially, in March, the ECB announced an additional net asset purchase programme for €120 billion until the end of the year. Subsequently, it launched a new asset purchase programme (Pandemic Emergency Purchase Programme, PEPP) to bring additional liquidity to the system. The programme was first endowed with €750 billion, but was increased twice during the year (in June and December) to €1.85 billion, and extended until March 2022 (the original term for completion was June 2021). One of the main features of this programme is its flexibility in regard to the types of assets that can be purchased (sovereign and corporate bonds) and the percentages that can be assigned to each country. The ECB removed the usual restrictions on this type of programme, under which no more than one third of the debt of the same issuer can be acquired, in order to give more discretion to its asset purchases and focus on the most affected. Further, through its additional targeted longer-term refinancing operations (TLTRO III), the central bank increased the amount of money that banks can borrow and made it easier for funds to be obtained to grant financing to those entities most affected by the spread of the virus, including SMEs. The monetary authority also announced that it would offer four pandemic emergency purchase operations (PELTRO) for a longer term in 2021 and that net purchases under the asset purchase programme (APP) would continue at the same monthly rate of €20 billion.

favourable financing conditions for the real economy. It also relaxed capital and liquidity rules for banks.[3]

Subsequently, in the second half of March, the ECB launched a package of measures of greater magnitude and scope – the Pandemic Emergency Purchase Programme (PEPP). The main objective of this programme, endowed with €750 billion, was to guarantee monetary policy transmission mechanisms and get rid of tensions in the debt markets, to prevent their fragmentation and ensure that all countries and economic sectors could benefit from favourable financial conditions to handle the shock. The main measures in the programme included purchases of public and private debt for an amount of €750 billion up until the end of 2020, with a flexible approach[4] in terms of its distribution over time and by type of asset and country of origin.

The severity of the health crisis and its duration caused a sharp decline in economic activity throughout the euro area, prompting the ECB to adopt additional measures to stimulate economic recovery and support credit to the real economy. The first was the programme of non-targeted long-term refinancing operations[5] (Pandemic Emergency Longer Term Refinancing Operations, PELTRO) in April, consisting of seven refinancing operations for banks to provide them with abundant liquidity at reduced cost to allow them to extend credit to companies and families under more favourable conditions. This measure was followed at the beginning of June by an increase of €600 billion in the amount of purchases under the PEPP programme (up to a total of €1.35 trillion) and its extension until June 2021, or beyond, if necessary, as well as the creation of a liquidity line known as EUREP to allow euro area central banks to ensure the proper transmission of monetary policy.

At the end of the year (December), the ECB recalibrated its monetary policy tools once again, increasing the amount of the PEPP purchase programme endowment for a second time, with an additional €500 billion (making a total of €1.85 trillion), and extending it until March 2022, in addition to improving financing conditions for banks through the TLTRO[6] and announcing four new PELTRO long-term financing operations in 2021.

All the measures adopted by the ECB remain in force as of the closing date of this report and its commitment to the recovery of the European economy and the euro is unchanged. Although the pandemic persists and its effects continue to seriously affect both the European and global economies, the value of some of results obtained from the implementation of these measures should be unlocked. For instance:

i) Interest rates on public debt have remained low all along the curve in all euro area economies, reaching negative values in terms close to or greater than 10 years in many cases. This has allowed pressure to be eased on the cost of debt services for Member States, especially at a time when they have had to take on significant increases in public spending and, consequently, debt, to address the pandemic. This effect has also extended to corporate rates, which have been at very low levels for most issues and maturities, even those of issuers with the lowest credit ratings, which has also allowed them to keep their financial costs down, and provide access to finance for companies with weaker financial structures.

ii) Financing conditions for the different sectors (public administrations, non-financial companies and households) remain favourable. These conditions, which are especially significant at this time, derive both from the performance of interest rates, as mentioned above, and from the easing of conditions for financial institutions to access credit. The improvement in financing for banking financial entities has materialised in several ways. Particularly, the different financing transactions with the monetary authority and the temporary flexibility of capital requirements, all of which are aimed at increasing bank funds so that they can increase the volume of credit.

Although the initial planned duration of the pre-pandemic programmes was shorter, and some should have ended some time ago, the circumstances and economic data trends made an extension necessary. Thus, the asset purchase programme (APP), which was in force at the beginning of the year, was supplemented with the pandemic emergency purchase programme (PEPP), although the amount of the purchases and its composition have varied according to monetary policy requirements, as explained above (see Tables E1.1 and E1.2).

Net purchases under the ECB's asset purchase programmes[1] TABLE E1.1

Amounts in billions of euros

	ABSPP[2]	CBPP3[3]	PSPP[4]	CSPP[5]	APP[6]
	Total	Total	Total	Spain[7]	Total
Programme start date	Nov-14	Oct-14	Mar-15		Jun-16
Vol. acquired as of 31 Dec. 2019	28.4	263.6	2,102.9	260.8	184.5
Vol. acquired as of 31 Dec. 2020	29.3	287.5	2,341.6	292.8	250.4

Source: ECB (1) Data correspond to net purchases, including adjustments for amortisation and depreciation. (2) ABSPP (Asset-Backed Securities Purchase Programme). (3) CBPP3 (Third Covered Bond Purchase Programme). (4) PSPP (Public Sector Purchase Programme). (5) CSPP (Corporate Sector Purchase Programme). (6) APP (Asset Purchase Programme). (7) In Spain, the data correspond to purchases not discounting adjustments for amortisation and depreciation.

Net purchases under the ECB's PEPP[1] TABLE E1.2

Amounts in billions of euros

	Commercial paper	Covered bonds	Public sector debt		Corporate debt	PEPP (total)
	Total	Total	Total	Spain[2]	Total	Total
Vol. acquired as of 31 July 2020	34.8	3.1	384.5	46.1	17.6	440.0
Vol. acquired as of 31 January 2021	16.6	3.1	764.7	89.8	22.3	806.7

Source: ECB (1) Data correspond to net purchases, including adjustments for amortisation and depreciation. (2) In the case of Spain, data correspond to purchases not discounting adjustments for amortisation and depreciation.

1 The last monetary flexibility measures adopted by the ECB in 2019 included lowering the rate of the marginal deposit facility to -0.5%, the third round of financing to banks (TLTRO III), extending

its term from 2 to 3 years and the start of net purchases of debt amounting to €20 billion per month from November of that year, within the framework of its APP programme, which was already in force.

2 In force from June 2020 to June 2021 and at a rate that could be 25 basis points (bp) lower than the marginal deposit facility if the funds were intended to provide financing to the real economy.

3 Including the suspension of the stress tests that were scheduled for July 2020.

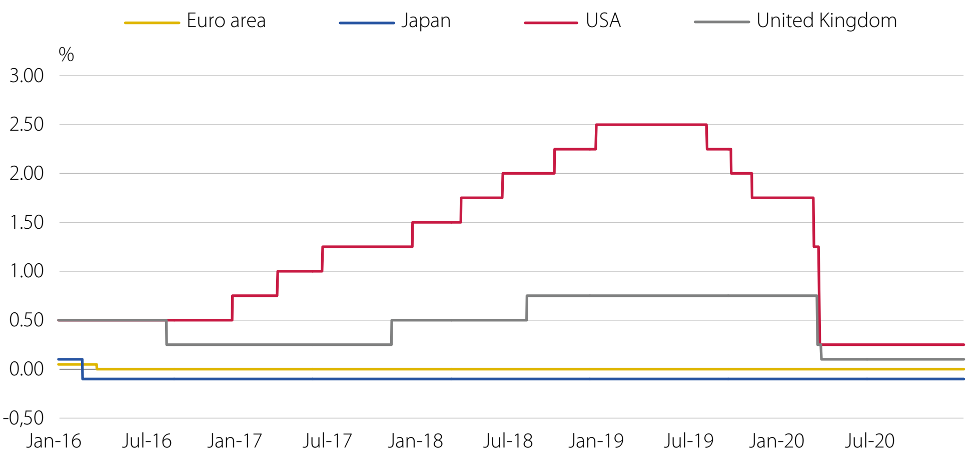
4 The objective of the purchases included the acquisition of negotiable public and private fixed income securities with a minimum residual maturity of 28 days and a maximum of 30 years, including the acquisition of commercial paper, which up until then had not been included in the purchases, and exemption from the eligibility requirements to acquire public debt issued by Greece.

5 The PELTRO programme consists of seven refinancing operations that began in May 2020 and will expire, in a staggered sequence, between July and September 2021. Execution consists of fully allocated fixed rate auctions with an interest rate that is 25 bp lower than the rate for the main financing operations (0%).

6 Between June and December 2021, three additional financing operations will take place, extending the period in which more favourable conditions apply and the total amount of financing that can be obtained (ranging from 50% to 55% of the stock of eligible loans) until June 2022.

The central bank of the United Kingdom cut the official interest rate twice in March, first to 0.25% (it had been at 0.75% since July 2018) and a week later it was cut further to 0.10%, where it would remain for the rest of 2020.[3] It also expanded its asset purchase programme and early in the year it introduced a new instalment financing scheme with additional incentives for small and medium-sized enterprises (TFSMEs). The Bank of Japan kept its official interest rate unchanged at -0.10% (where it has been since the beginning of 2016), although in March measures were implemented to counteract the effects of the economic crisis caused by the pandemic.[4]

Key policy rates FIGURE 1.1.4



Source: Refinitiv Datastream.

3 The United Kingdom monetary authority acknowledged in August that it was unlikely to implement negative rates in the country, but that this was one more tool available and it would assess the measures and effects of implementing such rates if necessary.

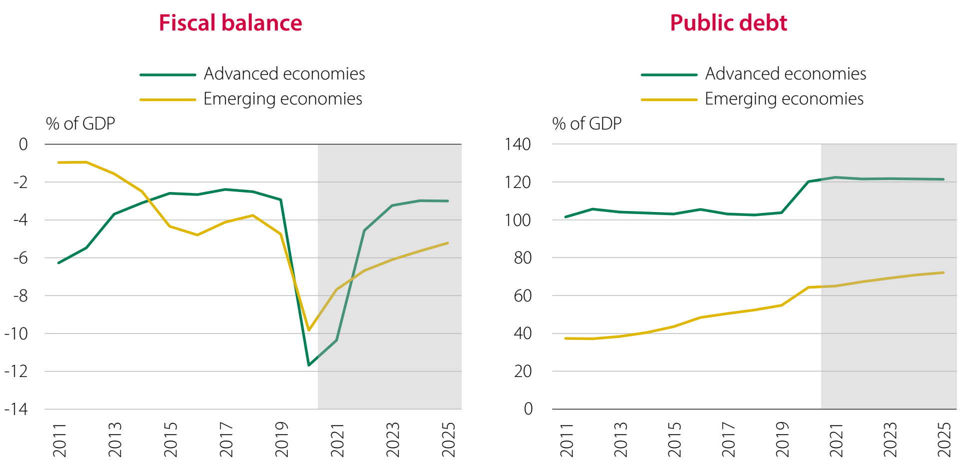
4 Among other measures, the Bank of Japan increased the scope of its purchasing programmes and set up a financing line for companies affected by the coronavirus. It also stepped up purchases of government bonds, exchange-traded funds and Japanese real estate investment funds (J-REITs).

In 2020, the deficit and public debt increased significantly in both advanced and emerging economies as a result of the fiscal measures adopted to mitigate the impact of the pandemic

The COVID-19 outbreak led to numerous fiscal measures being adopted in all countries in 2020; measures that were of a different nature (direct aid, financing guarantees, moratoriums, etc.), some of which immediately translated into an increase in spending and public debt. The strong increase in spending, together with the fall in income derived from the contraction of economic activity, led to a substantial increase in the public deficit in both advanced and emerging economies. According to IMF estimates, the public deficit of the former increased fourfold to 11.7% of GDP, compared to 2.9% in 2019, and that of the latter had a less pronounced but equally notable growth, up to 9.8% (4.7% in 2019). Public debt followed the same upward. In the advanced economies, there was also a more pronounced increase, from 103.8% of GDP in 2019 to 120.1% in 2020, while in emerging economies it rose by 9.6 pp to 64.4% (see Figure 1.1.5).

The IMF forecast for the next few years factors in the start of vaccination programme and the improvement in expectations that this entails. Thus, the institution forecasts a reduction in the public deficit of advanced economies in the next five years to return to levels seen in 2019 (up to 3% of GDP) and a decrease in emerging economies, albeit smaller, to 5.2% in 2025. Public debt in advanced economies is expected to remain at current levels over the next five years, at around 121% of GDP, while in emerging economies it is expected to continue to grow over the next few years to approximately 72% in 2025.

Fiscal balance and public debt FIGURE 1.1.5



Source: IMF.

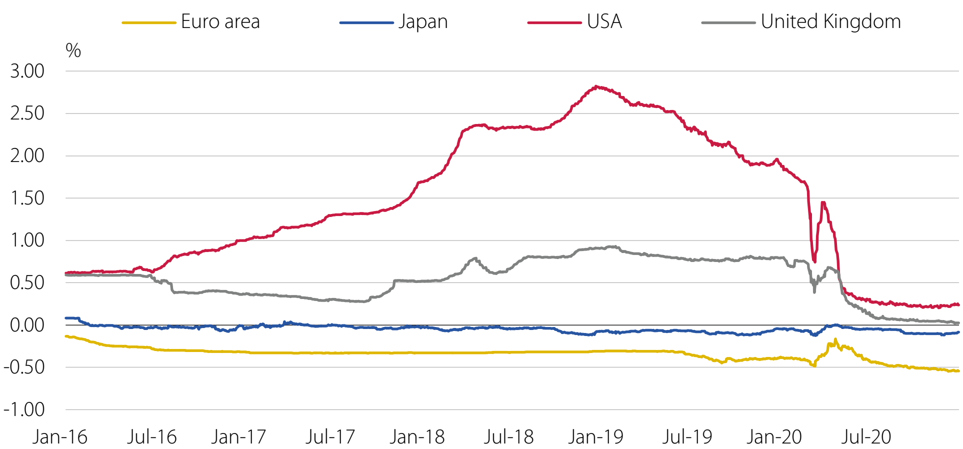
1.1.2 Developments in the international financial markets

Differences between 3-month interest rates in the United States and in the euro area decreased compared to 2019

Short-term interest rates in the main advanced economies continued to show notable differences, although, as seen in Figure 1.1.6, this difference was significantly reduced in 2020 as a result of the expansionary measures adopted to mitigate the economic impact of COVID-19. Thus, at the beginning of last year the difference between short-term interest rates in the United States and in the euro area was 229 bp, while in December it had reduced to 78 bp, a level not seen since 2015.

The two cuts in the official interest rate in the United States led to a fall in 3-month interest rates in this economy, which at the end of the year stood at 0.24%, 167 bp lower than at the end of 2019. Despite this decline, these values were still the highest among the advanced economies. In the euro area, 3-month interest rates, which started the year at -0.38%, dropped by 16 bp throughout the year, ending at -0.55%. The decrease in these interest rates over the year was not gradual. Strong rises were observed during the most turbulent moments of the crisis (in the euro area rates rose to -0.16% at the end of April) and subsequently, as the central banks began to implement measures, interest rates began to fall sharply. In the United Kingdom, short-term interest rates fell by 77 bp compared with the previous year, standing at 0.03% at the year end. The annual trend marked by interest rates in Japan was slightly downward, standing at around -0.08% in December, 4 bp lower than in 2019.

Short-term interest rates (3-months) FIGURE 1.1.6



Source: Refinitiv Datastream.

In regard to interest rate expectations, forward interest rates (FRAs) suggest that short-term benchmarks in both the euro area and the United States will not vary in the next few months and that there will continue to be differences between them, although these will be significantly smaller than in previous years.

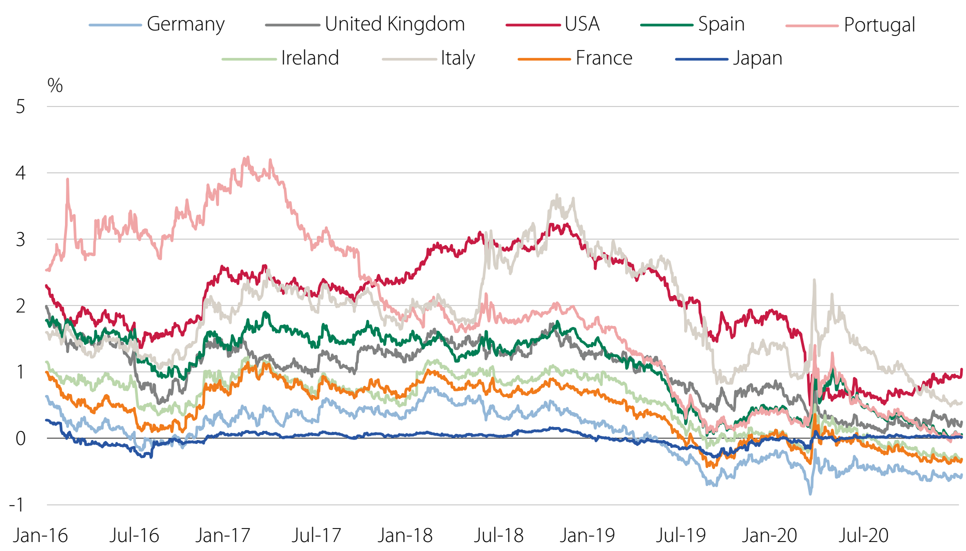
Debt markets were characterised by spikes in bond yields and risk premiums in the early months, followed by declines in the rest of the year

The performance of long-term interest rates on sovereign bonds in most of the major economies was relatively similar in 2020, with generalised declines throughout the year although temporary spikes were recorded during the initial months of the pandemic (see Figure 1.1.7). In the second half of the year, while long-term yields continued to decline in Europe, in an environment marked by large purchases of public debt assets by the ECB, they rose slightly in the United States (where the economy was somewhat less affected by the pandemic, some uncertainties remained in relation to the presidential elections and there was a high incidence of the virus). In the last weeks of the year, the drop in yields compared to pre-crisis values was related to the start of vaccination programme for COVID-19 and the lessening of some existing political and economic uncertainties. For instance, the agreement between the European Union and the United Kingdom avoiding a hard Brexit, the official declaration of Joe Biden as president of the United States, and the approval of the European Recovery Fund to address the economic and social damage caused by the pandemic.

In this context, interest rates on sovereign bonds decreased throughout the year, despite the increases registered in some countries in March and April. These decreases ranged from 39 bp for German and Portuguese bonds to 91 bp for Italian bonds (41 bp in the case of Spanish bonds). As a result, at year-end 2020 long-term public debt yields were in negative ground in most European countries. In Germany, they were below -0.5% and in the Netherlands, France, Ireland, Belgium, Austria and Finland at between -0.3% and -0.5%. They were slightly above zero in Spain and Portugal (0.06% in both cases) and 0.52% and 0.63% in Italy and Greece, respectively. In the United Kingdom, sovereign bond interest rates also fell throughout the year to stand at 0.20% at the year end (63 bp lower than in December 2019).

In the United States, the bond yield ended the year at 0.91%, 100 bp lower than at the end of 2019, while in Japan it returned to positive values after a slight 4 bp increase compared to the previous year, to 0.02%.

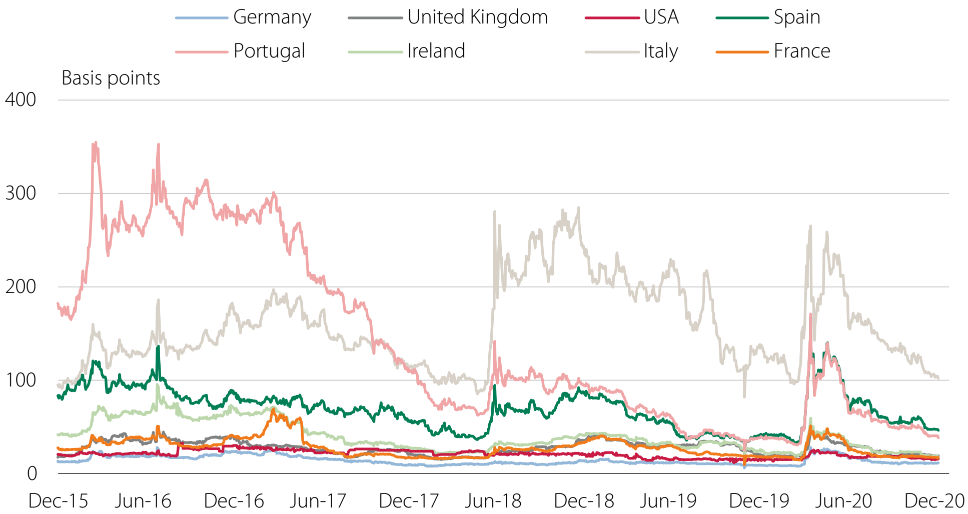
10-year government bond yields FIGURE 1.1.7



Source: Refinitiv Datastream.

Sovereign credit risk premiums, measured through the 5-year CDS contracts of the advanced economies, marked an even performance throughout 2020, increasing substantially in March and subsequently decreasing as the year progressed. Figure 1.1.8 shows the spikes caused by the spread of the coronavirus in the first few months of the year. The premiums seen in peripheral euro area countries stand out, as from the beginning of the year and until mid-March the sovereign credit risk premium had increased by 291 bp in Greece, 144 bp in Italy, 133 bp in Portugal and 126 bp in Spain. The subsequent decline in risk premiums made the variation between December 2019 and December 2020 insignificant in most of these economies: while in Greece and Italy it decreased by 10 bp and 23 bp respectively, in Spain it increased by 2 bp, to 43 bp, and in Portugal it remained at 38 bp. The variations in these premiums in the other European economies were also not significant. For example, in France and the United Kingdom there were falls of approximately 2 bp and in Germany there was a rise of the same scale. The US sovereign risk premium stood at 14 bp at the end of December, 1 bp below the figure of 13 bp seen at year-end 2019.

Sovereign CDS spreads FIGURE 1.1.8

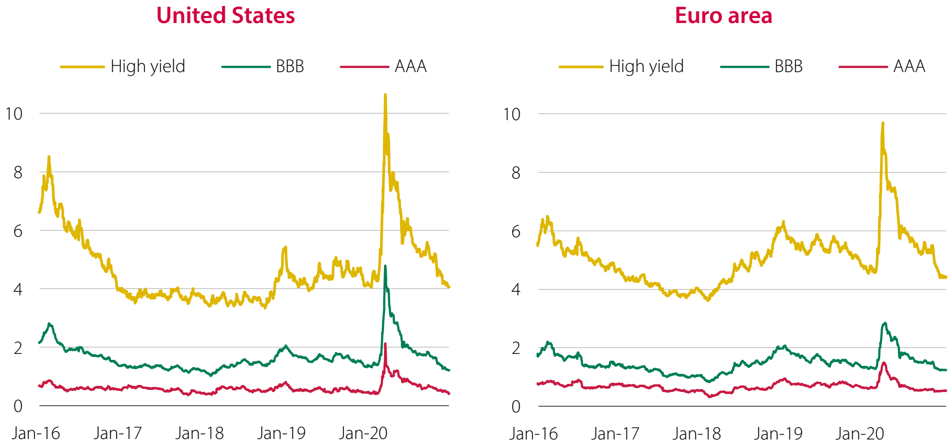


Source: Refinitiv Datastream.

The risk premium of credit institutions in the euro area presented a declining annual trend in 2020, despite the notable rebound seen in March, in the same way as sovereign risk premiums. The same factors that contributed to lowering the latter – including central bank asset purchases – led to a change in the outlook for the banking sector. Thus, the risk premium of these entities fell 13 bp, to stand at 88 bp at the end of December. In contrast, in the United States, the banking sector risk premium marked a small increase (of 14 bp to 51 bp) at the year end, as the increase in March was sharper than for entities in Europe and the subsequent downward path was unable to fully offset this movement.

Risk premiums for corporate debt followed the same trend. They rose sharply in the first months of the year and subsequently declined across the board in all segments as the expansive tone of central bank measures gathered pace and the uncertainty generated by the crisis was slightly reduced. In general, the very low rates, especially in the euro area, continue to favour the search for yield through investment in higher risk assets (see Figure 1.1.9). The steepest movements were recorded in the poorest credit quality segments in both the United States and Europe, which, after experiencing an upturn of 651 bp and 496 bp from December to the end of March, subsequently showed a notable decline, which left these spreads at 407 bp and 444 bp respectively at the end of the year (6 bp and 30 bp less than in December 2019).

Corporate bond spreads[1] FIGURE 1.1.9



Source: Refinitiv Datastream (BofA Merrill Lynch and IBOXX indices). (1) Expressed as the difference between the internal rate of return (IRR) of the set of bonds belonging to a determined maturity and credit rating index and that of 10-year government bonds (the German bond is used in the case of the euro area).

Strong increase in gross debt issues in the international markets in 2020, due to the growth in sovereigns and non-financial companies

Gross debt issuance in the international financial markets amounted to US$15.2 trillion in 2020, 25.64% more than in 2019, with differing patterns observed among regions and issuers (see Figure 1.1.10). In the United States there were notable increases (up 37.3% to US$7.33 trillion). In Europe, issuance increased by 16.9%, to US$3.50 trillion and in Japan there was a rise of almost 14%, to US$1.5 trillion. Sectors performed unevenly, with strong increases in non-financial sector issues and sovereign issues, while they decreased in the financial sector. These trends are compatible with the evidence observed in the financing of the different entities during the crisis, in which: i) public administrations tended to incur significant debt to mitigate the effects of the pandemic, ii) non-financial companies increasingly turned to the capital markets to obtain financing on favourable terms and build a suitable liquidity buffer in a highly uncertain environment, and iii) financial institutions took advantage of other funding facilities, particularly those launched by the various central banks.

Sovereign debt issues rose in all regions. Standouts include the rise in US sovereign issues, where they increased by almost 39.3% compared with 2019, to stand at US$5 trillion, approximately 70% of all debt issues made in that country. There were also notable increases in Europe and Japan (29.7% and 14.2%, respectively). The trend in debt issuance in the private sector was uneven across the different subsectors, with rises in the non-financial sector and slight decreases in the financial sector. In the former, the rise with respect to 2019 was 32.8%, driven by increases in all the economic areas analysed (57.1% in the United States, 23.5% in Japan and 19% in Europe). In the financial sector, there was a slight drop in debt issues compared with the previous year (except in the United States), as they ran out of steam during the second half of the year. As mentioned above, financial institutions have alternative sources of financing, mainly central bank funding.

Gross international fixed income issues FIGURE 1.1.10

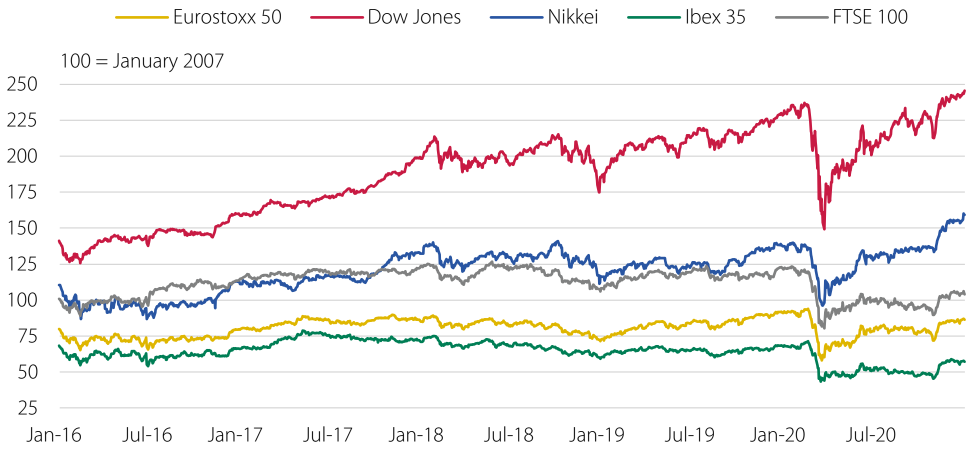
Source: Dealogic. Half-yearly data.

International stock markets showed differing trends in 2020, although they all registered significant increases in volatility

The trend marked by the international indices in 2020 was relatively similar between the different indices, with sharp falls in the first months of the year, caused by the coronavirus outbreak and lockdown measures adopted, followed by an upward trend which was somewhat irregular, and more intense in the second and fourth quarters of the year. Despite this pattern, the differences in the scale of the decreases and rises during the different stages made the annual trend for the main indices uneven. Thus, falls were observed in some regions (such as Europe, except for Germany, and in many emerging economies) while gains were made in others (United States, Japan and China). It is worth highlighting the strong overall growth in prices at the end of the year thanks to the progress made on the vaccines and the start of the vaccination programme, in addition to the easing some political uncertainties.

By region, the decline in equity indices was more pronounced in Europe, where, in addition to the initial drops (of around 27%), falls were also observed in the third quarter of the year, although these were less substantial. Despite the strong performance of the European indices in the second and last quarter of the year, in the year as a whole only the Dax 30 appreciated (+3.5% compared to 2019), while the other indices experienced decreases that ranged between 3.6% for the Euronext 100 and 15.5% for the Spanish Ibex 35. In contrast, the US and Japanese indices ended the year with notable gains in most cases. In the United States, the performance of the Nasdaq technology index stood out, rising 43.6% in the year, followed by the S&P 500 and Dow Jones (with increases of 16.3% and 7.2%, respectively). The Japanese Nikkei 225 and Topix indices also rose significantly, by 16% and 4.8%, respectively.

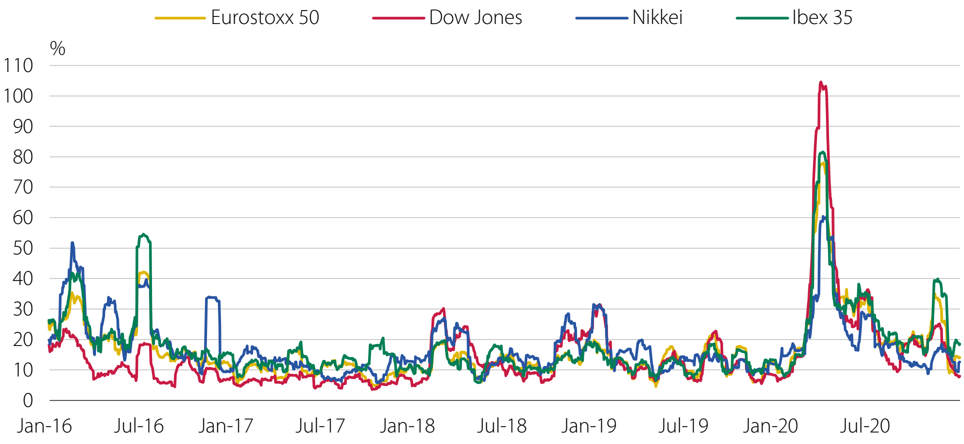
Performance of the main world stock market indices FIGURE 1.1.11



Source: Refinitiv Datastream.

The historical volatility measures of the main stock market indices showed an irregular trend during the year. As shown in Figure 1.1.12, the most significant increases occurred during the second half of March and the early days of April as a result of the uncertainty caused by the coronavirus. They subsequently decreased, although in certain periods of the year there were new spikes caused by outbreaks of the virus and the measures implemented to mitigate their effects. In this context, the annual average of the index volatilities far exceeded the historical averages, contrary to what happened in the previous year. In Europe, the volatility indicators of the Ibex 35 and the Eurostoxx 50 registered an annual average of around 27%, whereas the historical average for both is approximately 18%. Although the volatility of these indices reached highs close to 80% in April, they ended 2020 at 19% (Ibex 35) and 14% (Eurostoxx). Following this trend, the Dow Jones volatility reached 103% at the beginning of April, although it declined significantly from then on to end the year at around 8%. The historical volatility of the Nikkei 225 presented more modest rises compared to the indices above, reaching highs of 60% and standing at around 13% in December. The implied volatility measures of the main stock market indices followed the same line as historical measures, with annual averages of between 24% and 30% on the main indices, with the exception of the Nasdaq, which reported an annual average of 49%.

Historical volatility[1] of the main stock market indices FIGURE 1.1.12



Source: Refinitiv Datastream. (1) The index's historical volatility on day t is calculated as the standard deviation of daily index returns in the 20 preceding sessions.

Quoted prices in emerging economies also followed an irregular pattern during the year, registering falls in the first and third quarters of the year and rallies in the second and fourth. The spread of COVID-19 and its economic consequences marked the performance of these markets, although this was different (in time and intensity) depending on the emerging area. In all, the MSCI emerging markets equity index rose by 17% in the year as a whole (the growth of this index relative to its value at the end of March was close to 60%). Meanwhile, the risk premium (EMBI), which rebounded significantly and reached a high of 661 bp at the end of March, fell sharply over the rest of the year to end it at 323 bp, 46 bp above the levels at year-end 2019 (see Figure 1.1.13).

Table 1.1.1 reflects the uneven behaviour of the stock markets of emerging economies in 2020. Most of the Latin American indices showed slight advances in the year, with the performance of the Argentine Merval index standing out for its significant rise (22.9%), in addition to the fall of 10.2% marked by the Chilean index. In Asia, the rallies marked by South Korean and Chinese indices were notable (30.8% and 14%, respectively), as they were hit by the spread of the virus earlier and began to recover earlier and, as a result, rose for three consecutive quarters. The indices of emerging Eastern European economies showed the worst performance, since the increases in the second and fourth quarters were unable offset the drops seen at other times, so all these indices ended the year with falls of varying degrees.

Emerging economy financial markets

FIGURE 1.1.13

MSCI Emerging Markets Equity Index (MSCI)

Emerging market bond index (EMBI)

Source: Refinitiv Datastream and Bloomberg.

Equity markets performance

TABLE 1.1.1

		Change[1] (%)				
Stock market	**Index**	**2016**	**2017**	**2018**	**2019**	**2020**
Developed countries						
United States	Dow Jones Ind. A.	13.4	25.1	-5.6	22.3	7.2
United States	Nasdaq Composite	7.5	28.2	-3.9	35.2	43.6
United States	S&P 500	9.5	19.4	-6.2	28.9	16.3
Japan	Nikkei	0.4	19.1	-12.1	18.2	16.0
United Kingdom	FTSE 100	14.4	7.6	-12.5	12.1	-14.3
Euro area	Eurostoxx 50	0.7	6.5	-14.3	24.8	-5.1
Euronext	Euronext 100	3.0	10.6	-11.2	24.9	-3.6
Germany	Dax 30	6.9	12.5	-18.3	25.5	3.5
France	Cac 40	4.9	9.3	-11.0	26.4	-7.1
Italy	Mib 30	-10.2	13.6	-16.1	28.3	-5.4
Spain	Ibex 35	-2.0	7.4	-15.0	11.8	-15.5
Latin America, Asia and Eastern Europe						
Argentina	Merval	44.9	77.7	0.8	37.6	22.9
Brazil	Bovespa	38.9	26.9	15.0	31.6	2.9
Chile	IGPA	14.2	35.0	-7.3	-9.9	-10.2
Mexico	CPI	6.2	8.1	-15.6	4.6	1.2
Peru	IGBL	58.1	28.3	-3.1	6.1	1.4
South Korea	Korea Cmp Ex	3.3	21.8	-17.3	7.7	30.8
Hong Kong	Hang Seng	0.4	36.0	-13.6	9.1	-3.4
China	Shanghai Composite	-12.3	6.6	-24.6	22.3	13.9
Russia	Russian RTS Index	52.2	0.2	-7.6	45.3	-10.4

Source: Refinitiv Datastream. (1) In local currency.

According to data published by the World Federation of Exchanges and the Federation of European Securities Exchanges, the trading volumes of the main bourses and multilateral trading facilities (MTFs) showed a general upward trend throughout 2020, although there were differences among the main geographical regions. The United States and Japan saw the most significant increases. In the United States, trading volumes rose by 62% in the year, to €59.6 trillion, with the NYSE, BATS Global Markets and the Nasdaq OMX all seeing higher levels. In Japan, the annual increase in trading was lower, at 19%. In Europe, the largest growth was recorded by Deutsche Börse, up 35% to November, followed by Euronext with a rise of 28%. However, other European trading venues saw fairly sizeable declines in trading, such as Cboe Equities Europe (-12%) and BME (-9% to December).[5] The London operator saw a slight increase of 3% and the Turquoise MTF experienced a 9% drop in trading activity in 2020.

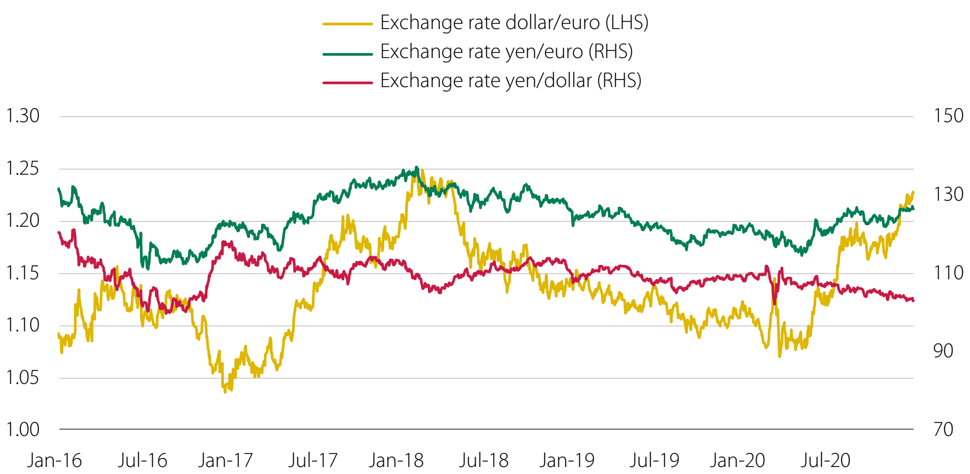
In the early months of 2021, the upward trend in stock prices continued, in a context of some optimism due to the progress of the COVID-19 vaccination programme. This trend has been irregular, as it was affected by the third wave of virus infections in many countries and the maintaining or implementation of more restrictive measures on movement, in addition to problems in the supply of vaccines. To date,[6] all the benchmark indices are showing gains, which are larger in Japan (between 8% and 8.6%) and in the United States (between 8.9% and 11.2%). In Europe, indices have seen somewhat smaller rises, ranging 6.2% for the Ibex 35 and 12.3% for the French Cac 40.

The European currency gained attractiveness compared to the US dollar, with respect to which its consideration as a safe-haven asset decreased

The euro/dollar exchange rate started the year at US$1.12 per euro and stood at US$1.23 at the end of December. This figure, which had not been observed since March 2018, as shown in Figure 1.1.14, represents an annual gain by the European currency of more than 9% (+14.6% from the low of 1.07 reached in March). The US currency's consideration as a safe haven asset waned due to various factors, including political uncertainty in that country, as well as the roll out of a substantial economic stimulus package that would lead to greater indebtedness. In parallel, other factors such as the approval of the European Recovery Fund, the agreement between the United Kingdom and the European Union to avoid a hard Brexit or the improvement in economic expectations, once the efficacy and availability of the vaccine became known, tended to strengthen the euro. The European currency also appreciated against sterling, from GBP 0.85 per euro at the end of 2019 to 0.90 at the end of 2020. The euro/yen exchange rate followed a similar pattern to the euro/dollar currency pair: between December 2019 and December 2020 the exchange rate moved from ¥122 to ¥126 per euro.

5 Excluding Latibex trading.
6 Information to 15 April.

Euro exchange rate vs the US dollar and Yen FIGURE 1.1.14



Source: Refinitiv Datastream.

1.1.3 Outlook and risks

The IMF forecasts published in April 2021 put world GDP growth at 6% for this year and 4.4% for 2022. These forecasts, which revise the growth expected for this year by five tenths of a point compared to the previous forecast in January, take into account the impact of the rapid and effective vaccination of the population and expectations that the progressive immunisation will significantly reduce restrictions and partial lockdowns in certain countries and lead to a rebound in economic activity. Thus, increases are forecast for the leading advanced and emerging market economies. In the former, GDP growth is expected to stand at 5.1% this year and 3.6% in 2022 (compared to the drop of 4.7% in 2020). In the euro area, the increase would be of 4.4% (6.4% in Spain), while in the United States higher growth is expected, of 6.4%, (the forecast for 2022 is 3.8% for the euro area and 3.5% for the United States). Forecasts for emerging and developing economies envisage growth of 6.7% in 2021 and 5.0% in 2022, highlighting the rises expected for China and India in 2021 (8.4% and 12.5%, respectively).

In this context, the most significant risks still derive from the progression of COVID-19. The race to achieve mass vaccination that provides group immunity in the shortest possible time may mean a return to a certain level of normality and the beginning of global economic recovery, which would differ depending on the region. However, new waves of contagion, new strains and a slower-than-expected rate of vaccination could once again worsen economic expectations, cause fresh market turbulence and even lead to the adoption of additional measures by governments and authorities.

In addition to the doubts that may arise in relation to the time needed to return to a pre-crisis growth scenario, there are other risks of a different nature which, given the importance of the risk generated by the pandemic, have been relegated to the background but are nonetheless significant. Some of these relate to political uncertainty, some aspects of which should still be taken into account despite the significant reduction compared to the valuation made a few months ago. In particular, these are issues related to some of the stances taken by US government and Brexit. In the first case, although the United States has revisited multilateralism (re-joining the Paris Agreement and cancelling its departure from the World Health

Organization), there are still concerns about the nature of the future relationship of this economy with China, with which a trade agreement has still to be signed, and the trade relationship that the United States will have with the European Union has not yet been established. As for Brexit, another of the most significant risks to arise in recent years, after the agreement reached at the end of December between the European Union and the United Kingdom, the main risk of a "hard Brexit" was avoided, although it remains to be seen how the new Trade and Cooperation Agreement will affect both economies.

Finally, there are some risks that have been generated or intensified as a result of the coronavirus crisis that may negatively affect growth expectations and disrupt the normal operation of the markets. These include risks arising from the prolongation of the context of low interest rates (especially in Europe), the increase in public debt in most economies and the potential problems affecting its sustainability in the medium and long term, the rising credit risk deriving from the difficulties faced by many companies to keep their activities going during the crisis (especially smaller companies) and, associated with the latter, the possibility of a considerable increase in the number of long-term unemployed.

1.2 Spanish environment

The performance of the Spanish economy in 2020, like the rest of the world's economies, was marked by the coronavirus pandemic. GDP and employment contracted sharply, at a higher rate than that seen in most neighbouring countries, while inflation, which started the year at around 1%, has been negative since April. The public deficit rose significantly as a result of the economic measures adopted by the central government due to COVID-19 and the decrease in tax income, standing at 11% of GDP at the end of the year (2.9% in 2019). The effects of the pandemic were also noted in the financial markets, which followed a similar trajectory to other international markets. However, in the case of equity markets, quoted price performance was more unfavourable than on other stock exchanges due to a large extent to the greater relative weight of sectors most affected by the crisis. Yields on debt assets and risk premiums increased, as in other European economies, in March and April and, following the measures adopted by the ECB, there was a reversal of this trend in most assets.

In this context, GDP fell by 10.8% in 2020 (6.8% in the euro area) and the number of jobs fell by almost 800,000, so the unemployment rate (on average) increased from 14.1% of the workforce in 2019 to 15.5% in 2020. Household wealth also decreased throughout the year, with a drop in income and a rise in debt (after several years of decline). The household savings rate increased substantially, especially in the second quarter (both precautionary savings and enforced savings due to restrictions on movement), although it remained below the values observed in the rest of Europe.

The Spanish debt markets continued perform in line with those of other neighbouring European economies, marked by the ultra-low interest rates and supported by the different ECB measures. The rise in yields on debt assets in March and April – the most turbulent period of the crisis – was almost entirely reversed in subsequent months for most instruments. Only short-term private debt securities saw an increase in yields in all quarters (while remaining at very low levels) as a consequence, in part, of the higher costs borne by smaller companies due to their size and credit rating. Yields on long- and short-term public debt assets reached historic lows in the last month of the year. For example, the 10-year bond offered negative yields at certain points, while the average yield for Treasury Bills in the secondary market in December was between -0.60% and -0.70%. The risk premium, which rose to 156 bp in April, has decreased gradually since then and ended 2020 at 63 bp, even lower than the closing value of the previous year (66 bp).

In the equity markets, the Ibex 35 presented a comparatively worse relative performance than the majority of stock exchanges worldwide, as it experienced higher losses than the rest of the international indices due to the weight of sectors most affected by the crisis, such as banking, leisure or tourism, in the Spanish index. The Ibex 35 suffered a sharp fall of 28.9% in the first quarter of the year, following the outbreak of the health crisis in March, recovering by a mere 6.6% in the second and lost 7.1% in the third quarter. In the fourth quarter, however, it posted a gain of 20.2%, which reduced the annual loss to 15.5%. Trading in Spanish shares declined in 2020 for the third consecutive year, contrary to what was observed in most international markets, and part of the trading activity continued to move from Spanish trading venues to other trading centres and competing markets, whose market share was 46.1%[7] (42.6% in 2019).

In the early months of 2021, stock prices showed a slight upward trend that was somewhat irregular and lower than the path marked by other European benchmarks. Thus, the Ibex 35 rose 6.2%,[8] with a degree of polarisation observed in the behaviour of the different sectors. Some sectors such as oil, banking and leisure, or tourism and hospitality, revalued by more than 10%, while others such as manufacturing and assembly of capital goods, electricity and gas or electronics and software posted losses of up to 6.6%.

1.2.1 Economic environment

The Spanish economy contracted by 10.8% in 2020, the largest decrease of all European countries

In 2020, the GDP of the Spanish economy fell by 10.8% as a consequence of the slowdown in activity in the first quarter and especially the second, with year-on-year growth of -4.3% and -21.6%, respectively (-5.4% and -17.8% in the quarter). In the third quarter, the economy recovered nearly three-quarters of its loss in the second, with quarterly growth of 17.1%, while in the last quarter of the year it saw zero growth (0.0%). This slowdown in domestic activity was substantially greater than that of the euro area as a whole, with a drop of 6.8%, which increased the differential from 0.8 pp to 4 pp.

Most of the decline in GDP was due to the fall in domestic demand, whose contribution to economic growth was -8.8 pp, while the contribution from the foreign sector,

7 These calculations are based on total trading subject to market rules (lit and dark). The difference between lit and dark trading lies in the transparency requirements, which are lower in the second case. The volume of trading in Spanish shares through trading venues and competing markets has been obtained from Bloomberg, so BME's market share of total trading has been calculated internally. There are other indicators that indicate a lower fragmentation of trading in Spanish shares. See Liquidmetrix reports available at BME Renta Variable (bmerv.es).

8 Data to 15 April.

which had ended the year in positive figures in 2019, was -2.0 pp. Regarding the components of domestic demand, the decrease in private consumption and gross fixed capital formation stood out, at 12.4% and 11.4%, respectively.[9] In contrast, public consumption, due to the increase in expenses deriving from the health emergency, rose by 3.8% in 2020 (in 2019 the increase was 2.3%). In the foreign sector, the slowdown in international trade caused by the pandemic led to a significant decline in exports and imports, although this was greater in the case of exports and gave rise to the aforementioned negative contribution from foreign demand to growth in the country. Thus, exports fell by 20.1% on average during the year, while imports dropped by 15.8%.

Key variables of the Spanish economy (growth rates) TABLE 1.2.1

%	2016	2017	2018	2019	2020
GDP	3.0	2.9	2.4	2.0	-10.8
Private consumption	2.6	3.0	1.8	0.9	-12.4
Public consumption	1.0	1.0	2.6	2.3	3.8
Gross fixed capital formation, of which:	2.4	6.8	6.1	2.7	-11.4
capital goods	1.8	9.2	5.5	4.5	-13.1
Exports	5.4	5.5	2.3	2.3	-20.1
Imports	2.7	6.8	4.2	0.7	-15.8
External sector (contribution to growth, pp)	1.0	-0.2	-0.5	0.6	-2.0
Employment[1]	2.8	2.9	2.6	2.3	-7.5
Unemp. rate (% active population)	19.6	17.2	15.3	14.1	15.5
Consumer price index	1.4	1.2	1.2	0.9	-0.5
Current account balance (% GDP)	3.2	2.8	1.9	2.1	0.7
Public administrations balance (% GDP)	-4.3	-3.0	-2.5	-2.9	-11.0

Source: Ministry of Economy and Competitiveness, Refinitiv Datastream and European Commission. Annual change unless otherwise stated. (1) Full-time equivalent (FTE) jobs.

On the supply side, an increase in activity was seen only the primary branches (agriculture, livestock, forestry and fishing) at year-end 2020, with growth in added value of 5.3% (annual average) after falling by 2.2% in 2019. All other sectors ended the year with very negative figures, particularly the construction sector, which posted an annual decline of 14.5%. The services sector shrank by 11.1%, where the commerce, transport and hospitality subsector suffered the most throughout the year – as was to be expected –, marking a 24.4% drop in activity (down by 44.7% in the second quarter compared to the same quarter in 2019). The industrial sector saw a decrease of 9.6%, where manufacturing industries saw the largest fall (-10.8% annual average and-27.8% in the second quarter).

The inflation rate, which started the year at around 1%, fell dramatically between March and May to stand at -0.9%, from where it recovered slightly but did not move out of negative ground over the following months. This decline was due to the collapse in energy prices, which began to register negative values in February and reached a low in May (-17.7% year-on-year). In the year as a whole, average CPI was

9 In both cases, by far the largest drop occurred in the second quarter of the year, with decreases of over 20% in relation to the previous quarter, a period in which there had already been a contraction, albeit of a smaller scale.

-0.3% (-0.5% in December), while the underlying rate, IPSEBENE, which excludes the most volatile elements of the index, such as energy and unprocessed foods, saw an average of 0.7%. This rate remained stable at around 1.0% until the middle of the year, from where it started to decline to reach 0.1% in December. Inflation in the euro area as a whole was higher than the rate in Spain throughout the period. The differential between Spain and the euro area was -0.3 pp at year-end 2020, the lowest value in the year, and reached -1.0 pp during the moments of lowest inflation in April and May. The average of this differential over the year was -0.6 pp, compared with -0.4 pp in 2019.

In the labour market, the slowdown in economic activity from March caused a sharp fall in employment, which stood at 7.5% on average. Information from the Labour Force Survey (EPA) reflects the destruction of 622,600 jobs throughout 2020, which increased the unemployment rate to 16.1% at the end of the year (15.5% annual average), compared to 13.8% at the end of 2019. It should also be noted that workers affected by temporary lay-off measures (ERTEs) are not included in these figures as they are considered to be employed.[10] Thus, at the end of December 2020 there were a total of 755,613 people included in this figure,[11] although a number of 3.39 million workers was reached at the end of April. The average year-on-year rate of change in unit labour costs in the first nine months of 2020 stood at 5.6% (2.4% in 2019), mainly as a consequence of the complicated employment situation in the year as the 1.7% increase in compensation per employee was accompanied by a fall in apparent labour productivity of 3.8% (-0.3% in 2019).

Public sector finances as a whole worsened in 2020 as a result of both the high level of expenses and the decrease in funds, especially taxes, due to the economic situation caused by the health crisis. The public deficit closed the year at 11%[12] of GDP, well above the figure of 2.9% seen at year-end 2019. Most of this increase related to central government, whose deficit stood at 7.5% of GDP (1.3% at the end of 2019) as a result of the reduction in income of over €24 billion (taxes collected alone contracted by 7.8%) and an increase in expenses of €53 billion[13] (around 85% of this increase corresponded to expenses related to the pandemic). Social Security funds also suffered the impact of the economic and social effects of the health crisis, since the increase in social benefits increased the deficit to 2.7% of GDP (1.3% at close of the previous year). In contrast, the autonomous regions showed an improvement compared to 2019 with a deficit of 0.2% (0.6% a year earlier), while local authorities saw a slight surplus of 0.3%. Due to the higher deficit, public debt stood at 120% of GDP at the end of 2020 compared to 95.5% in 2019.

10 According to Eurostat and International Labour Organization (ILO) methodology.

11 This figure corresponds to the ERTEs notified or requested as of 31 December 2020. Since ERTEs can be requested retroactively, there is a discrepancy between the figures in the notification date, which is described in the main text, and the date on which the effect occurs (registration). Under this second criterion, the number of workers under an ERTE scheme stood at 702,808 at the end of December.

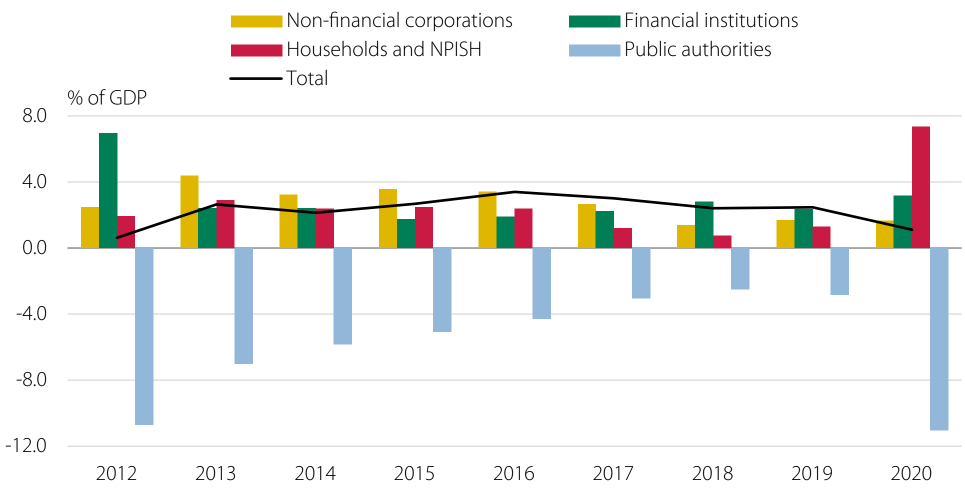
12 The deficit would be reduced to 10.1% if the amount of financial aid deriving from the reclassification of the SAREB indicated by Eurostat is excluded.

13 These figures do not include financial aid.

The financing capacity of the Spanish economy with regard to the rest of the world fell sharply in 2020, but remained in positive ground

The Spanish economy continued to show financing capacity in 2020, although it fell significantly to 1.1% of GDP (2.5% in 2019), the lowest level seen since 2013. This decrease in aggregate financing capacity was due to the rise in the financing needs of public administrations, which stood at 11.1% of GDP (2.8% in 2019), due to the aforementioned increase in expenses and the fall in income due to the COVID-19 crisis. The increased need for funds was partially offset by the strong rise in household financing capacity, which went from 1.3% of GDP in 2019 to 7.3% in 2020. Non-financial companies, despite having suffered notably from the effects of the crisis, were still net providers of funds, with a financing capacity of 1.6% of GDP. Financial institutions also continued to show positive financing capacity, which was higher than the previous year, specifically 3.2% of GDP (2.4% in 2019).

Capacity (+)/need (-) for financing of the Spanish economy FIGURE 1.2.1



Source: Bank of Spain.

The household savings rate increased, especially in the second quarter, although it remained lower than that of the euro area

The latest data on the financial position of households reveal an increase in both the savings rate and the debt ratio in 2020, while household income fell slightly. The increase in the savings rate, which went from 6.3% of gross disposable household income (GDHI) at the end of 2019 to 14.8% in 2020, was due to precautionary savings relating to the crisis and the high degree of uncertainty regarding the scale and consequences of the different waves of the pandemic and the vaccination process, in addition to certain consumption decisions failing to materialise due to restrictions on movement and activity. Despite having doubled, the savings rate of Spanish households remains lower than the average for the euro area as a whole, which also increased, albeit to a lesser extent, to stand at 19.6% of GDP. The debt ratio increased by almost 6 pp in the year, after more than 10 years of uninterrupted declines, to stand at 67.5% of GDP. However, in absolute terms, debt levels fell slightly, by 1.3%, to almost €757 billion at the end of the year. Household net wealth, which had increased by more than 4% in 2019, remained practically stable in monetary terms in 2020, as the decrease in the balance of financial assets was offset by the increase in the balance of real estate assets. However, in relative terms (in relation to GDP), there was an increase from 570% to 638% in 2020.

Household net financial investments increased during the year largely thanks to the build up of savings mentioned above. These stood at 6.9% of GDP in 2020 (3.0% in 2019), the highest figure seen since 2006. By asset class, investment in means of payment continued (9.2% of GDP), with higher amounts than in previous years, in addition to divestment of time deposits and fixed income securities (2.5% of GDP). Households also invested in investment fund units, continuing a trend that began in 2012, despite the negative market performance in the first half of the year. In total, households invested the equivalent of 0.9% of GDP in these products (0.4% in 2019).

Regarding the composition of the investment fund flows, it should be noted that during the most critical months of the pandemic (March and April) very high net redemptions were recorded, which were concentrated mainly in the fixed income category, global funds and absolute return funds. In particular, net redemptions of fixed income funds were close to €3.2 billion in the first quarter, of which €2.7 billion corresponded to March.[14] In the following quarters, there were net inflows of funds, which consolidated as the year progressed, but these were insufficient to compensate for the initial outflows. By category, the strong recovery in net subscriptions to fixed income funds stands out, which offset the significant outflows mentioned above. In addition, it was observed that some investors showed a keen preference for higher risk categories, although this trend was somewhat irregular over the year. For instance, in the first quarter, mixed fixed income funds and international equity funds saw strong inflows of funds and in the final part of the year, subscriptions to pure and mixed equity funds were more prevalent.

1.2.2 Financial environment

The financial markets stress indicator rebounded strongly in March 2020 due to the crisis generated by the coronavirus and progressively decreased from the middle of the year

The Spanish financial markets stress indicator,[15] which had started the year in the low stress zone with values that hovered around 0.20, rose sharply from March onwards due to the crisis generated by COVID-19 and its impact on the different segments of the financial system. The indicator for the system as a whole marked the largest rise in its history in 10 consecutive weeks between 28 February and 8 May

14 In March, the volume of net redemptions of investment funds was close to €5.50 billion.

15 The stress indicator calculated by the CNMV provides a real-time measure of systemic risk in the Spanish financial system that ranges from zero to one. To do this, it evaluates stress in six segments of the financial system and makes an aggregate, obtaining a single figure that takes into account the correlation between these segments. Econometric estimates indicate that index values below 0.27 correspond to periods of low stress, while scores between 0.27 and 0.49 correspond to periods of medium stress, and values above 0.49 indicate periods of high stress. For further details on recent movements in this indicator and its components, see the quarterly publication of the *Financial Stability Note*, and the CNMV's statistical series (market stress indicators), available at http://www.cnmv.es/portal/Publicaciones/PublicacionesGN.aspx?id=51. For more information on the methodology of this index, see Cambón, M.I. and Estévez, L. (2016). "A Spanish Financial Market Stress Index (FMSI)". *Spanish Review of Financial Economics*, Vol. 14, No. 1, pp. 23-41 or as CNMV Working Document No. 60 (http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/Monografia_60_en.pdf).

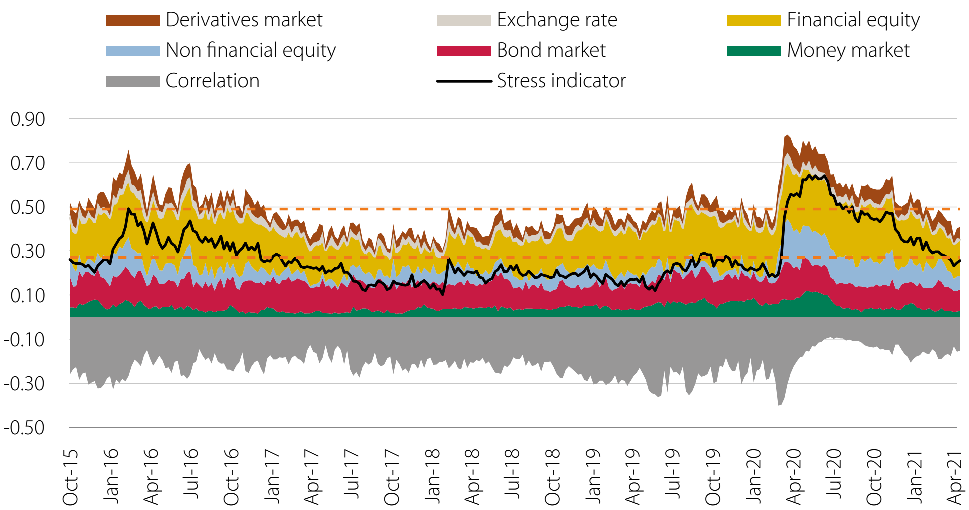
when it went from 0.19 to 0.64 (up 0.45 points), a trend which contrasts with the more progressive increases observed in other crisis periods. This represented the third highest historical value, lower only than the levels observed at the end of 2008 (0.88) and mid-2012 (0.70).

The fact that the indicator, while high, did not reach the levels recorded in previous crises, was due to the measures adopted by the ECB, which prevented risk premiums and the liquidity conditions of debt markets from deteriorating substantially. The individual indicators showing the highest levels of stress in the context of the crisis were those corresponding to falls in asset prices and outbreaks of volatility, which caused them to reach levels of over 0.85 or even 0.95 in the case of non-financial equities (see Figure 1.2.2). The degree of correlation in the system also increased in the most critical months, albeit slowly, and remained high for several more weeks, which contributed to maintaining the stress of the system at high levels for some time.

From the highs reached in May, the individual indicators marked a downward trend, with some ups and downs, which allowed the indicator for the system as a whole to return to medium stress levels (values between 0.27 and 0.49) from August. At the end of the year, this indicator stood at 0.36 and the segment showing the most resistance was the financial intermediaries segment (banks), due to the sharp fall in their quoted prices and increase in volatility indicators, with values of over 0.70 (more than 0.86 in March and April).

During the first months of 2021, and despite the onset of the third wave of the coronavirus, the stress indicator continued to mark a downward trend, reaching a value of 0.25 in mid-April, below the threshold that separates medium risk from low risk (0.27). Small upturns were only observed in the equity markets at times when, due to an increase in specific uncertainties related to the vaccination process, there were decreases in prices and slight increases in volatility.

Spanish financial markets stress indicator[1] FIGURE 1.2.2



Source: CNMV. For further information on the methodology of this index, see Cambón, M.I. and Estévez, L. (2016). "A Spanish Financial Market Stress Index (FMSI)". *Spanish Review of Financial Economics*, Vol. 14, No. 1, pp. 23-41 or as CNMV Working Paper No. 60 (http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/Monografia_60_en.pdf).

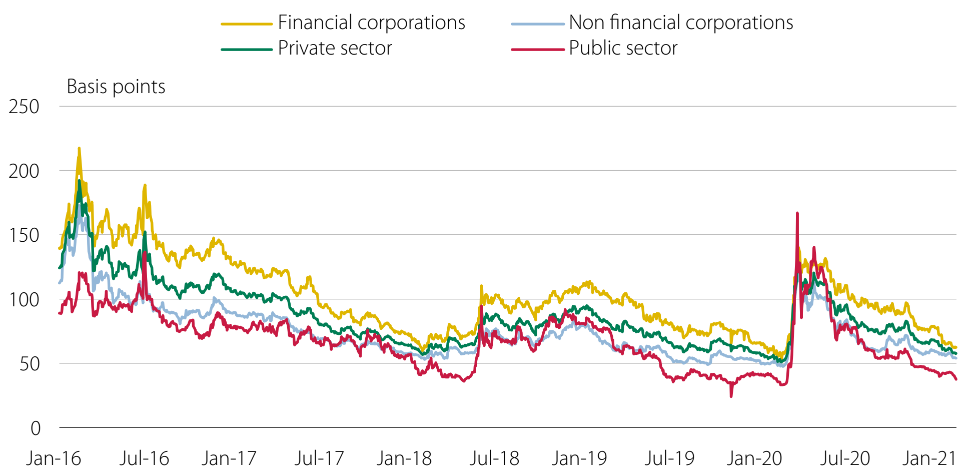
Debt yields rebounded in the initial moments of the crisis but then fell sharply thanks to ECB measures

The national debt markets showed a similar performance to other European economies in our environment in 2020, characterised by rising yields and risk premiums in March and April, at the most turbulent moments of the crisis, and subsequent declines, supported and encouraged by the different measures adopted by the ECB, which gave way to a new environment of ultra-low interest rates. The decline in public debt seen after these rallies was so sharp that the balance for the year was downward, reaching historic lows in many cases. Thus, the average yield on 3-, 6- and 12-month Treasury Bills in the secondary market in December was -0.70%, -0.59% and -0.63%[16] respectively, a decrease of between 12 and 15 bp depending on the term compared to 2019. The yield on public debt assets fell even further (between 24 and 40 bp), with the yield on 10-year debt reaching values close to zero (and occasionally below) in the final tranche of the year. In the area of private debt, the performance of short-term asset yields differed from long-term asset yields. For the latter, the overall trend was similar to the trend marked by public debt assets, where yields fell by somewhat less than 40 bp, due to the effects of the ECB's corporate debt purchases and the easing of some uncertainties in the last weeks of the year. In contrast, the trend marked by the yield on a sample of commercial paper at the time of issuance was upward, which was due partly to the higher costs for smaller companies to issue debt due to their size and credit quality.

The credit risk premiums of Spanish issuers showed a similar performance to yields, with increases in March and April and decreases thereafter. The sovereign risk premium – measured as the difference between the yield of the Spanish sovereign bond and the German 10-year bond – ended the year at 63 bp, which was lower than the high reached in April (156 bp) and the figure at year-end 2019 (66 bp). The risk premiums of the private subsectors of the economy also fell after the initial rally, supported by the ECB's measures, which especially affected financial institutions, but did not match the levels at the end of 2019. Thus, the average CDS of Spanish financial institutions stood at 76 bp at the end of December (65 bp at the end of 2019), much lower than the 142 bp in mid-March, and the CDS of non-financial companies stood at 59 bp on the same dates (52 bp at the end of 2019 and 126 bp in March). In the short term, the performance of risk premiums of companies remains conditioned by the evolution of the pandemic and its impact on the pace of economic recovery.

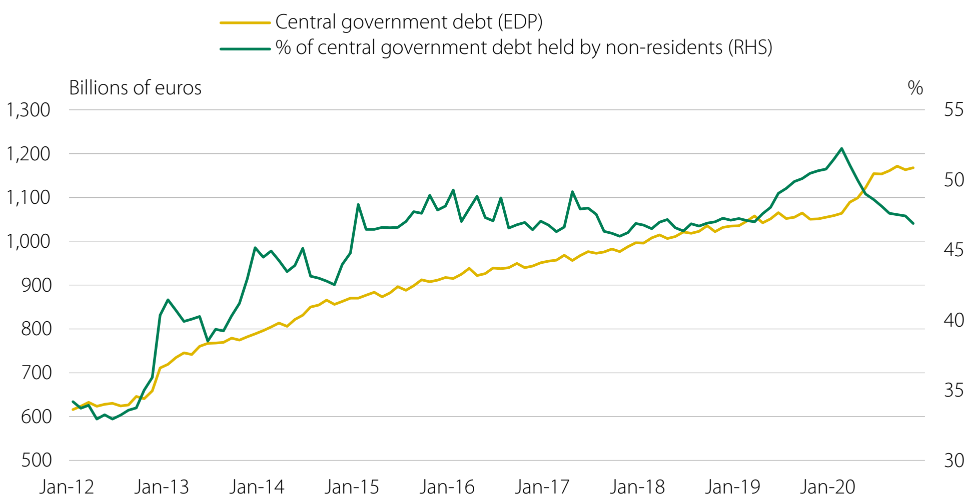
16 Monthly average.

Risk premiums of Spanish issuers[1] FIGURE 1.2.3



Source: Refinitiv Datastream. (1) Credit derivatives market. 5-year maturity. Simple average for a sample of entities, except for Spanish sovereign CDS.

State debt and percentage of debt held by non-residents FIGURE 1.2.4



Source: Bank of Spain.

Fixed income issues registered with the CNMV increased substantially in 2020 due mainly to the issues made by financial institutions of securities that allowed them to obtain liquidity easily (mainly securitisations) to deal with the situation caused by COVID-19, favoured by the good financing conditions in the markets. These issues stood at €132.11 billion, up 47% compared to 2019. The increase in securitisation bonds stands out, with issues of these instruments practically doubling to reach €36.28 billion, as does the increase in issues of specific types of instruments such as regional covered bonds, which grew six fold to €9.15 billion (€1.3 billion in 2019). Debt issues made abroad, while large, fell by 10.1% to €90.20 billion, lower than those registered with the CNMV.

It should be noted that debt issues made in the Alternative Fixed Income Market (MARF) stood at €9.58 billion, representing a decrease of 7% compared to 2019 (€10.35 billion). Most of this amount corresponded to issues of commercial paper (90%) by 62 entities (two more than in 2019), including companies such as El Corte Inglés, MásMóvil, Grupo Barceló and Sacyr. The increase in issues of other debt assets (non-convertible bonds and obligations, mortgage bonds and securitisation bonds) in the fourth quarter of the year also stands out, compared to the trend observed in earlier months.

The COVID-19 crisis has complicated the development of the banking business, making an increase in NPLs likely

The individual income statements of Spanish deposit institutions showed accumulated losses of €3.09 billion in 2020, compared to profit of €13.53 billion in 2019. In addition to the deterioration of the gross margin, explained by the decrease in net interest income and yields on financial instruments, there was a substantial increase in impairment losses on financial assets (from €3.99 billion in 2019 to €11.28 billion in 2020) and the loss of value of other the assets (from €2.23 billion in 2019 to €6.95 billion in 2020).

Total financing of credit institutions[17] extended to the non-financial resident sector (companies and households) increased by 3.1% in 2020, which was exclusively due to the increase in financing to non-financial companies (6.1% vs 2% in 2019). In contrast, financing to households fell 0.6% (compared to a slight increase of 0.2% in 2019). The strong increase in financing extended to non-financial companies can be explained by the crisis, as loans went from a negative annual variation in the first two months of the year to variations close to 8% from May, with little change since then. The public guarantee line managed by the Instituto de Crédito Oficial (ICO) played an important role in this performance[18] (see Exhibit 2). Financing extended to companies through debt securities was also significant (7.6% in December), although it grew at a slower pace than at the beginning of the year and in previous years (between 14% and 16%). Meanwhile, the slight decrease in financing to households was due to the continued decline in the outstanding balance of loans for house purchases (-1.1% in December, although it fell by 1.9% in June) and the noteworthy slowdown in loans for other purposes, especially consumer loans, which went from growth of over 4% at the beginning of the year to 0.6% in December.

The size of the banking sector, in terms of the aggregate volume of assets, increased for the second year in a row to stand at €2.82 trillion at the end of 2020 (€2.61 trillion in 2019). In regard to the financing of these entities, the increase in deposits made by residents in Spain stood out, which went from €1.58 trillion in 2019 to €1.82 trillion in 2020,[19] since deposits from ROW declined. Also noteworthy was the increase in Eurosystem funding, which went from €129.67 billion in 2019 to €259.12 billion in 2020.

17 And financial credit institutions (FCIs).

18 The public guarantee lines managed by the ICO saw, between March and mid-November, a volume of €108 billion in new credit operations at average terms of close to five years and, in most cases, with a grace period of one year. In addition, Royal Decree 34/2020, approved on 17 November, allows the maturity of these loans to be extended by three years and the grace period by 12 months.

19 This figure includes deposits from the credit system, public administrations and other resident sectors (non-financial companies and households).

Influence of the State guarantee line in financing SMEs

EXHIBIT 2

The health crisis caused by COVID-19 has profoundly affected economic activity. The restrictions on movement, and on leisure and restaurant activities, to curb the rate of infection have had a significant impact on production in Spain, causing a substantial drop in income for many companies and self-employed workers, particularly in the sectors most affected by these measures. The drop in income, coupled with the need to cover fixed costs, led to a rise in liquidity needs and consequently in demand for financing.

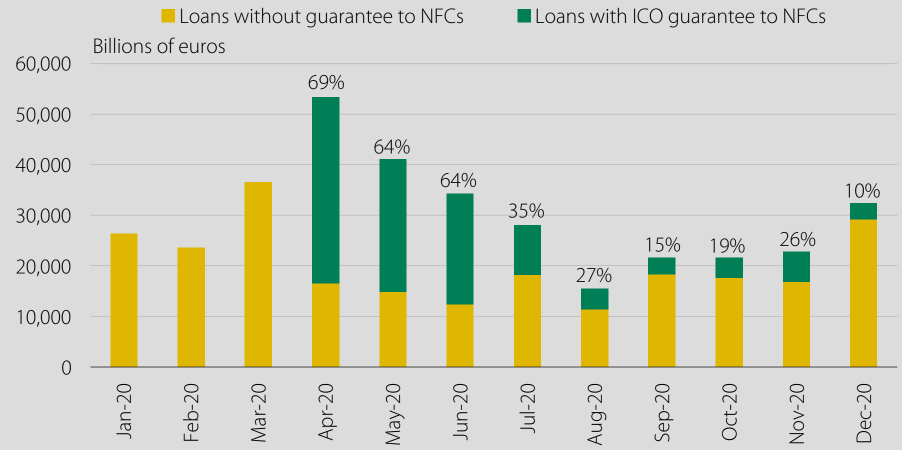
In the early days of the crisis, the Spanish government approved a line of guarantees for companies and self-employed workers to stimulate the supply of financing to companies and avoid a bottleneck in credit in the productive sector. The first line of guarantees was approved by Royal Decree-Law 8/2020, of 17 March, for a maximum amount of €100 billion, of which €67.5 billion were intended for SMEs and self-employed workers. These guarantees, which are managed by the Official Credit Institute (ICO), cover up to 80% of potential losses in the bank financing extended to them, and between 60% and 70% of the financing granted to larger companies.

Royal Decree-Law 25/2020, of 3 July, extended the amount, approving a new line of guarantees for an additional €40 billion, mainly aimed at financing investments in productive activity, unlike the initial line, which was focused on supplying liquidity needs. In this second line, €5 billion were earmarked for SMEs and self-employed workers. Lastly, Royal Decree-Law 34/2020, of 17 November, extended the time horizon in which guarantees could be requested until June 2021, in addition to extending the maximum maturity of loans from 5 to 8 years.

Figure E2.1 illustrates the movement in the volume of new loan transactions with non-financial companies, which include SMEs,[1] self-employed workers and large companies, throughout 2020, highlighting the transactions with public guarantees. It can be observed that new loan transactions with non-financial companies increased significantly during the first three months of the crisis, from the end of March to June. According to the Bank of Spain survey on bank loans, in that period there was a large increase in demand for credit by companies as a result of both the rise in their liquidity needs, resulting from the abrupt drop in revenues, and the desire to have a liquidity cushion in place in a highly uncertain context. Public guarantee lines contributed to the increase in the supply of credit to meet this growing demand. According to this survey, financial institutions relaxed the criteria for granting loans and the conditions applied to extended to companies and self-employed workers as part of the government guarantee programme, especially in the case of loans to SMEs and individual entrepreneurs (self-employed) during the second quarter of the year. In contrast, the criteria for granting loans was tightened for transactions without a guarantee. This would explain why the weight of secured loans was more than 60% of new credit granted to non-financial companies in the second quarter of 2020.

In the second half of the year, the total volume of new loans granted to non-financial companies slowed, due to a slight fall in the demand for credit and the somewhat stricter criteria for granting loans employed by financial entities.[2] Applications for secured loans fell during the second half of the year, as the maximum amount of the public guarantee lines was reached.

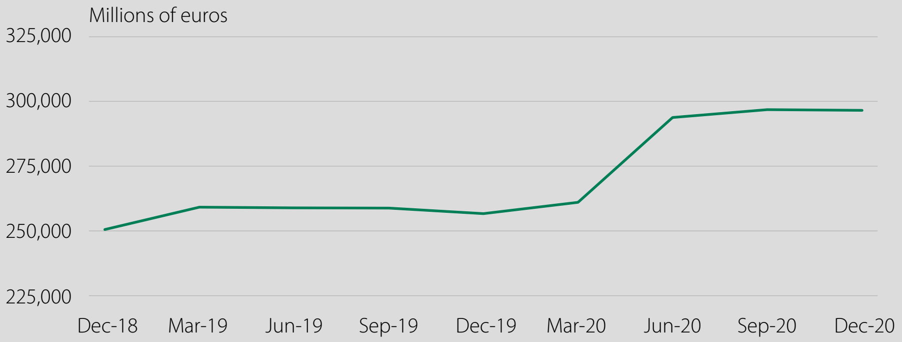
Total volume of new loan transactions[1] with non-financial companies (with a breakdown of transactions with a public guarantee) FIGURE E2.1



Source: Bank of Spain and ICO. (1) Loans with ICO guarantees include both the loans drawn down (around 80% of the total) and the amount of the credit lines (drawn down and available). Loans without guarantee refer exclusively to the volumes drawn down in new transactions.

In the early months of the crisis, in parallel with the increase in new credit, there was an increase of around €50 billion in deposits held by non-financial companies. The outstanding balance of sight and time deposits of these companies, which had remained almost unchanged from March 2019 to March 2020, increased by close to 20% in the early months of the crisis, rising from just over €250 billion at the end of February 2020 to a figure of close to €300 billion at the end of June 2020, to remain at this level until the end of the year (see Figure E2.2). The need for precautionary savings mentioned above would justify the companies' decision to increase the liquidity held in deposits, 90% of which was held in sight deposits. It is possible that the expectations of a future tightening of financing conditions could have led companies to request financing in advance, taking advantage of the advantageous conditions offered by the ICO lines to address potential liquidity needs arising a later date, given the uncertainty over the evolution and duration of the crisis.

Non-financial companies: balance of deposits held in financial entities FIGURE E2.2



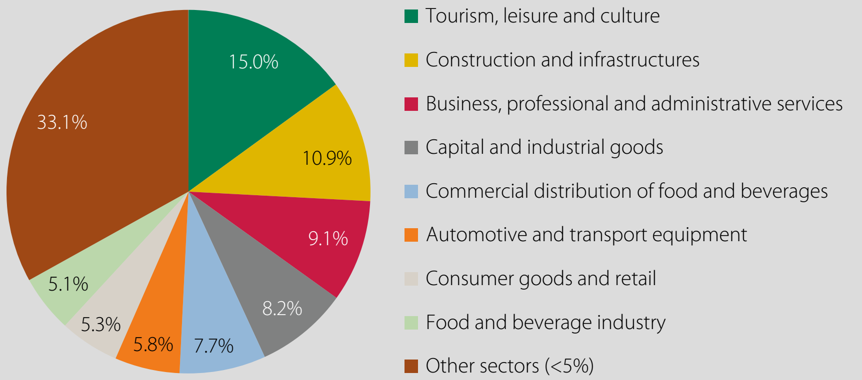
Source: Bank of Spain.

The conditions for loans with public guarantees were more advantageous than the conditions for other loans granted to companies in the same period, both in their term, since most were for four or five years[3] compared to the one or two-year terms offered for loans without a guarantee, and in terms of the interest rates of 2.1% and 2.3% on financing with guarantees extended to SMEs and large companies respectively up until June – figures that are significantly lower than those observed in credit transactions carried out during the same period that were not part of the ICO[4] line.

As of 31 December 2020, a total of 626,807 companies had obtained loans with a public guarantee for a total amount of €114.65 billion. The guarantees associated with this financing amounted to €87.08 billion. 70% of the guaranteed financing went to SMEs and self-employed workers, and the rest to larger companies. By sector, tourism, leisure and culture, whose activity had been greatly affected by the restrictions on movement, accounted for the highest percentage of guaranteed financing, with 15% of the total, followed by the construction and infrastructure sectors, with 11%, and the business, professional and administrative services sectors, with 9% (see Figure E2.3). These sectors experienced the sharpest falls in social security affiliations early on in the crisis.[5] Transportation-related companies also made extensive use of the guarantee lines, although these companies are distributed across all the productive sectors.

In summary, public guarantee lines have played a very significant role in financing the Spanish productive sector in the COVID-19 crisis, boosting the continuity of credit flows, especially to SMEs and the sectors most affected by the crisis. The advantageous conditions of the loans associated with the guarantee lines led to demand for credit not only to meet immediate liquidity needs but also to address potential future difficulties. The uncertainty surrounding the scale and duration of the crisis has boosted precautionary cash savings and has probably delayed certain investment decisions.

Distribution of guaranteed financing by productive sector FIGURE E2.3



Source: ICO.

1 The "loans with an ICO guarantee to NFCs" series includes loans granted to self-employed workers (micro SMEs), while the series 'loans without guarantee to NFCs' does not include the loans granted to self-employed workers in their entirety, since part of these loans may be classified as household loans.

2 According to data from the survey on bank loans in Spain, published quarterly by the Bank of Spain.

3 Royal Decree-Law 34/2020, of 17 November, permitted the extension of the term of the guaranteed loans initially from the initial maximum of five years to the new maximum term of eight years.

4 Referring to the period from March to June 2020, according to the following article: Alves, P., Blanco, R., Mayordomo, S., Arrizabalaga, F., Delgado, J., Jiménez, G., Pérez, E., Pérez, C. and Trucharte, C. (2020). "Recent evolution of bank financing and credit to the non-financial private sector". Bank of Spain, *Economic Bulletin,* No. 4/2020, Analytical Articles.

5 Figure E2.2. Impact of the lockdown on employment. Bank of Spain (2020). "Reference macroeconomic scenarios for the Spanish economy after COVID-19". *Economic Bulletin*, No. 2/2020, Analytical Articles.

Listed non-financial companies suffered heavy losses in 2020 as a result of the crisis

The sharp fall in economic activity caused by the crisis, especially in the first half of 2020, took its toll on the profit and loss accounts of listed non-financial companies, which showed a very significant slowdown between 2019 and 2020. These companies reported aggregate losses of close to €600 million for the year as a whole, compared to profits of €19.11 billion in 2019, which is one of the largest drops in net income for the year recorded by these entities in recent years. As shown in Table 1.2.2, all sectors saw a fall in earnings: in three sectors profits decreased substantially compared with 2019 and one (trading and services) went from profits in 2019 to substantial losses in 2020 (around €7 billion).

A more detailed analysis by sector and sector companies reveals certain trends. First, the best relative performance (within the overall slowdown) was observed in the energy sector, which reported an aggregate profit of €3.18 billion in 2020, only 3.3% lower than the 2019 figure. This decrease was partially due to the performance of one company (Repsol), which posted significant losses.[20, 21] Almost all the other energy companies made a profit, which were greater than the figures seen of 2019 in more than half of them. Industrial companies recorded a combined profit of €1.98 billion, well below the €6.20 billion seen in 2019, and construction and real estate companies obtained an aggregate profit of €1.17 billion, also below the €3.27 billion seen in 2019. Around half of all companies in the latter sector ended the year with losses. Trading and services companies, which have been the most severely affected by the crisis, showed the weakest results, with losses of €6.92 billion, which contrasts with the profit of €6.35 billion in 2019. In this sector, a notable proportion of companies posted losses, which in some cases were very large, e.g. IAG.[22] In addition, the lower earnings of a few companies determined the aggregate performance against a backdrop of general slowdown. That said, there are several companies whose profits improved between 2019 and 2020. These are in the renewable energies or pharmaceutical sectors and generally have a greater technological component.

20 This company was affected not only by the effects of the pandemic, but also by the sharp decline in the price of oil in the first four months of 2020.

21 It is also worth noting the lower earnings of Naturgy, whose losses were not high in absolute terms (€31.2 million), but relative to the large profit made in 2019 (almost €1.8 billion).

22 In this sector the drop in earnings reported by other companies such as Amadeus, Meliá, NH Hoteles, Codere or Aena also stands out.

Profit/(loss) by sector: non-financial listed companies TABLE 1.2.2

Millions of euros

	Operating profit		Profit before tax		(Consolidated) profit for the year	
	2019	2020	2019	2020	2019	2020
Energy	7,823.9	7,110.8	5,584.6	4,968.4	3,287.7	3,177.9
Manufacturing	8,928.2	3,294.7	8,100.7	2,729.6	6,204.3	1,981.9
Trading and services	12,544.0	-4,077.3	9,416.0	-7,596.0	6,348.7	-6,920.9
Construction and real estate	6,635.8	3,748.7	5,300.1	1,935.7	3,272.9	1,165.0
Aggregate total	**35,932.0**	**10,076.8**	**28,401.4**	**2,037.7**	**19,113.6**	**-596.2**

Source: CNMV.

The level of debt of listed non-financial companies increased in 2020, especially in companies in the trading and services sector and to a lesser extent in construction and real estate firms. The increase in indebtedness (which has also occurred in neighbouring economies) responds to their greater liquidity needs in the context of the crisis, as well as the desire to have a buffer of funds to deal with unpredictable situations given the high levels of uncertainty. Aggregate debt stood at €252 billion in the end of the year, 3.6% more than in 2019. Of the total increase (over €8.7 billion), more than 85% corresponded to trading and services companies, and the rest was spread between construction and industrial companies (energy companies saw a decrease). Consequently, commerce and services companies showed the largest increases in their leverage ratio (defined as the ratio of debt to equity), which went from 1.39 to 1.87. The total leverage ratio increased from 0.98 to 1.13 between 2019 and 2020. The debt coverage ratio, calculated as the ratio between debt and operating profit, deteriorated significantly. This was due to the rise in debt levels and, above all, to the fall in profits (in this case, operating profit).

The Ibex 35 lost 15.5% of its value in 2020 and showed a worse relative performance than other European benchmark indices

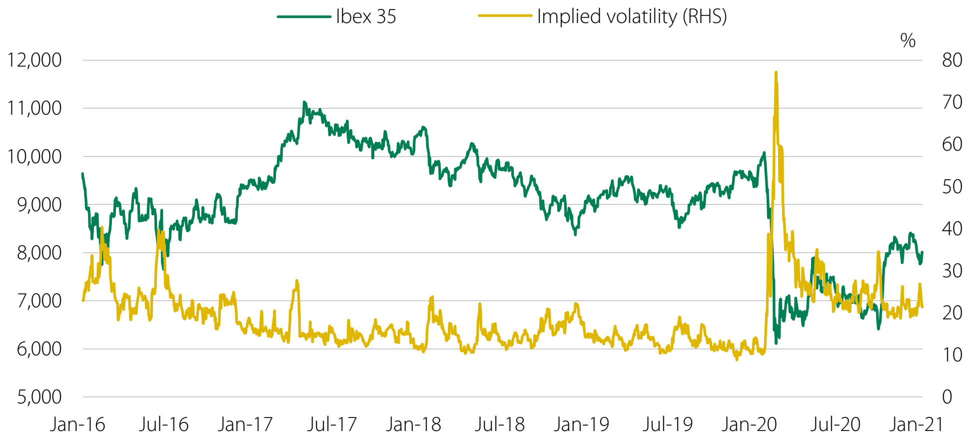
The Ibex 35 suffered a sharp fall of 28.9% in the first quarter of the year, following the outbreak of the health crisis in March, recovering by a mere 6.6% in the second, and lost 7.1% in the third. This irregular trend in the central months of the year was due to the alternation of positive and negative news about the evolution of the pandemic and its economic impact. In contrast, towards the end of the year the index bounced back with a gain of 20.2%, due to the reduction of various uncertainties, which also boosted the performance of the other international indices. This made it possible to reduce the annual loss to 15.5%, but this result contrasted with the 11.8% gain seen in the previous year and with the smaller falls marked by the rest of the European benchmark indices. The composition of the Ibex 35, with a higher weighting of the sectors most affected by the crisis – banking, tourism, leisure, hotels, transport, etc. – was a determining factor in this worse relative performance.

Mid-cap companies and, above all, smaller companies outperformed the Ibex 35. The former lost 9.7% in the year as a whole and the latter made a substantial gain of 18.9%, as they are more oriented to innovative sectors such as renewable energies and pharmaceuticals. Likewise, the indices that are representative of Latin American securities that trade in euros also experienced significant losses in 2020: 22% for the FTSE Latibex All-Share and 19.1% for the FTSE Latibex Top, despite their good performance in the last months of the year. This upward trend was not sufficient to offset the losses seen in the first quarter, which were greater than 43% for both indices.

The capitalisation of the Spanish stock markets fell by 13.2% in 2020, to stand at €579.16 billion. The decrease was due entirely to the fall in quoted prices, which fully offset the positive contribution from the capital raised. This capital, which was close to €9 billion, rose by 8% compared to 2019.

As in other international benchmark exchanges, volatility indicators reached highs in mid-March that had not been observed since the global financial crisis of 2008 and subsequently decreased, with certain fluctuations. Thus, the Ibex 35 historical volatility indicator recorded highs of over 80% in March, but closed the year at levels of below 20%. The annual average was 28.4%, the highest value in the last decade and more than double the averages observed in the previous three years. A similar trend was seen in market liquidity conditions, which worsened significantly in the first weeks of the crisis, coinciding with the reappearance of volatility and restrictions on short trading, and then improved fairly rapidly. However, the bid-ask price ranges did not return to pre-crisis levels. Trading in Spanish securities also rebounded in March and April but then fell significantly, so that the total annual trading of Spanish shares subject to market rules fell by 3.2% compared to 2019, standing at €780 billion. Of the total amount traded, just over €418 billion corresponded to the Spanish regulated market[23] (down 9.1%) and almost €362 billion (up 4.7%) to competing trading venues and markets.

Performance of the Ibex 35 and implied volatility FIGURE 1.2.5



Source: Refinitiv Datastream.

23 Its market share in the trading of Spanish securities stood at 53.9% in 2020, down from 57.4% in 2019 and 62.6% in 2018.

Performance of Spanish stock market indices and sectors

TABLE 1.2.3

%

	2016	2017	2018	2019	2020
Index					
Ibex 35	-2.0	7.4	-15.0	11.8	-15.5
Madrid	-2.2	7.6	-15.0	10.2	-15.4
Ibex Medium Cap	-6.6	4.0	-13.7	8.4	-9.7
Ibex Small Cap	8.9	31.4	-7.5	11.9	18.9
FTSE Latibex All-Share	71.0	9.0	10.3	16.3	-22.0
FTSE Latibex Top	67.8	7.3	14.8	15.3	-19.1
Sectors[1]					
Energy	32.7	-11.9	-1.5	16.8	6.8
Chemicals	198.2	55.4	8.8	-17.8	-15.8
Basic materials	24.0	26.1	-10.0	-4.8	-14.1
Construction and construction materials	-4.3	15.8	0.2	29.1	-6.6
Industrial goods and services	8.4	29.8	-12.8	13.4	-17.1
Healthcare	-7.8	12.9	-3.6	35.5	-16.8
Utilities	-0.7	3.1	12.0	18.3	11.3
Banks	-1.1	11.9	-28.1	-4.9	-27.5
Insurance	15.5	0.1	-12.8	-0.5	-23.7
Real estate	-5.0	15.6	-8.3	13.9	-20.4
Financial services	-1.3	7.3	-7.5	22.0	-5.9
Technology	34.3	47.3	-5.6	17.9	-18.5
Telecommunications	-11.7	-4.1	-7.9	1.9	-16.0
Consumer discretionary	2.7	-9.3	-25.1	33.2	-16.9
Consumer staples	5.2	9.6	-10.4	-3.3	10.4

Source: Refinitiv Datastream. (1) Refinitiv Datastream classification.

In the first weeks of 2021, quoted prices showed a slight upward trend, which was somewhat irregular and lower than the trends registered by other European benchmarks. So far this year[24] the Ibex 35 has risen by 6.2%, with some polarisation observed in the performance of the different sectors. Some of them have marked significant gains, particularly the oil sector (26%), the banking sector (12.4%) and companies belonging to the leisure, tourism and hospitality sector (16%). In contrast, falls have been seen in electricity and gas companies (-1.4%) and electronics and software (-0.5%), which have been greater for companies involved in manufacturing and the assembly of equipment (-6.6%).

24 Data to 15 April.

Actions taken by the CNMV to address the COVID-19 crisis

EXHIBIT 3

The crisis triggered by the spread of COVID-19 and its intensification in March 2020 was, and continues to be, an enormous challenge for Spanish society and for all the institutions that are part of it. In this context, the CNMV has adopted multiple different decisions to ensure that the institution functions normally at all times and at the same time responds to the challenges arising from the management of the crisis itself, making a significant effort to carry out its supervisory tasks for the markets and their participants. The reorientation and change of some priorities necessitated a revision of the Activity Plan that had been published at the beginning of February of last year, in which 33 of the 44 initially proposed objectives were maintained, 11 were postponed and 2 new ones were added. This exhibit describes the main actions, decisions and measures adopted by the CNMV from early March 2020 to address the crisis caused by COVID-19.[1]

i) Organisation

– *Human resources*. The first significant measures that were put in place, following the health guidelines, were aimed at ensuring that CNMV employees could continue to work normally from home. The process began on 11 March, when approximately half the workforce began to work from home, and teams that were especially important for CNMV operations were doubled. On the day the Royal Decree announcing the State of Alarm came into force (published on 14 March) practically all employees were already working from home. The experience has reinforced the perceived importance of technology and communications in the CNMV's work and has involved the use of new tools, servers and equipment.

In mid-March, the temporary postponement of the CNMV's ongoing personnel selection processes (a total of five processes) was announced. These processes were resumed on 28 July.

– *The register*. Furthermore, on 16 March, the CNMV announced the closure of its General Register for the physical presentation of documents. To ensure continuity in the presentation and registration of documents, several channels were enabled: the open area and the investors' area of the CNMV's electronic office and the electronic offices of the registries of the various public administrations. Face-to-face activity was resumed on 8 June.

On 20 March, the CNMV announced the approval of a resolution on the suspension of administrative deadlines as provided in Royal Decree 463/2020, on the State of Alarm, published in the Spanish Official State Gazette *(BOE)* on 25 March. As indicated in this resolution, the suspension of deadlines provided in the Royal Decree did not affect activities such as the CNMV's supervisory activity in general (requirements and other supervisory actions) or authorisations processed by the Institutions or Markets Directorates General likely to benefit interested parties, or any other procedures established by the institution's executive committee.

ii) Market supervision

The context of extreme volatility in the financial markets created the need to step up the supervisory activity of the markets, their infrastructure and their agents. The most notable decisions in this area related to **restricting short positions in securities listed on Spanish securities markets.** The first decision, taken on 12 March, involved a one-day ban on short sales and affected 69 stocks. The second decision, prohibiting the creation or increase of net short positions for one month, was taken on 16 March. This ban affected all equity securities and was subsequently extended for a further month. Similar decisions were taken in the days following by other European securities supervisors, specifically those of France, Italy, Belgium, Austria and Greece. When the ban was lifted, the CNMV conducted a study to assess the impact on financial markets, the conclusions of which are described in Exhibit 4. Additionally, the European Securities and Markets Authority (ESMA) decided at the same time to lower the threshold that triggers the notification of short positions (from 0.2% to 0.1% of capital) to supervisors. This decision was extended three times, the last in December 2020, and was lifted on 19 May 2021. All in all, the usefulness of the information received in these months led ESMA to request the European Commission in May 2021 to permanently reduce this threshold to 0.1% of capital.

In the field of **market infrastructures**, in addition to verifying that the trading systems functioned normally despite the severe bout of volatility and price falls, special attention was given to the central counterparty (CCP), BME Clearing. The CCP, in addition to activating the contingency plan for pandemics, made extraordinary margin calls in numbers and amounts that were higher than usual, as price variation parameters were exceeded and due to the application of the CCP regulations to cover exceptional excesses of risk. No incidents were detected in the transfer of funds to the CCP. Back-testing exercises were also carried out regularly to check the extent to which it would be able to handle the hypothetical bankruptcy of the most significant members with the financial resources available to the entity, and the CCP reviewed the parameters margin calls. Special attention was paid to settlements, with some increase in inefficiency observed (failures in the delivery of securities on the agreed date) as a consequence, according to the entities, of the increase in activity and a decreased capacity to respond to and resolve incidents due to staff working from home. This trend, which was also observed to a lesser extent in other European countries, was partially reversed later.

For companies, some considerations were published both in relation to the holding of **general meetings** and the formulation of the **annual financial statements** and the proposed distribution of profit. In regard to general meetings, the CNMV indicated in a first statement in March that it considered it reasonable to encourage attendance by proxy, and to maximise the use of remote attendance and voting mechanisms for shareholders. It also stated that it understood that in the current circumstances the maximum flexibility should be granted to the boards of directors of listed companies to adopt measures and solutions that contribute to preserving public health and preventing the spread of the virus, even if they are not expressly envisaged in their by-laws, general meeting regulations or in the meeting calls, provided that the exercise of the shareholders' information, attendance and voting rights were guaranteed, and the equal treatment of those in the same position ensured. In April, a joint statement from the CNMV and the Spanish College of Registrars endorsed these indications while the restrictions or recommendations of the public authorities in relation to the movement of people or with respect to meetings of more than a certain number of people remained in place.

Regarding the annual financial statements and the proposed distribution of profits of mercantile companies, a joint statement was also issued by the CNMV and the College of Registrars clarifying that as the situation deriving from the COVID-19 health crisis was an extraordinary circumstance, institutions could, among other measures, choose to replace the proposed distribution of profits set out in the notes to their financial statements with an alternative proposal to reflect the situation at hand. For meetings that had already been called, the decision on the proposed distribution of profits could be deferred to a subsequent meeting, convened within the term provided for holding the ordinary meeting. Subsequently, a statement was made public which clarified several questions related to the formulation and deposit of the annual financial statements of securities issuers in the European single electronic format (ESEF), which must be used from financial year 2020 onwards.

iii) Supervision of entities

As regards the supervision of entities, the specific efforts made in relation to collective investment schemes (CIS), and in particular, **investment funds**, stand out. The main tasks were related to the liquidity conditions of the assets on the funds' portfolios and the redemptions by entity, while remaining in constant contact with management companies to monitor the situation and remind them of their obligations and the liquidity management tools available. In this regard, the CNMV issued indications on the advisability in certain cases of valuing assets at the bid price or applying swing pricing schemes.

The **liquidity conditions** of the funds have been assessed based on various indicators such as trading volumes, time taken to unwind a position and the availability of prices to be able to trade. Attention has also been paid to the credit ratings of the debt assets held by these institutions and in particular to assets with a BBB rating, as this is the lowest rating that still qualifies as investment grade and could be affected if issuers' creditworthiness is perceived as deteriorating. Based on these analyses, the CNMV carries out an on-going special monitoring exercise on a number of management companies that manage one or more funds that have greater exposure to assets considered to be relatively illiquid or to debt with a relatively poor credit rating.

In terms of **monitoring redemptions**, the cumulative net volume from the time the crisis flared up in early March until the end of that month is estimated at approximately €5.5 billion, which managers handled with no difficulty. In a small number of funds, redemptions exceeded 20% of assets, a percentage that should be reported in a significant event notice (for this purpose, the percentage is applied to redemptions made in a single act; however, when limits are reached through successive redemptions requested by the same unitholder or by several unitholders belonging to the same group in a period of two months, this is also considered as significant event). The only notable incident that occurred involved a fund of funds that had units of a Luxembourg open-ended collective investment scheme on its portfolio that had suspended the calculation of net asset value. Consequently, the fund carried out subscriptions and partial redemptions as normal without taking into account this investment, which accounted for 7.1% of its portfolio. Lastly, it is worth noting the inclusion, by virtue of Royal Decree-Law 11/2020, of 31 March, adopting urgent complementary measures in the social and economic area to deal with COVID-19, of a **new macroprudential tool** consisting of the possibility of establishing prior notice periods for redemptions without these being subject to the requirements that are normally applicable regarding term, minimum amount and being provided for in the management regulations. These terms can be established by the manager or by the CNMV itself.

Apart from these actions, the CNMV also adopted a series of measures related to certain information obligations of CIS management companies and the management companies of venture capital firm and, exceptionally, allowed remote assessment in the area of the application of Technical Guide 4/2017 for the evaluation of the knowledge and competences of the staff who inform and advise.

iv) Coordination and interaction with other institutions

To manage this crisis, coordination with other national and foreign institutions has proved to be essential. At the national level, the meetings taking place within the Macroprudential Authority Financial Stability Board **(AMCESFI)** stand out, the frequency of which has increased significantly. These bring together representatives of the Ministry of the Economy, the Bank of Spain, the CNMV and the General Directorate of Insurance and Pension Funds, to analyse the situation of the Spanish financial system from the point of view of financial stability. In times of market turmoil it is important for financial supervisors to exchange information to understand the extent of the risks involved and to take such measures as may be necessary.

At the international level, the CNMV stepped up the exchange of information with the different institutions of which it is a part or with which it regularly maintains contact, such as, the International Organization of Securities Commissions (IOSCO), the Financial Stability Board (FSB), ESMA or the European Systemic Risk Board (ESRB). In addition, it collaborated in several specific working groups created within these institutions to analyse and address several potential vulnerabilities revealed during the crisis and evaluate the measures adopted by the different authorities. Some examples of this work are related to the liquidity risk of funds in times of turmoil and the adequacy of liquidity management tools or the assessment of credit ratings.

1 Most of the actions taken by the CNMV are published in CNMV- Information related to the situation created by COVID-19.

1.2.3 Outlook and risks

According to IMF forecasts published in January 2021, the GDP of the Spanish economy should grow by 6.4% this year and 4.7% next year, after falling by 10.8% in 2020. This is more than for the euro area as a whole, where activity decreased to a lesser extent in 2020 (6.8%) and is also expected to grow less in the coming years (4.4% this year and 3.8% next year). These forecasts, which subject to a very high level of uncertainty, would raise the growth differential between Spain and the euro area from -4 pp in 2020 to 2 and 0.9 pp in 2021 and 2022, respectively.

The most important risks in this scenario are, for the most part, shared by the other European economies. They include the duration and health, social and economic impact of the pandemic, which will depend not only on the speed of the vaccination process and the effectiveness of the vaccines, but also on the measures adopted by the authorities to combat the crisis and the possibility of extending some of them. In the economic field, the risks associated with changes in household consumption habits are particularly significant, especially given the potential rise in business insolvencies in the coming months and the consequent increase in unemployment. These insolvencies may be more noticeable in the sectors most affected by the crisis such as tourism, hospitality and a large part of smaller commerce and services companies. However, it is difficult to forecast insolvencies among small companies, since the available economic and financial information about them is much more limited.

From a strictly financial point of view, it is worth highlighting the challenges that the current context of interest rates poses for certain institutions, in particular for banks, although it should be noted that the low rates should also curb delinquencies at a particularly complex time due to the decline in activity and employment. In addition, the context of low rates continues to encourage "search-for-yield strategies", which can involve investing in riskier, more complex and less liquid assets. Lastly, it is important to bear in mind the strong increase in public debt and, consequently, the need to make public sector finances sustainable in the medium and long term.

2 Markets and issuers

2.1 Equity markets

The performance of the equity markets in 2020 was conditioned by the coronavirus pandemic, which caused numerous uncertainties and sharp falls in prices in the first part of the year. Prices partially recovered in the final months in response to positive news, including the announcement of the vaccines. Nonetheless, the Ibex 35 closed the year with a fall of 15.5%, the highest of all the main European indices, which affected most sectors, although to a varying degree. In this context of falling quoted prices, capitalisation fell significantly, as once again the amount raised through capital increases was modest. Companies continued to postpone their plans to go public, although IPOs are expected to pick up in the coming months, especially in the renewable energy sector.

Trading of Spanish securities fell for the third consecutive year to stand at €780 billion, the lowest figure since 2013, and the redistribution of trading from the Spanish regulated market to other trading venues, multilateral trading facilities (MTFs) and competing markets continued, which slightly increased the volumes traded. The market share of these competing venues as a percentage of total trading subject to market rules (lit plus dark)[1] stood at 46% in 2020, more than 3 percentage points above the figure seen in the previous year.

2.1.1 General overview

The Spanish equity markets began 2020 with slight falls due to fears over the negative effects of the coronavirus on the economy, which materialised in sharp falls from March onwards, as the virus spread rapidly across Europe and much of the rest of the world, forcing governments to impose strict lockdown measures. This situation caused the largest fall in the history of the Spanish indices for that month and in one quarter, reaching their lowest levels since 2012. The subsequent improvement in the health context and the progressive reopening of economies led to a slight recovery in quoted prices in the second quarter, in line with the main international stock markets, although the scale of the recovery was weaker. In this context, the Ibex 35 fell by 24.3% in the first half of the year, as the drop in the first quarter (-28.9%) was partially offset by the rise in the second (6.6%).

The second half of the year kicked off with fresh losses due to the weak economic outlook, coupled with the reversal of some measures to reopen the economy in order to deal with the spread of the second wave of the virus, which resulted in a further 7.1% decline in the index in the third quarter. The fourth quarter also began with falls due to the negative data relating to the second wave of infections, which

1 Both types of trading (lit plus dark) are subject to market rules but to different transparency regimes, which are less demanding for dark trading.

forced governments and local authorities to adopt new restrictions on movement and even partial lockdowns. However, the situation changed radically in November when the US pharmaceutical company, Pfizer, released its findings on the effectiveness of its vaccine against the virus, which was followed by similar announcements from Moderna and AstraZeneca. These announcements, which fuelled expectations of a progressive lifting of restrictions on movement and an acceleration of the economic recovery, allowed the Ibex 35 to close the last quarter of the year with a gain 20.2% and reduce the accumulated losses for the year as a whole to 15.5%, although this did not prevent it from showing the worst performance of all the European benchmarks.[2]

The health crisis and the sharp falls in the stock markets put an end to three years of reduced volatility on the Ibex 35,[3] which grew strongly to reach its highest level since the 2008 financial crisis, in line with the main European and international stock exchanges.[4] This value gradually diminished and held steady in the second half of the year, although it remained at higher levels than before the crisis. The historical volatility of the Ibex 35 closed the year at below 20%, far lower than the highs of 80% reached in March, but higher than the record of close to 10% in 2019. The annual average was 28.4%, the highest value in the last decade and more than double the annual averages of recent years,[5] although it was in line with the main European and international indices, with the exception of the Japanese Nikkei 225, which registered lower volatility.[6]

Stock market capitalisation fell in 2020 to €579.16 billion, its lowest value since 2013 and a long way below the figure of €701 billion seen in 2017, due to the sharp decline in quoted prices during the year.

Although the total volume of Spanish securities traded on the stock exchanges increased significantly in the first half, boosted by the increased market turbulence and higher volatility, it dropped back in the second and showed some recovery in the last part of the year as the markets started to go up again on the back of the positive news about vaccines. Likewise, the shift of trading to other regulated markets, multilateral trading facilities and competing trading venues continued. In the year as a whole, equity trading on the Spanish regulated market operated by Bolsas y Mercados Españoles (BME) fell for the fifth consecutive year, by 9.1%, to stand at just over €418 billion, the lowest level seen in the past decade and less than half of the volume traded five years previously.[7] The national stock exchanges, as the main official regulated markets, remained the main trading markets for the vast majority of Spanish securities admitted to trading on them, but continue to lose weight relative to other competing trading venues, which, at the end of the year, accounted for

2 The main European indices outperformed the Spanish market, with the German Dax 30 standing out as it remained in positive ground (3.5%), while the others posted losses but considerably smaller ones, with the European Eurostoxx 50, the French Cac 40 and the Italian Mib 30 down by 5.1%, 7.1% and 5.4%, respectively.

3 The volatility of the Ibex 35 reached a historical low in the last quarter of 2019.

4 Trading on the New York Stock Exchange was temporarily suspended on several occasions, when an automatic closing system was activated that stops trading when different thresholds are reached below the previous close.

5 The Ibex 35 historical volatility stood at 12.6%, 12.8% and 12.3% in 2017, 2018 and 2019, respectively.

6 The average historical volatility for the European Eurostoxx 50 index was 26.9%, while for the US Dow Jones index and the Japanese Nikkei 225 it was 27.6% and 21.4%, respectively.

7 Trading stood at €925,978 million in 2015, and at the beginning of the decade, in 2010, it exceeded €1 billion.

more than 45% of total trading (more than 6 percentage points above the closing figure for 2018).[8] The shift of trading to venues other than their source markets has been a general trend throughout Europe during the last decade, which has also spread to Spain in the past few years.

As is the norm, non-resident investors continued to play a very important role in the Spanish equity market, in terms of both trading and in ownership, reaching the fourth record high at the end of 2019. According to Bolsas y Mercados Españoles (BME) Market Report 2020, shares owned by non-resident investors increased to 50.2% at year-end 2019, a new record (43.1%, 46% and 48.1% in 2016, 2017 and 2018, respectively). The ownership of Spanish shares by non-resident investors has grown by more than 10 percentage points in the last decade, further cementing their status as a key pillar for market liquidity and trading. Households continue to lose weight in share ownership,[9] representing 16.1% in 2019 (23.4%, 19.7% and 17.2% in 2016, 2017 and 2018, respectively), the lowest value in the last 30 years and almost half of the amount it represented at the start of the millennium, when it was over 30%. Thus, the value of the shares held by households stood at €101.11 billion in the third quarter of 2020,[10] 23% lower than at the end of 2019, although this figure is conditioned by the significant capital losses accumulated as a result of the coronavirus crisis.

Table 2.1.1 compares the size of the main international equity markets by using capitalisation and trading to nominal GDP ratios. In 2020, both ratios showed a parallel trend, characterised by increases in most markets. The capitalisation to GDP ratio, which had grown in all markets in 2019 due to the significant rise in quoted prices in most of them, increased further in most cases, mainly due to the gains made by the main North American and Asian bourses, as well as the falls in the GDP of most world economies[11] due to the pandemic. In Spain, this ratio fell slightly, reflecting the large losses made by the Spanish market as described above. The trading to GDP ratio grew strongly in the main markets, as the high volatility encouraged both algorithmic and high frequency trading (HFT), and there was a rise in transactions by retail investors across the globe. In the Spanish market, the increase in this ratio was very small and owed to the larger fall in GDP compared to the decline in trading.

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8 In 2020 as a whole, trading though competing venues represented 46.1% of the total, 3.5 percentage points more than in 2019.

9 One reason for the lower weighting of households in the ownership of listed shares could be the growing weight of investment funds in the investment portfolios of households due to their favourable tax treatment, as well as the increased marketing of these products by financial institutions to individual investors.

10 According to the Financial Accounts of the Bank of Spain.

11 With the exception of China, which continued to show positive, albeit more moderate, growth rates.

Stock market capitalisation and trading on regulated markets as a percentage of nominal GDP TABLE 2.1.1

%

	Market capitalisation[1]		Trading volume	
	2019	2020	2019	2020
United States[2]	169.6	216.4	141.5	244.1
Canada	136.8	158.6	80.3	119.9
China[3]	91.1	121.5	144.3	230.1
Japan	122.4	132.6	100.5	125.1
London Stock Exchange[4]	114.5	109.8	53.6	59.1
Euronext[5]	98.8	115.8	39.8	57.0
Germany	51.9	59.8	38.5	57.9
Italy[4]	39.8	36.7	33.8	36.6
Spain	53.6	51.7	37.7	38.1

Source: World Federation of Exchanges; London Stock Exchange Group; Eurostat; statistical offices of the USA, Canada, China and Japan and CNMV. (1) In local currency, the market capitalisation figures correspond to the last working session of the year. (2) The numerator is the combined total of the NYSE, Euronext US and Nasdaq. (3) Includes data from the Hong Kong, Shanghai and Shenzhen stock markets, as well as the GDP of the People's Republic of China and Hong Kong. (4) Although Borsa Italiana was integrated in 2010, here the ratios of capitalisation and trading to GDP corresponding to each country are provided separately. (5) The denominator is the sum of the nominal GDP of France, the Netherlands, Belgium, Portugal and Ireland.

2.1.2 Listed companies and capitalisation

Spanish stock exchanges ended 2020 with 138 companies listed on regulated equity markets, three fewer than in 2019 and the lowest number seen in recent years.[12] In addition, the companies listed on Latibex and on the MAB, which are MTFs, stood at 19 and 2,581 respectively at the end of the year.[13] A new company, Soltec, was listed on the continuous market, representing the first admission to trading of a company from the renewable energies sector. There were seven delistings: three from the continuous market, one from the open outcry market and one from the secondary market.[14] Two companies were excluded from the continuous market following the settlement of their corresponding takeover bids (MásMóvil Ibercom and BME) and the third was delisted by Resolution of the CNMV Board (Sniace, which was in liquidation after bankruptcy proceedings). Likewise, the three companies excluded from the secondary market (Urbar Ingenieros, Ecolumber and TR Hotel Jardín del Mar) were admitted to the open outcry market of the Madrid stock exchange, in the first case, and the Barcelona exchange, in the second two cases. Cartera Industrial Rea was excluded from the open outcry markets of the Madrid and Barcelona stock exchanges at the request of the company itself.

12 152 companies were admitted to trading at the end of 2015.
13 2,441 of these were SICAVs.
14 For more details on delisted companies, see Annex I.3.

Number of companies listed on the Spanish stock markets[1]

TABLE 2.1.2

		Continuous market				
	All markets	Total	National	Foreign	Open outcry	Secondary market
Listed at 31/12/19	141	129	122	7	9	3
Listed at 31/12/20	138	127	120	7	11	0
New listings in 2020	**4**	**1**	**1**	**0**	**3**	**0**
New listings	1	1	1	0	0	0
Listed due to merger	0	0	0	0	0	0
Change of market	3	0	0	0	3	0
Delistings in 2020	**7**	**3**	**3**	**0**	**1**	**3**
Delistings	2	1	1	0	1	0
Delistings due to merger	2	2	2	0	0	0
Change of market	3	0	0	0	0	3
Net change in 2020	**-3**	**-2**	**-2**	**0**	**2**	**-3**

Source: CNMV. (1) Totals do not include MAB, Latibex or ETFs.

Spanish stock market capitalisation decreased by 13.1% in 2020, reaching a value of under €580 billion, the lowest since 2013,[15] and significantly lower than the €701 billion registered in 2017. This was due to the drop in the quoted prices of companies,[16] since the loss in value attributed to the companies delisted from stock exchanges was more than offset by the amount of funds raised through the capital increases.

Capitalisation[1] of equity on Spanish stock markets

TABLE 2.1.3

Amounts in millions of euros

	2017	2018	2019	2020	% change 20/19
All markets	**701,029.6**	**592,662.6**	**666,943.2**	**579,163.7**	**-13.2**
Continuous market	699,691.2	591,166.2	665,757.8	578,110.1	-13.2
National	697,909.0	590,057.8	664,393.4	576,622.7	-13.2
Foreign[2]	1,782.3	1,108.4	1,364.5	1,487.4	9.0
Open outcry[3]	1,288.5	1,459.1	1,154.2	1,053.6	-8.7
Madrid	165.9	219.4	69.8	30.9	-55.8
Barcelona	1,134.3	1,318.4	1,036.5	955.9	-7.8
Bilbao	54.0	56.5	32.9	20.6	-37.4
Valencia	211.3	257.0	80.4	76.0	-5.5
Secondary market	49.9	37.4	31.1	0.0	-100.0

Source: CNMV. (1) Includes only capitalisation of companies that were traded at some time during the year. Excludes Latibex, MAB and ETFs. (2) The capitalisation of foreign companies listed on Spanish markets is based on the number of shares registered by Iberclear. (3) The market capitalisation of companies traded by open outcry in more than one market has been included in the figures for each market at the price for that market, but only once in the total for all markets.

15 Capitalisation was €570 billion at year-end 2013.

16 The most representative indices of the Spanish securities markets, the Ibex 35 and the IGBM, lost 15.5% and 15.4%, respectively.

With some exceptions, most of the sectors represented in the Spanish stock market registered significant price falls. However, the scale of the declines was uneven by sector or in terms of value, with notable differences observed based on the impact of the crisis on their businesses and outlook. The largest falls in percentage terms corresponded to the consumer services sector – to which all hotel, tourism, air transport and leisure companies belong –, where the effects of the virus have been especially severe, as well as the banking sector, which was affected by the environment of low interest rates,[17] fears of an uptick in NPLs and the drop in business activity. The falls seen by companies in the telecommunication and technology sectors also stood out due to the maturity of the telecommunications operators' businesses and the links between the technology companies in the Spanish market and the tourism sector.

The decreases in capitalisation were seen to a greater extent in banks, with three consecutive years of losses, in addition to communications companies and the textile sector, while mining companies and producers of raw materials and construction materials barely showed changes in their valuations, alongside food companies (see Table 2.1.4 and Annexes I.5 and I.7). These declines led to changes in weightings, with the financial sector losing weight to the benefit of the energy sector and, to a lesser extent, the consumer goods sector, while all other sectors remained relatively stable. This reflects a change in the productive structure of the country, in which banks, traditional telecommunications companies, oil companies and companies in the tourism sector are losing weight, to the benefit of companies in the electricity sector, renewable energies and technology.

The increases, which were very small, were concentrated in companies in the energy sector, especially the electricity and renewable energy sectors, which were boosted by the more stable nature of their businesses, the environment of low interest rates and growing demand from investors for green energy. As in previous years, smaller companies performed well, which may be partly because they often belong to more innovative sectors.

Despite the falls in prices and valuation adjustments in different sectors, market concentration in terms of capitalisation remained high and even increased. As in the last two years, seven securities accounted for around half of the market capitalisation, although they were different stocks compared to previous years.[18] The three largest securities represented more than one third of total capitalisation, while at the same time the number of securities required to reach 75% dropped from 17 to 15. The number of Spanish stocks included in the European Eurostoxx 50 index fell from five to three. This reflects the lower weight of large Spanish companies compared to European entities and confirms the growth of medium-sized companies and new sectors compared to large traditional companies and big banks.

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17 The downward trend in interest rates became more pronounced with the ultra-lax monetary policy measures established by the European Central Bank (ECB) to combat the crisis.

18 Due to changes in capitalisation, Telefónica and Aena have been excluded from the list of the seven largest companies by market value and Cellnex Telecom and Endesa have been included.

Number of listed companies and capitalisation by sector[1] TABLE 2.1.4

Amounts in millions of euros

Sector	2019	2020	2019	2020	% change 20/19
Oil	1	1	21,276.6	12,601.0	-40.8
Energy	10	10	123,936.3	137,042.8	10.6
Mining & basic metals	8	8	6,178.2	6,013.7	-2.7
Cement and construction materials	3	3	3,576.9	3,631.2	1.5
Chemicals and pharmaceuticals	7	7	25,335.9	20,979.2	-17.2
Textiles and paper	8	8	100,103.1	82,872.3	-17.2
Metal-mechanical	15	15	11,665.1	9,429.0	-19.2
Food	11	11	8,265.8	8,077.9	-2.3
Construction	8	8	42,682.7	36,689.7	-14.0
Real estate companies and SOCIMIs (Spanish REITs)	18	18	17,581.6	12,363.5	-29.7
Transport and communication	7	6	94,023.7	75,100.4	-20.1
Other non-financial	28	27	65,502.1	67,128.6	7.2
Total non-financial sector	**124**	**122**	**520,128.1**	**471,929.4**	**-8.8**
Banks	10	10	132,373.2	96,067.1	-27.4
Insurance	2	2	11,005.7	8,403.7	-23.6
Portfolio companies	5	4	6,310.8	2,788.8	-55.8
Total financial sector	**17**	**16**	**149,689.7**	**107,259.7**	**-28.3**
Total	**141**	**138**	**666,943.1**	**579,189.1**	**-13.2**

Source: CNMV. (1) Includes only the capitalisation of companies that were traded at some time during the year. Excludes Latibex, MAB and ETFs. The capitalisation of foreign companies listed on Spanish markets is based on the number of shares registered by Iberclear.

2.1.3 Listings, issues and public offerings (IPOs)

There were 40 capital increases in 2020, 12 fewer than in the previous year, corresponding to a total of 28 companies listed on Spanish stock markets, five fewer than in 2019 (see Annexes I.1 and I.2 for further details). Despite the decrease in the number of transactions of this type, the total amount grew to €10.85 billion, 10.7% more than in the previous year. In addition, the value of capital increases to raise funds increased by 8% to €8.90 billion, the highest amount in the last three years.

82% of the capital increases were aimed at raising funds, in line with the 84% seen the previous year, while the remaining 18% were bonus issues. As we have mentioned, the amount of capital increases aimed at raising funds grew slightly (+8%) for the second consecutive year, corresponding entirely to non-financial companies. Of the total amount (more than €8.90 billion), around half was allocated to new projects while the rest was used mostly by large air transport companies linked to the tourism sector to obtain funds, strengthen their balance sheets and address the effects of the pandemic on their business activities.

Among the capital increases to raise funds, the rise in the amount of traditional transactions with pre-emptive rights stood out, which grew to over €6.80 billion (compared to €4.73 billion in 2019), including the increases made for the second consecutive year by Cellnex Telecom (for €4 billion) and Iberia's parent company, International Consolidated Airlines Group (for €2.74 billion). In addition, the amount of accelerated book builds was higher than in previous years – the transaction carried out by Amadeus IT totalled €750 million. The volume of the remaining transactions to raise funds decreased, with capital increases with non-monetary contributions and conversions falling significantly, barely reaching €400 million.

All bonus issues (17 transactions) corresponded to scrip dividends, which increased both in number (+3) and volume (+€385 million) compared to the previous year (see Table 2.1.5). Although remuneration in the form of cash has been a growing practice in the dividend policy of many companies recently and is preferred by the most shareholders, the greater economic difficulties and uncertainties caused by the pandemic have forced more companies to opt for the share payment format in order to retain more funds on their balance sheets and shore them up for the future.

Capital increases and public offerings[1] TABLE 2.1.5

Amounts in millions of euros

	2017	2018	2019	2020	% change 20/19
Cash capital increases	**25,786.2**	**7,389.8**	**8,240.6**	**8,903.1**	**8.0**
With pre-emptive rights	7,831.4	888.4	4,729.8	6,837.1	44.6
Without pre-emptive rights (SOs)[2]	956.2	200.1	10.0	150.1	1,401.3
Of which, increases	68.8	0.0	10.0	0.0	-100
Accelerated book builds	821.8	1,999.1	500.0	750.0	50.0
Capital increases with non-monetary considerations[3]	8,469.3	2,999.7	2,034.2	2,33.0	-88.5
Capital increases via debt conversion	1,648.8	388.7	354.9	162.4	-54.2
Other	6,060.2	913.8	611.8	770.3	25.9
Bonus issues	**3,807.3**	**3,939.7**	**1,565.4**	**1,949.0**	**24.5**
Of which, scrip dividends	3,807.3	3,915.2	1,564.1	1,949.0	24.6
Total capital increases	**29,593.6**	**11,329.5**	**9,806.0**	**10,852.1**	**10.7**
Initial Public Offerings (IPOs)	**2,944.5**	**733.7**	**0.0**	**0.0**	**–**
Of which, increases	147.8	0.0	0.0	0.0	–

Source: CNMV. (1) Does not include data from the MAB, ETFs or Latibex. (2) Primary offerings. (3) Capital increases for non-monetary consideration have been stated at market value.

Likewise, in contrast to 2019, when no new companies entered the market, in the last quarter of the year the IPO of the renewable energy company Soltec through a public subscription offering stood out. The market expects similar transactions from companies in the same sector in 2021.

2.1.4 Trading

Spot trading

Trading of Spanish securities listed on stock exchanges fell for the second consecutive year in 2020 to stand at €780.70 billion, 3.2% less than in 2019 and the lowest value since 2013.

Specifically, trading of Spanish securities in the regulated market operated by BME stood at €418.51 billion, 9.1% less than in 2019, while trading of these securities through competing venues grew by almost 5%. Overall, the market share of trading of Spanish securities on the regulated market operated by BME[19] dropped further in 2020 to represent 54% of the total (compared to 57% in 2019 and 62% in 2018).[20] With the exception of 2019, when it fell slightly, trading through BME's competing venues has been increasing continuously since 2009, reaching an all-time high of almost €362 billion in 2020 (see Table 2.1.6). The increase in trading in these competing venues in 2020 can be partially explained by the rise in market volatility, which could have favoured some forms of trading such as algorithmic and high frequency trading,[21] that are traditionally more common in these centres.

Regarding the distribution of trading among competing venues, the regulated market Cboe Global Markets (Cboe) – which operates through two different order books, Chi-X and BATS – continued to stand out for its high volume, although its relative weight increased as it saw larger growth compared to other trading venues. Nonetheless, its aggregate trading volume grew by 7.4% to over €275 billion, representing 76% of the market share of alternative trading venues and 35.4%[22] of total trading in Spanish securities admitted to trading on the official Spanish markets. Cboe has therefore strengthened its position as BME's main competitor as its volume of trading is more than 66% of the size of the latter, compared with 56% and 48% in 2019 and 2018, respectively. Cboe continued to change the composition of the trading between its two order books in favour of BATS, which now accounts for more than three quarters of the total. Of the remaining competitors, the most prominent, Turquoise, lost weight (to 6.4%, almost half of that seen in 2018), while the rest of the markets, which in 2019 had grown significantly, almost doubling their trading volumes, marked a more modest rise (8%) and saw a small increase in market share (from 16.8% to 17.4%).

19 The Spanish market operator BME was acquired by the Swiss market operator SIX Group in 2020 following the successful voluntary takeover bid.

20 This figure was 85%, 80%, 72% and 68% in 2014, 2015, 2016 and 2017, respectively.

21 HFT.

22 In 2019, trading accounted for almost 74% of the market share of alternative trading venues and 32% of the total traded.

Cash traded in Spanish equities admitted to trading on Spanish stock exchanges[1]

TABLE 2.1.6

Amounts in millions of euros

	2016	2017	2018	2019	2020	% change 20/19
Total	**878,329.9**	**933,416.3**	**931,019.3**	**806,217.3**	**780,697.4**	**-3.2**
Admitted to SIBE electronic platform	**877,408.4**	**932,763.1**	**930,607.1**	**805,826.6**	**780,341.0**	**-3.2**
BME	634,914.5	633,385.7	579,810.4	460,267.4	418,512.6	-9.1
Chi-X	117,419.4	117,899.2	106,869.7	80,678.9	65,006.5	-19.4
Turquoise	51,051.8	44,720.1	42,883.4	30,550.6	23,242.2	-23.9
BATS	44,839.8	75,411.6	171,491.3	176,093.6	210,675.8	19.6
Other[2]	29,182.9	61,346.5	29,552.2	58,236.1	62,903.8	8.0
Open outcry	**7.9**	**8.1**	**8.2**	**6.2**	**2.5**	**-59.9**
Secondary market	**3.2**	**0.7**	**0.8**	**0.1**	**0.0**	**-100.0**
ETFs[3]	**910.4**	**644.5**	**403.2**	**384.3**	**353.9**	**-7.9**

Source: Bloomberg and CNMV. (1) Includes trading subject to market or MTF rules (lit plus dark) of equity instruments admitted to trading on Spanish official secondary markets and identified by means of an ISIN issued in Spain; therefore, foreign securities admitted to trading in these markets whose ISIN is not issued in Spain are not included. (2) Calculated as the difference between the amount traded of the EU Composite calculated by Bloomberg for each share and the amount traded for the markets and MTFs included in the table, and hence includes trading on other regulated markets and MTFs and systems. (3) Only ETFs with Spanish ISIN.

It should also be noted that while one of the objectives of MiFID II and MiFIR was to increase market transparency and shift part of the trading not subject to market rules to trading venues and regulated environments in which it would be subject to these, there has been an increase in figures such as systematic internalisers, whose trading format is not subject to non-discretionary market rules. Thus, it is estimated that trading carried out through the latter as a portion of total trading of Spanish securities represented slightly more than 10% in 2020 (including OTC trades)[23] and that OTC trading, in the strictest sense, was slightly more 25% of the total.[24]

Trading on regulated markets operated by BME

All equity trading on the regulated markets operated by BME was carried out through the Spanish Stock Market Interconnection System (SIBE) platform, known as the continuous market (see Table 2.1.7), although the open outcry markets still exist for a very small amount of trading. The secondary market of the Madrid Stock Exchange, which was aimed at SMEs, no longer exists and the companies that belonged to it were moved either to the continuous market or the open outcry market, or have stopped trading. This market had shown very modest growth and the creation of the Alternative Stock Market (MAB) led to its full demise, as it offers a different regulation and methodology that are more attractive for SMEs. Aggregate trading of the two MTFs – MAB and Latibex – barely amounted to 1% of the volume traded on the SIBE. The amount traded on the SIBE fell by 8.6% in 2020 to

23 Excluding OTC trading, the market share of systematic internalisers has ranged between 15% and 18% in the last two years.

24 All other trading (that subject to market rules) would be approximately 33% for the Spanish regulated market and slightly less than 30% for other the competing venues.

€425.34 billion,[25] while the number of transactions rose by almost 50% to over 55.6 million, the highest value since 2015. Thus, after several consecutive years of falling transactions, it saw strong growth thanks to the rise in volatility and, to a lesser extent, to the increase in retail investor activity in the stock markets.

As a consequence, the average cash amount per transaction fell to €7.715, 39% lower than in 2019 and the lowest level in the last decade, almost a quarter of the figure of €28.836 reached in 2009, after continuous falls in the average cash amounts per transaction in most of years of the last decade.

Equity trading on markets operated by BME TABLE 2.1.7

Amounts in millions of euros

	2017	2018	2019	2020	% change 20/19
Total	**649,883.3**	**590,852.6**	**469,621.2**	**429,338.67**	**-8.6**
Official markets	**644,766.7**	**586,364.1**	**465,470.4**	**425,340.04**	**-8.6**
SIBE	**644,757.8**	**586,355.1**	**465,464.0**	**425,337.54**	**-8.6**
of which ETFs	4,464.1	3,027.6	1,718.8	2,551.1	48.4
Open outcry	**8.1**	**8.2**	**6.2**	**2.5**	**-59.9**
Madrid	1.8	0.8	0.8	0.1	-86.8
Bilbao	0.1	0.0	2.1	0.0	-100.0
Barcelona	6.3	7.4	3.2	2.4	-26.3
Valencia	0.0	0.0	0.1	0.0	-90.8
Secondary market	**0.7**	**0.8**	**0.1**	**0.0**	**-100.0**
MAB	**4,985.8**	**4,336.9**	**4,014.4**	**3,919.2**	**-2.4**
Latibex	**130.8**	**151.6**	**136.4**	**79.4**	**-41.8**

Source: CNMV.

Similarly, the number of orders fell by 44% compared with 2019, to €536 million, the lowest figure since 2016.[26] Despite the increase in the number of orders, the order/transaction ratio stood at 9.6 times (10 and 9.3 times in 2019 and 2018, respectively) since the increase in transactions was greater. The rise in the number of orders and transactions could be attributed to algorithmic and high frequency trading,[27] as previously mentioned, which require a certain volatility in market prices – as seen in 2020 – to be successful, and are characterised by the large number of orders transmitted to the market, which are usually small in size.

In terms of the types of trading carried out on the continuous market, Table 2.1.8 reflects a mixed performance in trading methods *in session*, with increases in the amounts traded through orders and applications that were insufficient to offset the fall of more than 45% in the volume traded through blocks. Although orders increased in both absolute terms (more than €20 billion) and relative terms (more than 68.7% of the total volume traded compared to 57% in 2019), the rise was

25 This figure includes trading of exchange-traded funds (ETFs), which amounted to €2.55 billion.
26 In 2015, 2016, 2017, 2018 and 2019 orders reached 645, 611, 422, 409 and 373 million respectively.
27 High-frequency trading is characterised by a very high number of securities trades with a very short average life (less than one session), the objective of which is to take advantage of small variations in the price of a security, and therefore scenarios of higher market volatility favour this type of trading.

insufficient to offset the strong decline in volumes traded through blocks, which decreased by more than €69 billion to represent only 21% of the total volume traded.[28] The volume attributed to other types of trading grew by 34% mainly due to the higher volumes traded in connection with the settlement of takeover bids during the year, which was more than double that seen in 2018.

Trading on BME by type[1] TABLE 2.1.8

Amounts in millions of euros

	2016	2017	2018	2019	2020	% change 20/19
In session	618,600.9	619,108.6	552,826.8	450,575.7	405,120.5	-10.1
Orders	350,783.5	335,917.3	300,217.8	258,242.2	278,516.1	7.9
Applications	68,631.6	51,316.0	48,644.1	38,888.0	42,666.5	9.7
Block trades	199,185.8	231,875.3	203,965.0	153,445.5	83,938.0	-45.3
Off-hours	2,196.1	2,373.8	1,667.3	3,098.1	4,174.3	34.7
Other types	20,150.4	18,811.3	28,833.5	10,071.5	13,491.6	34.0

Source: CNMV. (1) Does not include data for Latibex, MAB or ETFs.

Although stock market trading remained concentrated in a small number of securities, this concentration decreased slightly in 2020 to the benefit of medium-sized companies. In 2020, 9 and 16 securities were needed to account for 50% and 75% of the amount traded on SIBE respectively (5 and 13 respectively in 2019). In the same way, the number of securities required to reach 90% of market trading increased from 24 to 30 companies. The most frequently traded securities barely changed[29] compared to recent years (Iberdrola, Banco Santander, Inditex and BBVA), which were joined by Repsol to replace Telefónica. All of these are components of the Spanish index and, in the case of the first three companies, of the European Eurostoxx 50[30] (see Annexes I.6 and I.8 for more details about trading and distribution).

Short positions

The aggregate position of short sales according to information received by the CNMV increased slightly in 2020 to a year-end 0.73% of total share capitalisation of the continuous market, lower than the 0.66% seen at year-end 2019. At the end of the year, three securities had short positions greater than 5% (compared to one at the end of 2019) and there were net short positions on 17 securities greater than 2% of their individual capitalisation (14 securities at the end of 2019). Among the individual shares with the highest short positions were several companies in the renewable energy, construction and technology sectors.

In 2020, the CNMV adopted several decisions to restrict short trading. These decisions were first implemented in mid-March in the early stages of the COVID-19 crisis, in a context marked by sharp falls in prices and significant increases in volatility, and ended in May (see Exhibit 4 for further details of these decisions, as well as their

28 In 2019, this type of trading accounted for 34% of the total.
29 Although its position in the ranking of the most frequently traded securities.
30 In the second half of the year, BBVA and Telefónica were deregistered from the European Eurostoxx 50 index, of which they had been components since its creation in 1998.

effects on some significant financial market indicators). Similar decisions were made by other European securities supervisors during this period.

Short positions TABLE 2.1.9

	% short positions/ capitalisation[1]	No of companies with short positions > 2%[2]	No of companies with short positions > 5%[2]
2016	0.97	18	6
2017	0.70	16	5
2018	0.84	12	5
2019	0.66	14	1
2020	0.73	17	3

Source: CNMV. (1) The figure for aggregate net short positions consists of the sum at the end of each reference year of the individual positions declared equal to or greater than 0.5% plus the sum of all positions equal to or greater than 0.2% and less than 0.5% for all securities included in the SIBE. (2) Number of companies whose aggregate net short positions at the end of each reference year were greater than 2% and 5%, respectively, of their capital (the sum of the individual positions declared equal to or greater than 0.5% plus the sum of all positions equal to or greater than 0.2% and less than 0.5%).

The information on aggregate short positions provided in this section comes from communications made in compliance with the rules set out in Regulation (EU) No. 236/2012 of the European Parliament and of the Council, of 14 March 2012, and its delegated regulations, which make it obligatory to report short positions if they equal 0.2% of the share capital[31] and therefore does not include short positions representing smaller percentages. With regard to this threshold, it should be noted that in parallel with the decisions taken by different securities supervisors to restrict short trading, the European Securities and Markets Authority (ESMA) resolved to lower the threshold that triggers the notification of short positions to supervisors from 0.2% to 0.1% of capital. This decision was extended several times, the last time on 19 December, for an additional period of three months, which ended on 19 March 2021.

Analysis of the effect of restrictions on net short positions of Spanish shares between March and May 2020 EXHIBIT 4

The performance of global equity prices in 2020 was marked by the spread of COVID-19. The rapid spread of the pandemic forced many countries to implement lockdown measures on their populations, which significantly disrupted their productive and economic activity. In this context, the main stock market indices registered sharp declines in the first quarter of the year, especially during the month of March.

Specifically, on 12 March 2020, the European stock market indices experienced extraordinarily sharp falls. The Ibex 35 lost 14.1%, the highest loss in a single

31 From 2019, the CNMV decided to stop publishing the aggregated biweekly information on net short positions, which included not only positions of more than 0.5%, which must necessarily be made public, but also those of at least 0.2%. This publication was an exception in the European Union because other supervisors did not issue similar publications and this asymmetry could lead to confusion, since net short positions below 0.5% were only published in Spain.

day in its 28-year history. In light of the situation, the CNMV resolved to prohibit short-selling during the day of 13 March on all liquid shares admitted to trading on the Spanish stock exchanges whose price had fallen more than 10% in the previous session (12 March) and on all illiquid,[1] shares when this fall was greater than 20%. The ban affected 69 securities in total and was carried out pursuant to the provisions of Article 23 of Regulation (EU) No. 236/2012 of the European Parliament and of the Council, of 14 March.

After another session of sharp falls on 16 March, in accordance with Article 20 of the aforementioned Regulation, the CNMV prohibited, for one month that was later extended to two,[2] the creation or increase of net short positions on shares admitted to trading on Spanish trading venues for which the CNMV is the competent authority. On that date, the Ibex 35 lost a further 7.9%. The ban was carried out in response to the exceptional nature of the situation and the uncertainty in the market, which could have been boosting sales and encouraging a downward spiral. On the following day, the supervisory authorities equivalent to the CNMV in France, Italy, Belgium, Austria and Greece adopted similar measures.

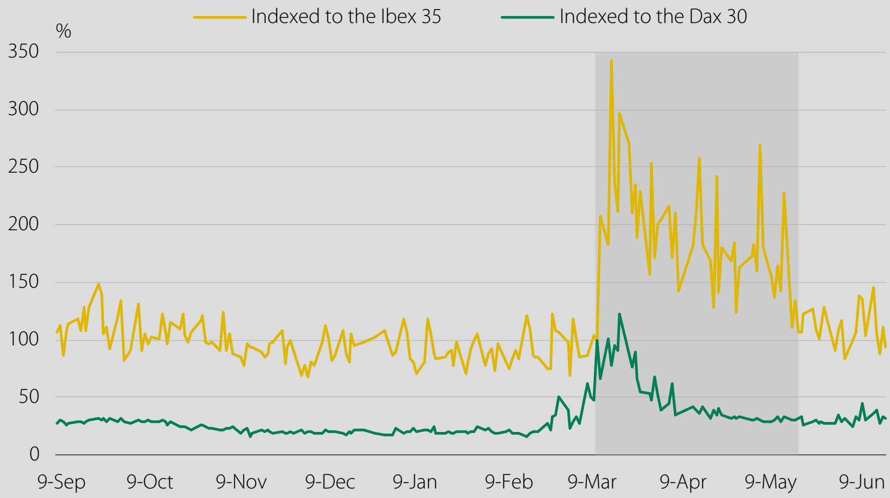
The rule allows this measure to be adopted to preserve financial stability and investor confidence at times when there are turbulences that could result in disorderly price movements. However, it also affects the efficiency of the markets, in other words, a ban of this type can reduce the speed at which prices adjust to the available information and deteriorate some liquidity measures such as the bid-ask spread or trading volumes. Therefore, the CNMV resolved to carry out a study[3] to determine the impact, in terms of market efficiency, of the restrictions on short-selling described above. Specifically, the impact on some liquidity measures (such as the bid-ask spread, trading volume or the Amihud measure)[4] was analysed, as well as the impact on price performance and intraday volatility. The study also assessed whether the ban could have influenced the credit risk of financial and non-financial issuers whose securities are listed on equity markets.

The first part of the analysis was based on establishing a comparison between the performance of Ibex 35 components and components from another index in a market where no restrictions were introduced, in this case the German Dax 30. A study was made of variables related to the returns, volatilities and liquidity measures of the shares listed on the stock exchanges that made up the Ibex 35 and the Dax 30 between 9 September 2019 and 19 June 2020. This enabled sufficient data to be collected from sessions before and after the CNMV's adoption of the ban on creating or increasing net short positions. In a second part of the analysis, and for the same period of time, it was observed how these restrictions could influence the credit risk of issuers whose securities are subject to these restrictions, compared to the securities in the market in which there were no restrictions.

From the descriptive and econometric analyses carried out as part of the study, gave rise to the following conclusions.

– The bid-ask spreads increased for shares listed on the Ibex 35 and Dax 30 alike in the first few days after the ban and then tended to narrow. In relative terms, the initial increase was sharper for Spanish securities and therefore, despite the subsequent decrease, pre-crisis values were only reached once the ban had been lifted. The recovery of the German securities was faster. The econometric analysis revealed that the securities included in the ban experienced a drop in liquidity compared to the unrestricted scenario, an impact which persisted when the ban was lifted, albeit to a lesser degree.

Daily bid-ask spread for the Spanish and German markets (index = 100 corresponds to 12/03/2020) FIGURE E4.1



Source: Datastream and own compilation by the authors. The shaded area indicates the period during which the CNMV prohibited the creation or the increase of short positions on shares admitted to trading in Spanish trading venues.

– Trading in Ibex 35 shares fell when the restrictions were imposed, standing at levels that were lower than in the pre-crisis period. However, it did bounce back when the ban was lifted. Trading in components of the Dax 30 index during the ban decreased significantly on the days after it was announced, and the trend was similar to that of the Ibex 35. Once the restrictions had been lifted, trading patterns were similar in both markets. The econometric analysis therefore concludes that the ban did not have a significant impact on trading of the securities to which it applied.

– The average Amihud measure increased during the period of the ban for securities traded on the Ibex 35 and the Dax 30. This suggests that both markets lost depth during that time lapse, which could be attributed to the generalised turbulence. Based on the evolution over time during the ban, it can be observed that the components of the Ibex 35 lost more depth than those of the Dax 30. However, once it had been lifted, both markets gained depth, reaching levels similar to those seen before the restrictions were imposed. Further, the econometric analysis found no evidence that the ban had a negative effect on the Amihud measure of the securities it affected. The greater loss of depth recorded by the Spanish securities could be more a result of the higher country risk of these securities than the restrictions themselves.

- For both equity indices, it was observed that volatility was higher during the prohibition than in the period immediately preceding it. Only returning to pre-crisis values in the last sessions, when the restrictions were no longer in force. Volatility was not observed to have behaved differently under the ban than it would have behaved otherwise.

- There was also no evidence to suggest that it had any notable effect on the price performance of the shares listed on the Ibex 35 with respect to share prices on the Dax 30 index, or with respect to the situation before the ban.

- Lastly, credit spreads widened significantly in the days prior to the implementation of the ban. These spreads narrowed as the pandemic in Europe eased, although they are still greater than their pre-crisis levels. In this sense, German securities recovered to a greater extent than Spanish securities. The econometric analysis offered no evidence that the ban had any influence on the credit risk spreads of Spanish equity issuers either during the application period or after it was lifted.

In short, the analysis found no notable evidence of effects attributable to the ban on other key variables, such as trading volumes, price trends, volatility or depth of the market, or issuers' credit spreads, identifying only a larger increase in bid-ask spreads (a certain loss of liquidity), which has then persisted to some extent.

1 According to Commission Delegated Regulation (EU) No. 918/2012, of 5 July 2012.

2 The ban was initially implemented until 17 April, extendible for additional periods of no more than three months if necessary. In practice, extensions are made every month. In this case, the ban was in effect until 18 May, after the extension that began on 18 April.

3 The full study is available at: Informe_ventas_en_corto_23072020_en.pdf (cnmv.es).

4 The Amihud illiquidity ratio is defined for each of the values considered as: $\frac{1}{T}\sum_{t=1}^{T}\frac{|r_t|}{€V_t}$, where $|r_t|$ is daily returns in absolute value and $€V_t$ daily trading in euros. The ratio was calculated taking into account 5 sessions; therefore *t* is equal to 5. As a ratio measuring illiquidity, the higher its value, the less liquidity there is for that security. When the ratio has been calculated for an entire market, it is calculated as the simple average of the individual ratio of the securities listed on that market.

2.1.5 Takeover bids

In 2020, two takeover bids were authorised for a potential amount of €5.81 billion, much lower than the figures recorded in the previous year although seven bids were authorised (see Table 2.1.10). A list of the takeover bids authorised during the last year can be found in Annex I.9.

Both were voluntary bids. The bid made by Six Group AG for Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME), had been announced and presented in 2019 for a potential amount of €2.84 billion, while that of Lorca Telecom BidCo, SAU for MásMóvil Ibercom, S.A. (MásMóvil) was presented on 1 June 2020 for an amount of €2.96 billion.

In both cases, the consideration consisted of the payment of a cash amount that was deemed to be a fair price, accredited by a price valuation report.

The outcome of the BME bid allowed the sell-out to be carried out, with the bidder acquiring all the shares, which resulted in the delisting of the securities. The transaction on MásMóvil also ended with its delisting with no new takeover bid, as the requirements for this exemption had been met (Article 11, d) of Royal Decree 1066/2007 of 27 July).

It should be noted that in the bid for MásMóvil, presented in June 2020, it was considered that the circumstance provided for in Section 3, letter b), of Article 137 of the Securities Market Law existed, i.e. the market prices in general or of the company in particular were affected by an exceptional event, in this case the COVID-19 pandemic, and consequently Section 2 of this Article,[32] which requires the price to be justified by means of an independent expert report, came into play.

In addition, in 2020, the delisting takeover bid that had been requested by Cartera Industrial REA, S.A. the previous year was authorised, upon completion of the equivalent procedure agreed at its general shareholders' meeting (Article 11, letter e) of Royal Decree 1066/2007).

At the closing date of this report, the delisting bid for Barón de Ley presented by the company itself was in progress and had been admitted for processing on 8 October. On 5 February, the presentation of a partial voluntary takeover bid for a maximum stake of 22.69% of Naturgy Energy Group, S.A. by Global InfraCo O (2), Sàrl (IFM Investors) was registered. The acquisition resulting from the bid is subject to the prior authorisation of the Council of Ministers (Article 7 *bis* of Law 19/2003, of 4 July, on the legal regime of capital movements and economic transactions abroad) and, in accordance with Article 26.2 of Royal Decree 1066/2007, the CNMV will not approve the bid until such authorisation has been obtained.

Takeover bids TABLE 2.1.10

Amounts in millions of euros

	2016	2017	2018	2019	2020
Authorised[1]					
Number	5	5	6	7	2
Potential amount	1,682	18,183	23,842	1,571	5,807
Potential amount plus agreements prior to acquisition[2]	1,743	19,902	25,298	1,589	5,807
Completed[3]					
Number	5	4	6	7	2
Amount	853	1,309	19,582	840	5,210
Amount plus agreements prior to acquisition[2]	914	1,502	21,038	858	5,210

Source: CNMV. (1) Authorised during the year. (2) Potential amount of takeover bids plus cash volume of acquisitions agreed prior to each bid. (3) All bids authorised during the year, even if completed in the following year, except where the bid was unsuccessful or was withdrawn. Does not include the amounts for squeeze outs.

32 Section 2 (price justified by an independent expert and in cash, at least as an alternative) applies when any of the circumstances set out in Section 3 occur. This is the first time that a circumstance set out in Section 3 has occurred and that, consequently, Section 2 has been applied.

2.1.6 Multilateral trading facilities

Latibex

The securities traded on Latibex also showed a negative trend for most of the year, from which they partially recovered in the last quarter, in a context of a stronger euro[33] against Latam currencies and the significant falls in oil prices,[34] in addition to highly commodity price volatility.[35] The Latin American economies were also hard hit by the severe economic crisis caused by the pandemic, although the outlook points to a progressive improvement in the region's economies[36] thanks to the effect of vaccines and the gradual recovery of commodities prices. Thus, the improved outlook for the area, with economic recovery expected for Brazil, Mexico, Chile and Peru,[37] which will offset the weakness of the Caribbean area, prompted stronger price growth in the latter part of the year, in parallel with the advances of the international markets. Thus, the two indices representative of Latin American securities included in this MFT – FTSE Latibex All-Share and FTSE Latibex Top –, which include many companies from Brazil and Mexico, saw gains in the last quarter of the year that reduced the annual losses of 22% and 19.1%, respectively, compared to gains of 16.3% and 15.3% in 2019.

The market value of the shares traded on the Latibex[38] dropped by 11% compared to 2019 to €177 million, representing less than 0.1% of the market capitalisation of the companies traded on it and a very small part of the total number of shares admitted to trading for the various companies in their main trading markets in Latin America. As in previous years, most of the balance registered in Iberclear corresponded to Brazilian companies, whose weight increased once again to stand at 70% of the total, while the remainder corresponded almost entirely to Mexican companies. The total number of companies traded in this market was unchanged at 19.

The trading of companies listed on Latibex fell by almost 42% to €79.5 million, the lowest value in recent years, of which almost two thirds corresponded to Mexican companies and the remainder were almost entirely Brazilian. The trading of shares of Peruvian companies once again stood at very low levels while there were hardly any transactions with shares of Argentinian companies.

33 In 2020, the Brazilian real, the Mexican peso and the Argentine peso depreciated by 29.6%, 12.6% and 34.6%, respectively, against the euro.

34 Oil prices fell from an average of US$64.6 per barrel in 2019 to US$41.6 in 2020.

35 The CRB index of industrial raw material prices in euros decreased by 9.6% in 2020 (-4.1% in 2019) in a context of high volatility and sharp price falls, from which it partially recovered in the last quarter of the year.

36 The IMF expects a decline in GDP in Latin America of 7.4% in 2020, with falls of 4.5% and 8.5% for Brazil and Mexico, respectively. For 2021, it forecasts an advance of 4.1%.

37 The IMF forecasts growth for Brazil and Mexico of 3.6% and 4.3% in 2021, and increases for Chile and Peru of 5.8% and 9%, respectively.

38 Securities traded on the Latibex must be previously registered with Iberclear.

Companies listed on the Latibex, by country

TABLE 2.1.11

Amounts in millions of euros

	Number of companies		Negotiable securities at market price[1]			Trading volume		
Country	2019	2020	2019	2020	% change 20/19	2019	2020	% change 20/19
Argentina	2	2	1.1	0.9	-19.9	0.0	0.1	679.1
Brazil	10	10	134.7	124.2	-7.9	41.3	28.6	-30.8
Mexico	6	6	63.2	52.2	-17.4	95.4	50.7	-46.8
Peru	1	1	0.0	0.0	-	0.1	0.1	-2.6
Total	**19**	**19**	**199.0**	**177.2**	**-11.0**	**136.8**	**79.5**	**-41.9**

Source: CNMV. (1) Securities deposited in Iberclear.

The Alternative Stock Market (MAB)

The different segments traded in the MAB once again performed unevenly in 2020, with slight changes in the number or composition of listed companies (see Table 2.1.12) in almost all segments and a further decline (the fifth in a row) in the number of open-ended collective investment schemes (SICAVs). Capitalisation also showed a mixed performance, with a drop in the volume of SICAVs and listed real estate investment companies (SOCIMIs) and a rise, in both the volume and percentage, of growth companies. However, despite the decline in SICAVs, trading of these instruments on this MFT was still the most significant, representing close to 80% of the total traded. The significant growth (more than double) in trading of growth companies also stands out.

Companies listed on the MAB, by segment

TABLE 2.1.12

Amounts in millions of euros

	Number of companies		Market capitalisation[1]			Trading volume		
	2019	2020	2019	2020	% change 20/19	2019	2020	% change 20/19
Growth stocks	39	42	1,930.5	3,199.1	65.7	311.8	752.6	141.4
SICAVs	2,574	2,441	29,033.2	27,103.0	-6.6	3,509.9	3,061.5	-12.7
Hedge funds	19	21	515.0	538.4	4.5	69.1	57.8	-16.3
SOCIMIs	77	77	13,227.7	12,755.0	-3.6	133.6	57.1	-57.3
Total	**2,709**	**2,581**	**44,706.4**	**43,595.5**	**-2.5**	**4,020.5**	**3,929.0**	**-2.3**

Source: CNMV. (1) Includes only the value of those entities for which there was trading during the year.

It is important to mention that in 2020 BME underwent a restructuring that affected the MAB, which was created in 2006 as an MTF for the trading of small and medium-sized growth companies. As of 3 September 2020, these companies began trading on an MTF called BME MTF Equity, which has three segments: BME Growth, BME IIC and BME ECR. The first of these falls into the European Growth Market category, which in Spain is known as the SME Growth Market. This new category has been established as part of the Capital Markets Union (CMU) initiative, with the aim of boosting the financing of smaller companies through their presence in financial markets[39] and aligning the quality and transparency standards of European growth markets. At the end of 2020, a total of 119 companies formed part of this market, which includes SOCIMIs, with a total capitalisation of close to €16 billion.

In the growth companies segment, there were 42 listed companies, following the inclusion of three new firms, Solutions Cuatroochenta, Aspy Global Services and Making Science Group, the transfer of Domo Activos from the SOCIMI segment and the exclusion of Voztelecom Oigaa360. The amount traded in this segment more than doubled (141%) to reach €752 million, and its capitalisation rose by more than 65%, to €3.20 billion, its historical high. This was largely due to the significant gains made by very small companies, which were significantly higher than those made by small- and mid-caps, and contrasts with the drops seen in the large indices. This revaluation can be explained by the type of business engaged in by many of the companies that are part of this segment, which includes firms from the renewable energy, pharmacy and biotechnology, electronics and software sectors.

SOCIMIs, which in recent years had been the most active segment of the MAB and had grown for several consecutive years since they were included on this market at the end of 2013, on the back of favourable tax legislation and investors' interest in the real estate market, stopped growing in 2020 and the number of listed companies remained at 77. In 2020, six new SOCIMIs joined the MAB, but a further six were delisted and one of the latter was transferred to growth companies. The segment's capitalisation fell by 3.6% to around €12.80 billion, and trading dropped to less than half to only €60 million, reflecting its capital concentration and limited liquidity. SOCIMIs are the Spanish adaptation of the real estate investment trusts (REITs) that exist in other countries[40] and are characterised by having a favourable tax treatment which exempts them from paying corporate income tax and allows them to enjoy a 95% credit on transfer tax and stamp duty. In return, they are required to distribute 80% of the profits obtained from rental income and 50% of the gains generated by the sale of assets. Their activities focus on the development, refurbishment and transaction of leased real estate, holdings in other SOCIMIs and the performance of ancillary real estate activities. These companies are also required to have a minimum capital of €5 million and be listed on a regulated market or MTF, such as the MAB. The main attraction of this type of company is that it offers products that allow investors to diversify their investments and access a real estate portfolio with greater ease and liquidity than in the case of direct investment in these assets.

Finally, as has become customary in recent years and given the prospect of a potential regulatory change, the number of SICAVs decreased once again after 133 companies were deregistered, to stand at 2,441 at the end of 2020. The number of SICAVs has gradually fallen from the high of 3,372 registered at the end of 2015, so that more than a quarter of those existing at that time have disappeared. Capitalisation fell by 6.6% to €27.10 billion, as the loss of value caused by the deregistration of entities compounded the drop in the valuation of the assets of the existing vehicles, due to stock market losses.

However, the Pre-Market Environment (EpM) initiative[41] designed to allow companies with great growth potential to access new investors and the investment and

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39 The regulation has been simplified to adapt to these types of companies.

40 Law 11/2009 of 26 October regulating SOCIMIs.

41 The initiative was launched in late 2016.

financing capacities that the securities markets represent, continued to evolve, with the inclusion of Soluciones Cuatroochenta in BME Growth standing out. The project currently involves 14 companies with a strong technological component from different segments, which have specific advisory programmes.

2.1.7 Exchange traded funds (ETFs)

After several successive years of significant declines in trading activity and assets, which fell to the lowest levels since ETFs were introduced in 2006, trading of these assets grew significantly in 2020, although assets under management declined. The advantages of ETFs include their flexibility, whereby investors can diversify positions by type of asset, market, sector, geographic area and even strategy in a simple, transparent and low-cost manner.

The volume traded in 2020 increased by 48.4% to €2.55 billion and assets decreased by 15.4%, to €613 million (less than 0.3% of traditional investment funds). The number of funds traded at the end of the year remained unchanged from 2019 at five, of which only one fund accounted for more than 40% of total assets. Three of the five ETFs still correspond to a French entity and the remaining two to a Spanish institution, whose references are linked to the performance of the Ibex 35 and Eurostoxx 50 stock indices. ETFs linked to the Ibex 35 continued to represent around 90% of the total traded. Three of these ETFs follow passive investment strategies and the remaining two are investment funds linked to the Spanish index.

2.2 Fixed income

In 2020, activity in the primary fixed income markets by Spanish issuers was conditioned by the effects of the crisis deriving from COVID-19. The interest rate scenario was characterised by the extraordinary and ultra-expansive monetary measures implemented by the European Central Bank (ECB) with the aim of alleviating the most adverse impacts of the crisis. These measures caused interest rates, after a few weeks of tension in the markets and large rebounds, to revert to pre-crisis levels and they even fell in the second half of the year, closing 2020 at new all-time lows in many benchmark indices.

In a context of low interest rates, the increasing financing needs caused by the crisis led to a sharp rise in debt issues, mainly of public debt, but also private debt, albeit to a lesser extent. Thus, the volume of gross issues of Spanish public debt was €275.49 billion in 2020, which implies a rise of 36.9% compared to 2019 and an increase in the outstanding balance of 9.4%. Private fixed income issues made by Spanish companies, both in Spain and abroad, totalled €231.32 billion, 15.2% more than in 2019, which led to an increase in the outstanding balance of 4.6%.

Private fixed income issues registered with the CNMV stood at €132.12 billion in 2020, which represents a notable increase (46.6%) compared to 2019 (€90.17 billion). This contrasts with the reduction in issues made abroad (-10%), which stood at €90.20 billion in 2020 (€100.32 billion in 2019), breaking the growth trend seen in recent years. Issues made by foreign subsidiaries of Spanish issuers were also considerably reduced, by 23.4%, to stand at €70.74 billion, compared to €92.34 billion in 2019. New debt issues on the alternative fixed income market, MARF, were also reduced by 7% compared to the previous year, totalling €9.58 billion compared to €10.35 billion in 2019, despite the fact that around 40% of the issues were backed by the state through ICO lines.

Consequently, in 2020 there was a difference between the issues registered with the CNMV, which increased by €41.96 billion and those made abroad, both directly and through subsidiaries, which decreased by €31.72 billion. This divergence can be partially explained by the types of assets that were mostly issued in 2020, mainly securitisations, covered bonds and other assets, which are frequently used to obtain Eurosystem financing and are issued in Spain. In contrast, debt issues abroad are mainly simple bonds and commercial paper.

The volume of public debt in Spanish fixed income trading dropped in 2020 by 15.9% to €3.1 trillion, while the volume of private fixed income remained at similar levels to 2019, up by just 0.1% to €416.55 billion.

In 2020, Spanish trading venues gained some market share with respect to public debt. Among these venues, the organised trading facilities (OTFs) gained ground, while the regulated markets AIAF and SENAF registered slight decreases. As a whole, Spanish trading venues brokered 22.5% of Spanish public debt transactions, compared to 17.8% in 2019.

In the private fixed income segment, the trend of strictly OTC trading started in 2019 was confirmed, which indicates progress towards meeting the objectives established in MiFID II. Thus, the market share of this type of trading, which stood at 52.2% of the total in 2018, fell to 41.5% in 2019 and fell further in 2020 to stand at 37.8%. This implies that 58.2% of Spanish private fixed income trades were carried out through organised trading facilities and bilaterally through systematic internalisers.

Very little trading of Spanish private fixed income is carried out through national trading venues. Thus, trading on the AIAF regulated market fell once again in 2020 to €170 million, while €95 million were traded through the organised trading facility CAPI OTF and €2 million through MARF (MFT). Lastly, two Spanish systematic internalisers (Banco Santander IS and BBVA IS) recorded a sharp increase in volumes of private debt traded in 2020. Banco Santander IS traded almost five times the volume traded in 2019 (reaching €11.20 billion), while the volume traded by BBVA IS grew by 48% to €10.82 billion. The market share of both internalisers was around 5% of total Spanish private fixed income trading.

2.2.1 General overview

The general outlook for fixed income assets was marked by the effects of the COVID-19 crisis. The tensions unleashed in the debt markets in the first weeks of the crisis, in March, caused significant increases in the yields and risk premiums of fixed income assets, as well as decreases in liquidity and valuation difficulties in certain segments of these markets. However, the prompt and far-reaching action of the ECB drastically interrupted this trend, reversing interest rates to pre-crisis levels and even lower in some segments.

In this sense, with the aim of alleviating the most adverse effects of the crisis, the ECB launched a battery of extraordinary monetary measures, including a pandemic emergency purchase programme (PEPP) of public and private assets for a maximum initial amount of €750 billion, which was increased throughout the year to reach €1.85 trillion in December, with a time horizon that was also progressively expanded to March 2022. Additionally, the automatic reinvestment of assets maturing before the end of 2023 was permitted. The ECB also launched new refinancing programmes for financial institutions and improved the conditions of existing ones, while relaxing the criteria applied to loan guarantees and capital and liquidity requirements. The interest rates for the main refinancing transactions, the marginal credit facility and the deposit facility remained constant at 0%, 0.25% and -0.50%, respectively, throughout the year.

The financing needs of both the public and private sectors caused by the COVID-19 crisis, as well as the improvement in their conditions, explain the strong growth in debt issues in the euro area in 2020. Thus, the volume of total gross debt issued in the euro area as a whole increased by 12.5% compared to 2019, which translated into a 6.8% increase in the total outstanding debt balance. In Spain, the increase in gross issues (26.4%) was higher than in the euro area. However, the increase in the outstanding balance of total debt was more aligned (7.4% in Spain compared to 6.8% in the euro area) due to the greater increase in the maturities of Spanish assets.

By type of issuer, in both Spain and the euro area the public sector saw the largest rise in recourse to market financing in 2020. The increase in spending deriving from the fiscal policies put in place to deal with the crisis and the decrease in public revenue led to a significant increase in public debt, which translated into a 9.4% rise in the outstanding balance of Spanish public debt. This increase, although high, was considerably lower than the 15.6% registered in the euro area as a whole.

Private issuers in the euro area acted differently in their recourse to market financing. Financial institutions reduced their gross issue volumes by 4.8%, which translated into a decrease in the stock of outstanding issues of 2.8%. Meanwhile, non-financial companies saw a rise in gross issues of 6.3% in 2020, which led to a 10.1% increase in outstanding debt.

Similarly, in Spain, non-financial companies sought market financing to a greater extent than financial institutions. However, both sectors recorded growth in terms of the volume of gross issues (11.5% and 28.7%, respectively) and in the outstanding debt balance (3.9% and 8.2%, respectively).

Financial institutions had access to ECB financing at very advantageous terms, which explains their reduced need for market financing. However, non-financial companies, especially those belonging to those sectors most affected by the limitations derived from the pandemic, saw their financing needs increased to address the drop in income and continue to meet fixed costs, as well as ensuring a sufficient level of liquidity in an uncertain environment.

Issues and outstanding balances: breakdown by issuers

TABLE 2.2.1

Nominal amounts in millions of euros

	Amount[1]			*Pro memoria*: Euro area		
	2019	2020	% change 20/19	2019	2020	% change 20/19
Gross issues[2]	**402,048**	**506,807**	**26.1**	**7,944,948**	**8,935,070**	**12.5**
Public administrations	201,167	275,492	36.9	2,352,457	3,521,555	49.7
Financial institutions	158,254	176,440	11.5	4,787,568	4,558,212	-4.8
Non-financial companies	42,627	54,875	28.7	804,923	855,303	6.3
Net issues[2]	**44,179**	**135,877**	**207.6**	**523,396**	**1,336,766**	**155.4**
Public administrations	18,762	97,958	422.1	122,421	991,093	709.6
Financial institutions	11,309	26,552	134.8	326,460	172,495	-47.2
Non-financial companies	14,108	11,367	-19.4	74,514	173,179	132.4
Outstanding balances[3, 4]	**1,755,778**	**1,886,406**	**7.4**	**17,595,222**	**18,798,048**	**6.8**
Public administrations	1,045,743	1,143,640	9.4	8,243,702	9,525,676	15.6
Financial institutions	593,277	616,461	3.9	7,945,857	7,724,817	-2.8
Non-financial companies	116,758	126,305	8.2	1,405,663	1,547,554	10.1

Source: Bank of Spain, CNMV and ECB. Data on the debt of public authorities in this table are not directly comparable with the data drawn up according to the Excessive Deficit Protocol, mainly because the latter methodology excludes securities held in the portfolios of public authorities and includes currency swaps. (1) Includes issues made by Spanish companies in Spain and abroad. (2) For currency issues of public administrations and non-financial companies, the value in euros is obtained by applying the average exchange rate of the last day of the month published by the ECB. For currency issues of financial institutions and non-financial companies, the value in euros is obtained by applying the exchange rate of the last day of the month published by the ECB. (3) For the outstanding balances of currency issues, the value in euros is obtained by applying the exchange rate of the ECB at the end of the period. (4) Outstanding balances cannot be adjusted with net issues because of the use of different exchange rates for currency issues.

Changes in credit ratings of Spanish debt issues since the onset of the COVID-19 crisis

EXHIBIT 5

The coronavirus crisis that started in early 2020 has significantly dampened economic activity, raising doubts about the solvency of the companies hardest hit and, hence, their credit risk. The CNMV has prepared quarterly reports to analyse the credit ratings of Spanish debt assets since the onset of the crisis. The first of these reports[1] also compared these ratings with those of a sample of private issuers from other European countries. If an increase in credit risk were to be observed and persist, it could be reflected in downgrades of the ratings of the different companies and, if significant, would have damaging effects on many of the market agents and could ultimately have negative implications for financial stability. Among other things, there could be significant asset sales, downward price spirals, various contagion phenomena among entities, higher financing costs, etc.

The analysis of Spanish debt[2] was carried out on the outstanding fixed income issues at the end of each quarter. The number of issues with ISIN for which information was available stood at around 3,350 each quarter and, of these, issues with a credit rating are regularly assessed (approximately 95% of the total debt with ISIN). As shown in Table E5.1, there was a considerable increase in the outstanding balance of rated debt between March and June, going from €1,685.26 billion to €1,777.15 billion in response to liquidity needs in the context of the crisis and as companies took advantage of the low interest rates. There was also an increase in September, to €1,795.35 billion, followed by a slight decrease to €1,769.73 billion in December, mainly due to the repayment of some high rated debt assets.

This analysis shows that the Spanish fixed income issues analysed were mostly in the investment grade category (rating of BBB or higher), as these represented on average 96.5% of the total number of rated issues during the period assessed. This percentage remained fairly stable during the year, although in the last quarter it decreased slightly to 96.3%. This decrease was almost entirely due to the reduction in securities with A and AA ratings, due to the repayment of central government debt in the first case and that of monetary and non-monetary financial institutions in the second.

Outstanding balance of rated Spanish fixed income securities, by sector TABLE E5.1

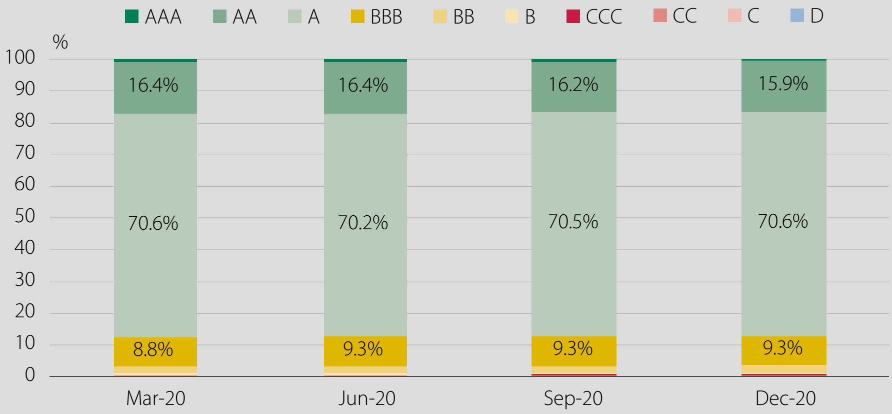
	31 March	30 June	30 September	31 December
Rating	1,685,262	1,777,151	1,795,335	1,769,732
AAA	12,179	11,685	11,145	9,353
AA	276,236	292,270	290,104	281,901
A	1,189,536	1,248,205	1,264,816	1,248,997
BBB	148,936	164,487	167,247	163,751
BB	35,107	36,240	35,990	39,849
B	11,383	11,691	12,819	12,660
CCC	4,897	4,988	5,081	5,063
CC	3,011	3,129	3,107	3,082
C	2,338	2,229	2,807	2,863
D	1,637	2,227	2,220	2,213
Pro memoria				
BBB	148,936	164,487	167,247	163,751
BBB+	28,245	40,088	37,664	37,454
BBB	65,942	45,720	48,097	47,652
BBB-	54,749	78,679	81,486	78,646
No rating data	92,994	93,148	90,947	114,035

Source: Bank of Spain, Bloomberg and CNMV. Nominal data in millions of euros.

It should be noted that the rating with the highest volume of outstanding debt was A (average of 70.5% of all rated outstanding debt during the year), since it included government debt issues, both short and long-term (see Figure E5.1). From March to June, there was a slight increase in the weight of BBB debt, from 8.8% to 9.3%, where it remained until the end of the year. Therefore, although most of Spanish debt remains of high quality, there was a slight shift within this group towards assets of lower credit quality, which has continued since then.

Ratings of Spanish fixed income securities (% of outstanding debt balance)

FIGURE E5.1



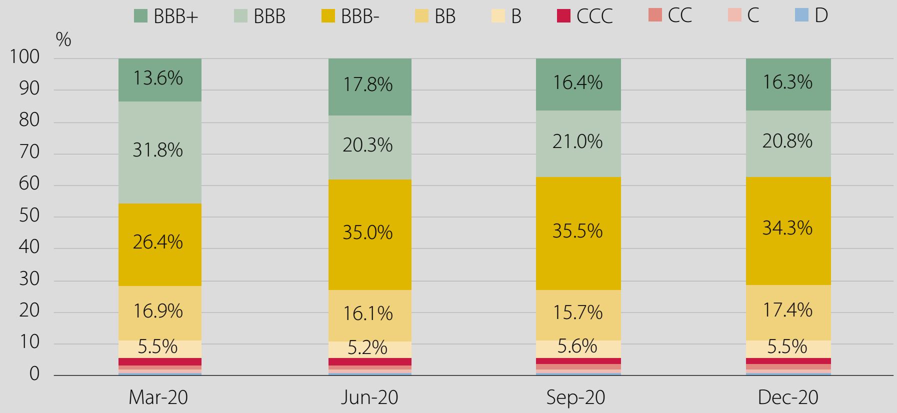
Source: Bank of Spain, Bloomberg and CNMV.

Due to this trend, it is important to monitor BBB issues and, within this group, those that while still investment grade are a notch above high yield (BBB- for Fitch and S&P or Baa3 for Moody´s). As shown in Table E5.1, the amount of the BBB- debt increased from March to June from €54.75 billion to €78.68 billion (almost €24 billion more), mainly due to the downgrades in the bond ratings of the Community of Madrid, as well as different issues of monetary financial institutions and non-financial companies. From then on, variations in the outstanding balance of BBB- debt were much less marked: between June and September it was just over €2.81 billion due to the downgrades of the credit ratings of different assets issued by the autonomous community of the Canary Islands and financial sector entities, as well as the new issues to which this rating was assigned. In the last quarter of the year, the balance even decreased (€2.84 billion), as a result of the large volume of repayments made and the lower number of BBB- rated issues, as in this period of time there were no downgrades of credit ratings for this type of issue. In relation to total BBB-rated debt (which includes BBB +, BBB and BBB-), BBB- debt increased from 37% in March to 48% in June, where it remained until the end of the year. The increase in total debt was from 3.2% to 4.4%.

The increase in the balance of BBB- rated debt between March and June meant that from March onwards the size of this debt was greater than the debt of high yield issues. Although this difference narrowed slightly in the last quarter of the year, it is important to bear in mind that based on this performance, in the event of a mass downgrade of credit ratings, the high yield debt market might not be able to absorb the downgraded BBB- rated debt without difficulty. However, this matter could be less significant if we consider the reference debt market as being on a European scale rather than strictly domestic.

In regard to the proportion of high yield debt, it should be noted that after remaining stable for most of the year (around 3.5% of the total outstanding debt), this type of debt increased slightly to 3.7% in the last quarter of 2020 due to the issues of new assets with a BB (high yield) rating, as there were no downgrades of asset ratings to this category. These issues were mostly made by non-financial companies (80.5%), specifically two issues of Cellnex Telecom bonds (for a total value of €2.50 billion) and one bond issue and one issue of debentures by El Corte Inglés (€1.20 billion).

Spanish fixed income securities rated BBB or lower (% of outstanding debt balance) FIGURE E5.2



Source: Bank of Spain, Bloomberg and CNMV.

In conclusion, although in the early months of the crisis the analysis identifies a certain increase in downgrades of Spanish debt ratings of certain issuers and sectors, it cannot be deduced that these are either significant or generalised. This is reflected in the stability of the high percentage of high quality debt (investment grade), although there has been a shift within this category towards the lowest rating grades. Therefore, there has been no notable deterioration in the credit quality of Spanish issuers in the context of the crisis, although it should be taken into account that this measure does not consider the performance of many smaller companies (which do not have a credit rating).

1 See Cambón Murcia, M.I. and Gordillo Santos, J.A. (2020). "Changes in credit ratings of Spanish debt assets since the onset of the COVID-19 crisis". *CNMV Bulletin*, Quarter III, pp. 93-121. Available at: Boletin_3_En_2020en.pdf (cnmv.es)

2 For the purposes of the study, Spanish debt is considered to be debt issued by an issuer of Spanish nationality or an entity that belongs to a group whose parent company is Spanish, even if the issues are made abroad.

2.2.2 Public debt

The ECB's ultra-expansive monetary policy from March 2020 to address the economic crisis derived from the COVID-19 pandemic contributed to tackling the tensions produced in the debt market and the consequent rise in interest rates in the early weeks of the crisis. As mentioned above, the measures increased in duration and scope throughout the year, and allowed interest rates to not only return to the low levels seen prior to the crisis but also to close the year at new historical lows in many cases.

Thus, public debt yields ended the year with decreases compared to the closing levels of 2019 in all terms, thus marking six consecutive years of falls. Most of the references showed negative yields, reaching the 10-year term on certain days of December, although they ended the year on positive ground (0.05%). The lowest yield corresponded to 3-month bills (-0.7%), and the largest falls in the year were recorded for the 5-year term, which went from -0.06% to-0.42%, and the 10-year term (from 0.45% to 0.05%).

Interest rates on public debt[1]

TABLE 2.2.2

%

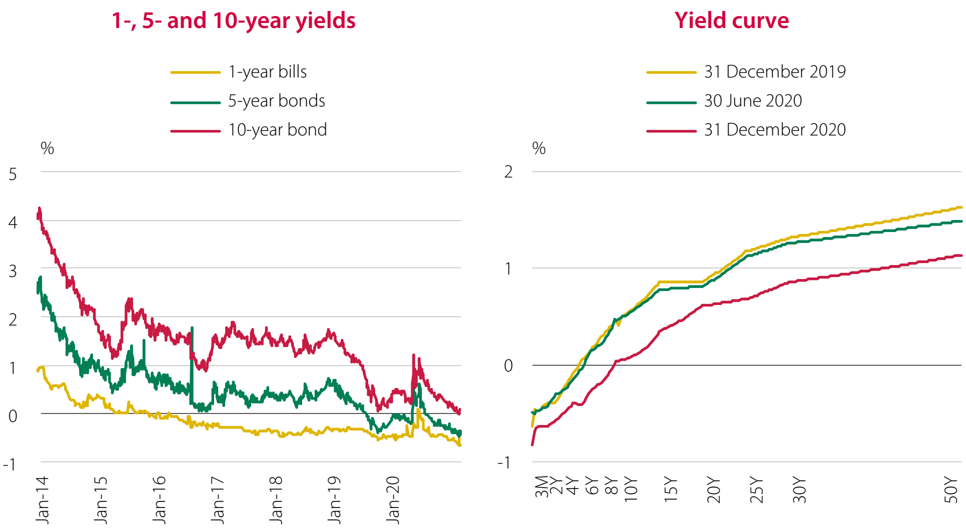
	Dec-17	Dec-18	Dec-19	Dec-19
Treasury bills				
3 months	-0.62	-0.50	-0.58	-0.70
6 months	-0.45	-0.41	-0.47	-0.59
12 months	-0.42	-0.33	-0.48	-0.63
Medium and long-term government bonds				
3 years	-0.09	-0.04	-0.29	-0.53
5 years	0.31	0.44	-0.06	-0.42
10 years	1.46	1.43	0.45	0.05

Source: Refinitiv Datastream. (1) Monthly average of daily data.

This fall in interest rates all along the curve is reflected in the shift of the public debt yield curve, mainly in the second half of the year. As can be seen in Figure 2.2.1, the curve at the end of 2020 shows a significant downward shift with respect to that observed in December 2019. Due to the dates of the curves represented (half-year close), the rise in yields, which occurred in March and April, in the early part of the crisis, before the effects of the measures launched by the ECB had an effect, is not noticeable.

Spanish public debt yields

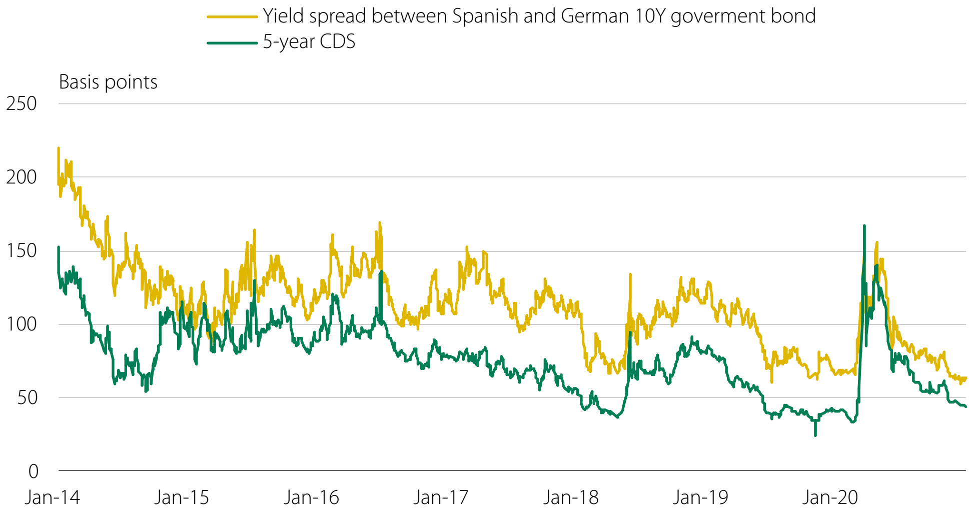
FIGURE 2.2.1



Source: Refinitiv Datastream and Bloomberg.

The sovereign risk premium – measured as the difference between the yield on the Spanish and German 10-year sovereign bonds – rose sharply in the early stages of the crisis, reaching a high of 156 basis points (bp) in April. From then on, it slowed and ended the year at levels similar pre-crisis levels: 63 bp at the end of 2020 compared to 66 bp at the end of 2019 (see Figure 2.2.2). Likewise, the sovereign risk premium estimated using the CDS of the Spanish sovereign bond, whose market is less liquid than that of the underlying bond, followed the same trend, initially rebounding more sharply, reaching a maximum of 167 bp in March and gradually decreasing throughout the second half to stand at 43 bp at the end of 2020, a level similar to that seen at the end of the previous year (41 bp).

Risk premium paid by Spanish issuers: public sector FIGURE 2.2.2



Source: Refinitiv Datastream and CNMV.

2.2.2.1 Primary market

The volume of gross issues registered by public administrations was €275.49 billion in 2020, which represents a significant increase of 36.9% compared to the gross issues made in 2019. As in previous years, the State was the main issuer of public administrations, with a total gross volume of €269.10 billion, much higher than the autonomous regions, which made issues amounting to €6.39 billion. Local authorities, as in previous years, made no issues in 2020. The State provides financing to both the autonomous regions and local authorities through different mechanisms, such as the Fund for Financing of the Autonomous Regions and the Fund for the Financing of Local Authorities, which explains their extremely low need to obtain financing directly from the markets.

Gross issues by public administrations TABLE 2.2.3

Nominal amounts in millions of euros

	2017	2018	2019	2020	% change 20/19
Central government	**236,506**	**215,702**	**194,322**	**269,098**	**38.5**
Short term	94,439	80,984	71,897	90,808	26.3
Long term	142,067	134,717	122,425	178,290	45.6
Autonomous regions	**5,305**	**3,718**	**6,845**	**6,394**	**-6.6**
Short term	532	452	541	878	62.2
Long term	4,774	3,266	6,304	5,516	-12.5
Local authorities	**56**	**0**	**0**	**0**	**–**
Short term	0	0	0	0	–
Long term	56	0	0	0	–
Total public administrations	**241,868**	**219,420**	**201,167**	**275,492**	**36.9**

Source: Bank of Spain and CNMV.

Although the increase in gross issues was significant (36.9%), it was much more pronounced in net terms (see Table 2.2.2.), with a figure (€97.96 billion) that was more than five times higher compared to the previous year (€18.77 billion). The greater financing needs deriving from the measures put in place to address the COVID-19 crisis, together with the slight decrease in maturities, explain this trend. A higher figure for net issues was only seen in 2009, at the beginning of the financial crisis.

Further, in 2020, long-term public debt grew more sharply than short-term issues, continuing the trend seen in recent years of lengthening the average life of outstanding public debt, which went from 7.55 years at the end of 2019 to 7.75 at the end of 2020.

2.2.2.2 Secondary market

The MiFID II regulation came into effect in early 2018. One of its objectives is to attract trading to multilateral trading facilities subject to organised and transparent trading rules, to the detriment of bilateral OTC transactions. As recognised by MiFID II, multilateral facilities operate according to three possibilities: regulated markets, MTFs and OTFs. Bilateral trading can be channelled through systemic internalisers (SIs) or be strictly OTC.

As a result of the changes introduced by the incorporation into Spanish law of the new European legislation on securities markets (MiFID II and MiFIR), the AIAF fixed income market began to take on the role of reference market for Spanish public debt, replacing the book-entry market. AIAF, as a regulated fixed income market adapted to the MiFID II regulations, expanded its scope of activity in 2018 by admitting sovereign debt issues from other countries such as Germany, France, the Netherlands, Belgium, Austria, Portugal and Ireland, and those of the European Stability Mechanism (ESM).

In addition to AIAF, Spanish public debt is traded on SENAF (the Electronic System for Trading Financial Assets), an MTF for Spanish sovereign debt run by Bolsas y Mercados Españoles Renta Fija (BME RF), aimed at market makers, enabling them to meet their liquidity commitments.

Lastly, to date, two OFTs have been authorised to operate in Spain: CAPI OTF and CIMD OTF, on which, among others, Spanish public debt securities are traded. In October 2020, a new MTF, Dowgate, started trading, which is operated by a securities company.

As can be seen in the following table, trading of public debt issued in Spain through the two Spanish OTFs gained market share with respect to the regulated market, AIAF, and with respect to SENAF, with increases of 41.4% in the case of CAPI and 10.8% for CIMD. These increases contrast with the drop in trading volume in AIAF (-5.9%) and SENAF (-19.9%). As a consequence of these different trends, the overall trading volume of public debt issued in Spain through Spanish OTFs reached €464.68 billion, double the combined figure for AIAF and SENAF (€232.14 billion). The trading of public debt in the new MTF in the short period of time in which it was operational in 2020 was €1.09 billion, most of which was foreign debt.

Trading of public debt[1] in Spanish trading venues TABLE 2.2.4

Nominal amounts in millions of euros

Venue	Place of debt issue	2019	2020	% change 20/19
AIAF	Total	158,531	140,339	-11.5
	Spain	118,503	111,454	-5.9
	Abroad	40,028	28,885	-27.8
MTF				
SENAF		150,623	120,686	-19.9
Dowgate	Total		1,090.1	–
	Spain		73.1	–
	Abroad		1,017.0	–
OTF[2]				
CAPI	Total	139,548	180,150	29.1
	Spain	120,900	170,940	41.4
	Abroad[3]	18,648	9,210	-50.6
CIMD	Total	340,927	370,596	8.7
	Spain	265,014	293,736	10.8
	Abroad	75,913	76,860	1.2

Source: CNMV. (1) This table shows the total trading of public debt assets carried out in Spanish trading venues regardless of the issuer's nationality and includes issues made in Spain and abroad. (2) Organised trading facility. (3) Of the amounts traded in 2019 and 2020, €30 million and €25.9 million, respectively, correspond to debt issued by Spanish issuers abroad.

Total trading of Spanish public debt, which includes, in addition to trades carried out through the Spanish trading venues in Table 2.2.4., the trading of other foreign trading venues as well as bilateral and OTC trades, fell by 15.9% in 2020, to stand at €3.1 trillion (€3.7 trillion in 2019, see Table 2.2.5.). These figures do not include repos or simultaneous transactions and account for around three times the volume of outstanding Spanish public debt (€1.1 trillion).

The greatest decline (59.3%) was seen in stripped securities, although the trading volume of these instruments is not significant, at €7.27 billion, followed by Treasury Bills, which registered a fall of 23.1% to €318.67 billion. Lastly, trading of non-stripped bonds and debentures fell by 14.7%, to €2.8 trillion.

When comparing the volumes of debt traded in Spanish trading venues (see Table 2.2.4) with the global trading figures for Spanish public debt, it can be inferred that Spanish public debt transactions executed through national trading venues (€696.82 billion) represented 22.5% of the total public debt traded in 2020. This implies an increase in market share compared to 2019, a year in which Spanish trading venues brokered 17.8% of the total.

Public debt. Breakdown of trading in the market as a whole by type of instrument and transaction[1] TABLE 2.2.5

Amounts in millions of euros

	2019	2020	% change 20/19
Treasury bills	**414,396**	**318,676**	**-23.1**
Spot trading	412,731	316,459	-23.3
Term	1,665	2,217	33.2
Non-stripped government bonds and debentures	**3,249,497**	**2,771,733**	**-14.7**
Spot trading	3,205,979	2,696,745	-15.9
Term	43,519	74,987	72.3
Stripped government principal and coupons	**17,863**	**7,267**	**-59.3**
Spot trading	16,620	7,258	-56.3
Term	1,243	9	-99.2
Total	**3,681,756**	**3,097,676**	**-15.9**

Source: Bank of Spain and CNMV. (1) Does not include simultaneous operations or repos.

2.2.3 Private fixed income

As in 2019, the yields on private fixed income assets were different between short and long term instruments in 2020, with higher yields for the shorter terms and lower yields for the longer terms. This atypical behaviour can be explained by the small size of the sample of short-term assets, which consisted of commercial paper. The characteristics of the issuing companies (size and credit quality) explain the average yield of the commercial paper at the time of issue: 0.49% for the 3-month reference, 0.55% at 6 months and 1.44% at 12 months. These values are between 3 and 73 bp higher than at the end of 2019.

The yield on assets in the medium and long term moved in parallel with the performance of public debt, showing decreases in the second half of the year due to the effects of the ECB's corporate debt purchases. Therefore, the yield on 3- and 5-year debt also entered negative ground at the end of the year with values of -0.2% and -0.13% respectively. The 10-year debt yield stood at 0.41%. These figures imply a risk premium for public debt of between 29 and 36 bp depending on the term. In the year as a whole, the decline in the yield on private debt was similar across the different segments, standing at between 36 and 39 bp.

Yields on private fixed income

TABLE 2.2.6

%

	Dec-17	Dec-18	Dec-19	Dec-20
Short term (commercial paper)[1]				
3 months	0.39	0.24	0.20	0.49
6 months	0.26	0.19	0.52	0.55
12 months	0.19	0.07	0.71	1.44
Medium and long term[2]				
3 years	0.44	0.67	0.20	-0.20
5 years	0.41	0.55	0.23	-0.13
10 years	1.16	1.52	0.79	0.41

Source: Refinitiv Datastream and CNMV. (1) Interest rate at issue. (2) Monthly average of daily data.

The trend of risk premiums in the private subsectors, calculated from the average price of their CDS, experienced a significant rebound at the start of the crisis, reaching highs of 142 bp in March for the financial institutions subsector and 126 bp for non-financial issuers. During the second half of the year, premiums declined in parallel in both subsectors and closed the year at 76 bp and 59 bp, respectively. As shown in Figure 2.2.3., average CDSs at the end of 2020 were slightly higher, although very similar, to those at the end of 2019: 65 bp for financial issuers and 52 bp for non-financial issuers.

Despite the uncertainty that banks face, the average premium on banks' CDSs was boosted by the different measures implemented by the ECB[42] debt purchases,[43] the extension of the third round of financing (TLTRO III) until 2022 and the supply of four emergency purchase operations (PELTRO) for a longer term in 2021. All these measures strengthened the liquidity of the financial sector and caused risk premiums to fall in the second half of the year. Non-financial companies also continued to benefit from the extension of the ECB asset purchase programme,[44] which helped to keep financing costs at low levels.

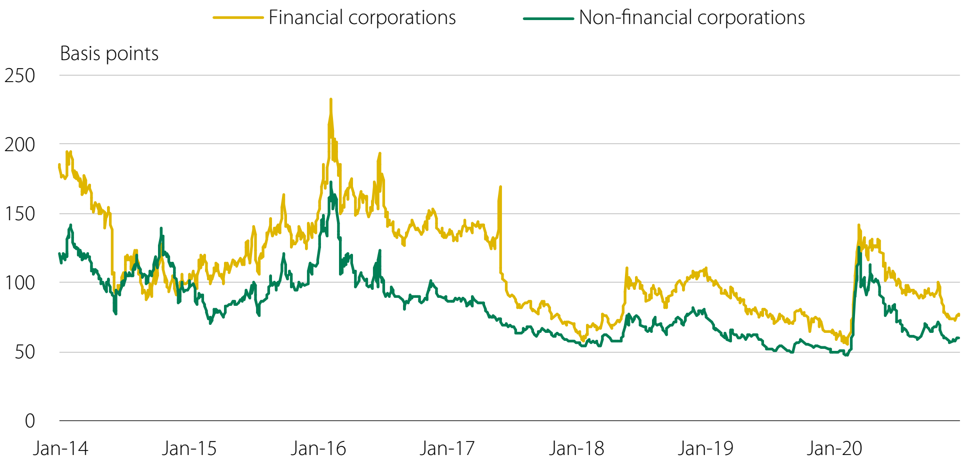
Ultimately, the monetary policy implemented by the ECB effectively contributed to maintaining long-term private bond yields and risk premiums at very low levels.

42 See Exhibit 1 for further details.

43 At 31 December, the asset backed securities purchasing programme (ABSPP) had accumulated purchases amounting to €29.50 billion, of which more than 57% had been acquired in the primary market. The covered bond purchase programme (CBPP3) had accumulated purchases of €287.55 billion at the same date, of which more than 36% had been acquired in the primary market. In addition, as part of the PEPP programme, the ECB held a balance of €3.12 billion in covered bonds.

44 This programme includes a corporate sector purchase programme (CSPP), which has been extended to all issuers meeting the conditions of the programme (minimum rating BBB-). At 31 December, this programme had accumulated purchases of €250.40 trillion, of which 21% had been acquired on the primary market. In addition, as part of the PEPP programme, the ECB had accumulated €20.42 billion in corporate debt and €31.99 billion in commercial paper at the end of November.

Risk premium paid by Spanish issuers: private sector[1] FIGURE 2.2.3



Source: Refinitiv Datastream and CNMV. (1) Simple average of the 5-year CDS of a sample of issuers.

2.2.3.1 Primary market

In 2020 there was a significant upturn in private fixed income issues registered with the CNMV. Thus, after three years of decreasing trend, the volume of gross issues stood at €132.12 billion, which represents a notable increase (46.6%) compared to the issues registered in 2019 (€90.17 billion). The financing needs caused by the COVID-19 crisis in an environment of interest rates at historic lows and the shift of issues towards assets such as securitisations, which can be used to obtain financing from the Eurosystem, explain the significant rise in issues in the year. This factor would also explain the increase in issues registered with the CNMV to the detriment of those made abroad, which tend to focus on simple bonds. Thus, issues made abroad by Spanish issuers decreased by 10% in 2020, from €100.32 billion in 2019 to €90.20 billion, which broke the upward trend seen in recent years. Issues made by foreign subsidiaries of Spanish issuers also fell sharply by 23.4% in 2020, with a volume of €70.74 billion, compared to €92.34 billion in 2019.

The rise in issues registered with the CNMV was distributed evenly among short-term issues of commercial paper, which totalled €22.30 billion, with an increase of 47.7% compared to 2019, and long-term issues, which totalled €109.82 billion, an increase of 46.2%. Among long-term issues, the increase in regional covered bonds stood out, which grew sixfold to €9.15 billion (€1.30 billion in 2019), in addition to the rise in securitisation bonds, which practically doubled compared to 2019 to €36.28 billion. Within this category, among the assets securitised, mortgage assets showed the largest increase, from €3.03 billion in 2019 to €19.70 in 2020, followed by consumer loans and auto loans, although the latter marked more modest amounts: €6.43 and €4.66 billion, respectively. Issues of securitisations of loans to SMEs (€2.55 billion) represented less than half of the amount issued in 2019 (€5.60 billion). A possible explanation for this could be the increase in financing extended to SMEs through government-backed ICO credits.

Also among long-term issues registered with the CNMV, minor increases were observed in non-convertible bonds, with issuance of over €33.40 billion as of 31 December (€29.61 billion in 2019). As in recent years, a large part of these issues were made by the Asset Management Company for Assets Arising from Bank Restructuring (SAREB). These amounted to €27.87 billion in 2020 (€20.51 billion in 2019).

Lastly, issues of covered bonds remained at practically identical levels to those seen of 2019, at just over €22.90 billion.

Gross issues registered with the CNMV: breakdown by instrument TABLE 2.2.7

Nominal amounts in millions of euros

	2016	2017	2018	2019	2020
Long term	**116,068**	**91,576**	**86,206**	**75,080**	**109,820**
Non-convertible bonds and debentures	40,170	30,006	35,836	29,606	33,412
Subordinated debt	512	1,550	500	950	500
Convertible bonds and debentures	0	0	0	0	0
Mortgage-backed securities	31,643	29,824	26,575	22,933	22,960
Regional covered bonds	7,250	350	2,800	1,300	9,150
Securitisation bonds	35,505	29,415	18,145	18,741	36,281
asset-backed (ABS)	35,505	29,415	18,145	18,741	36,281
mortgage backed (MBS)[1]	0	0	0	0	0
Preferred shares	0	1,000	2,850	1,000	1,750
Other issues	1,500	981	0	1,500	6,266
Short term[2]	**22,960**	**17,911**	**15,089**	**15,085**	**22,301**
Commercial paper	22,960	17,911	15,089	15,085	22,301
Asset securitisation	1,880	1,800	240	0	0
Total	**139,028**	**109,487**	**101,295**	**90,165**	**132,121**

Source: CNMV. (1) Issued by mortgage securitisation funds. (2) The figures for commercial paper issues correspond to the amounts placed.

The analysis of the issues registered with the CNMV by sector reveals that those made by financial institutions amounted to €114.13 billion in 2020, which is 42% more than in 2019 and 86.4% of total issues. Their relative importance remains very high, despite accumulating several years of slight decreases (in 2017 they accounted for 96.2% of the total). Debt issues of non-financial companies totalled €16.79 billion, well above the €9.74 billion seen in 2019.

Lastly, funds raised abroad, both by Spanish issuers themselves and by subsidiaries of Spanish companies abroad, fell in 2020 by 10% and 23.4%, respectively. Thus, Spanish issuers issued debt of €90.20 billion abroad: €46.12 billion in long-term issues and €44.08 billion in commercial paper. The reduction in both terms compared to 2019 was similar, at around 10%. Issues made by financial institutions were just over €60 billion and those of non-financial companies were close to €30 billion. Issues made by foreign subsidiaries of Spanish companies amounted to €70.74 billion in 2020, distributed between financial institutions (€42.06 billion) and non-financial companies (€28.68 billion). These volumes represent a decrease of 23.4% compared to 2019: 26.8% for financial institutions and 17.8% for non-financial companies.

Gross private fixed income issued by Spanish issuers in foreign markets TABLE 2.2.8

Nominal amounts in millions of euros

	2016	2017	2018	2019	2020
Long term	**31,655**	**61,125**	**36,913**	**53,234**	**46,122**
Preferred shares	1,200	5,844	2,000	3,070	1,850
Subordinated long-term bonds	2,333	5,399	2,250	1,755	0
Bonds and debentures	28,122	49,882	32,663	48,409	44,272
Securitisation bonds	0	0	0	0	0
Short term	**26,932**	**23,646**	**50,933**	**47,087**	**44,078**
Commercial paper	26,932	23,646	50,933	47,087	44,078
Asset securitisations	0	0	0	0	0
Total	**58,587**	**84,771**	**87,846**	**100,321**	**90,201**
***Pro memoria*: Gross issues of subsidiaries of Spanish companies in ROW**					
Financial institutions	11,427	19,459	43,549	57,449	42,063
Non-financial companies	45,247	45,361	49,051	34,893	28,678
Total	**56,674**	**64,820**	**92,600**	**92,342**	**70,741**

Source: Bank of Spain.

Lastly, debt issues made through MARF stood at €9.58 billion in 2020, which represents a decrease of 7% compared to 2019 (€10.35 billion), although an approximate volume of 40% had government backing. Most of the issues made through MARF corresponded to issues of commercial paper (90%) by 62 entities (two more than in 2019), including companies such as El Corte Inglés, MásMóvil, Grupo Barceló and Sacyr. Long-term issues represented around 10% (€994.5 million).

Issue made on the MARF[1] TABLE 2.2.9

Nominal amounts in millions of euros

	2017	2018	2019	2020
Non-convertible bonds and debentures	75.8	365.0	303.1	445.3
Securitisation bonds	242.5	234.1	363.5	199.2
Covered bonds	0	0	0	350
Preferred shares	0	0	82	0
Commercial paper	3,651.6	5,759.6	9,599.0	8,589.5
Total	**3,969.9**	**6,358.7**	**10,347.6**	**9,584.0**
Number of issuers	**31**	**40**	**58**	**62**

Source: CNMV. (1) Trades not registered with the CNMV.

2.2.3.2 Secondary market

In 2020, the total volume of trading in Spanish private fixed income assets remained at levels similar to those of 2019, at just over €416 billion (see Table 2.2.10). The volume traded strictly OTC fell by 8.8% to €157.32 billion. This represents 37.8% of the total volume traded, down from 52.2% in 2018 and 41.5% in 2019. The downward trend could partially guarantee that the MiFID II objective is met, as the weight of strictly OTC trading has been progressively reduced since its entry into force. However, it is necessary to clarify this point, bearing in mind that other forms of trading that are not subject to market rules, such as trading through systematic internalisers, have seen a significant increase.

Table 2.2.10 shows (from highest to lowest volume) the seven largest Spanish private fixed income trading systems in 2020. The first four are platforms (European MTFs) whose combined share in 2020 was practically the same as that seen in 2019 (30%). Highlights include the transfer of trading carried out on Bloomberg Trading Facility Limited, based in London to Bloomberg Trading Facility BV, based in the Netherlands, due to Brexit.

The strong increase in trading through Spanish systematic internalisers stands out, especially through Banco Santander IS, which practically quintupled in 2020 compared to 2019, with a volume of €11.20 billion. BBVA IS also experienced a considerable, albeit more moderate, increase of 48%, with a volume traded of €10.82 billion. This growth led to an increase in the market share of the two Spanish internalisers, although they still account for a small part of the market (close to 5% of total trading combined).

Total trading of private fixed income instruments issued by Spanish companies[1]

TABLE 2.2.10

Millions of euros

	2019	2020	% change 20/19
Bilateral trading (OTC)	172,581	157,323	-8.8
Bloomberg Trading Facility Limited (MTF)	96,873	81,937	-15.4
Bloomberg Trading Facility BV (MTF)	2,026	16,352	707.1
Marketaxess Europe Limited (MTF)	12,342	13,426	8.8
Tradeweb Europe Limited (MTF)	16,973	13,412	-21.0
Banco Santander, S A (Systematic internaliser)	2,439	11,196	359.0
BBVA, S A (Systematic internaliser)	7,308	10,822	48.1
HSBC (Systematic internaliser)	10,073	9,897	-1.7
Other trading systems[2]	95,480	102,187	7.0
Total	**416,095**	**416,553**	**0.1**

Source: CNMV. (1) Data estimated from information contained in TR (Transaction Reporting). Includes private fixed income assets issued by Spanish companies both in Spain and abroad. (2) This heading includes the sum of the volume traded in other trading systems other than those identified, whether they are regulated markets (including AIAF in Spain), other multilateral trading facilities (including MARF), organised trading facilities (including CAPI OTF and CIMD OTF registered in Spain) and other systematic internalisers.

Other private fixed income trading, whether through regulated markets, MTFs, OTFs or SIs, is grouped under the heading "other trading systems" due to its lower weight in total trading (less than 2.4% in each case). As a whole, trading in this group grew by 7% to €102.19 billion in 2020. This figure includes trading carried out through Spanish trading venues, which is very low: €170 million in the regulated market AIAF, €95 million in CAPI OTF[45] and €2 million in the MARF. Table 2.2.11, which shows the trading carried out through these venues, shows the same trend as for public debt, with decreases in the regulated market and MTFs, and increases in OTFs.

45 This amount corresponds to private fixed income issued in Spain. Trading in private fixed income carried out by Spanish issuers abroad stood at €123 million in 2020.

Trading of private fixed income[1] through Spanish trading venues TABLE 2.2.11

Nominal amounts in millions of euros

Venue	Place of debt issue	2019	2020	% change 20/19
AIAF		262	170	-34.9
MARF		5	2	-66.7
OTF[2]				
CAPI	Total	692	766	10.7
	Spain	55	95	71.7
	Abroad[3]	637	644	1.3

Source: CNMV, own compilation by the authors. (1) This table shows the total trading of private fixed income debt assets carried out in Spanish trading venues regardless of the issuer's nationality and includes issues made in Spain and abroad. (2) Organised trading facility. (3) Of the amounts traded in 2019 and 2020, €80.6 million and €122.6 million, respectively, correspond to debt issued by Spanish issuers abroad.

2.3 Derivatives markets

Activity in the Spanish organised markets for derivatives products (MEFF, where financial derivatives are traded, and the MEFF Power segment specifically for electrical power contracts) experienced a slight decline in the number of contracts in 2020,[46] which contrasted with the growth of these markets at global level. There remain only two OTFs, created in 2018, on which derivatives are traded, while trading volumes were stable in terms of the number of contracts. Activity in the secondary market for warrants, which had shown a continuous decline in recent years, saw growth once again, boosted by the increase in market volatility, although the volume of instruments issued in the primary market fell, reaching the lowest figure seen in recent years.

The aggregate volume of derivatives contracts traded on international markets marked a new record high for the third consecutive year, standing at 46,767 million contracts (+35.6%, the highest growth rate seen in recent years), driven by the global increase in volatility. Once again, this growth extended to the two existing market segments, which in both cases reached hit a historical high, with 25,545 million futures contracts (32.7%) and 21,221 million for options contracts (39.3%).

By geographical area, trading increased in all major regions, with particularly strong growth in the contracts traded in the Asia-Pacific region (38.9%) and Latin America (56.9%), although Asia- Pacific and North America continued to have the highest number of registered contracts: 20,147 and 12,847 million, respectively. In Europe, trading grew by 11.3%, to a new historical high of 5,601 million contracts, which represents 12%[47] of the world market, a drop of 2.6 percentage points compared to 2019. In the European markets, Eurex and ICE Futures Europe stood out once again due to their size, although both reported small falls.

46 A small 5.2% increase was observed in underlying energy traded in MEFF Power.

47 In 2018, the number of contracts traded in Europe accounted for 17.4% of the world market.

Trading on European financial derivatives markets TABLE 2.3.1

Thousands of contracts

	2018	2019	2020	% change 20/19
Eurex	1,951,763	1,947,144	1,861,416	-4.4
ICE Futures Europe	1,276,090	1,126,515	1,124,764	-0.2
Euronext	149,254	152,020	175,583	15.5
Nasdaq Exchange Nordic Markets	87,272	79,252	76,534	-3.4
London Stock Exchange Group	46,105	38,884	28,911	-25.6
MEFF	38,396	39,467	36,709	-7.0

Source: Eurex, Futures Industry Association, Intercontinental Exchange and CNMV.

2.3.1 MEFF Exchange

Financial derivatives

The number of derivatives contracts traded on MEFF fell 7%, the lowest volume seen in the last decade. This trend can be explained by the decrease in trading in contracts on shares (-7.7%) and, to a lesser extent, in contracts on indices (-3.5%). Furthermore, as occurred in the last few years, despite this market having a futures contract on the Spanish 10-year sovereign bond, there was no recorded activity on this derivative, due to competition from a similar contract on the German Eurex market,[48] which accounted for all trades with this underlying.

For financial derivatives on the Ibex 35, the contracts with the highest volume traded were once again the futures on the Ibex 35, which fell by 1.7% to the lowest volume in recent years, as the growth in Mini contracts (6.1%) was insufficient to offset the drop in larger Plus contracts (-1%) and Dividend Impact contracts (-36.8%). In addition, option contracts on the Ibex 35 decreased by 34.1%. Additionally, contracts on banks and energy sector indices, which were launched on the market in 2016, did not register any activity, due to competition from similar sector contracts on the German Eurex market.[49]

48 On 26 October 2015, Eurex launched its Euro-BONO Futures contract, a future with the Spanish 10-year sovereign bond as its underlying asset. In 2020, 150,509 contracts of this type were traded in that market, compared with 165,573 and 173,450 contracts in 2018 and 2019. (Source: Eurex).

49 Eurex lists a wide range of industry index derivatives contracts including, but not limited to, bank, energy, utility, technology and food contracts.

Trading on MEFF Exchange[1]

TABLE 2.3.2

Number of contracts

	2017	2018	2019	2020	% change 20/19
Contracts on debt	**0**	**0**	**0**	**0**	**–**
Future on 10-year bond	0	0	0	0	–
Contracts on Ibex 35	**6,911,671**	**6,983,287**	**6,625,993**	**6,395,357**	**-3.5**
Futures on Ibex 35[2]	6,481,301	6,564,971	6,256,231	6,151,704	-1.7
Plus	6,268,290	6,342,478	5,965,905	5,905,782	-1.0
Mini[2]	161,886	149,023	145,489	154,351	6.1
Micro	–	–	–	-	–
Dividend impact	43,372	70,725	144,831	91,571	-36.8
Sector	7,753	2,745	6	0	-100.0
Options on Ibex 35[2]	430,370	418,315	369,762	243,653	-34.1
Contracts on shares	**32,335,004**	**31,412,879**	**32,841,027**	**30,313,892**	**-7.7**
Futures on shares	11,671,215	10,703,1912	15,298,027	10,968,411	-28.3
Futures on dividends	346,555	471,614	758,700	130,055	-82.9
Futures on dividends plus	880	200	-	7,752	-
Options on shares	20,316,354	20,237,873	16,784,300	19,207,674	14.4
Total	**39,246,675**	**38,396,166**	**39,467,020**	**36,709,249**	**-7.0**

Source: CNMV. (1) The differences in the nominal value of the various products make it impossible to compare them based on the number of contracts traded. However, the trends in trading over time in each type of product can be tracked. (2) In the case of Mini futures and options, the number of contracts traded is calculated by dividing by ten so as to standardise the individual size of the contract relative to those of the Ibex 35 Plus future (using one euro as the multiplier of the index used to calculate the nominal value of the contract in the first two cases and ten euros in the latter case).

Trading in derivatives contracts on shares fell by 7.7% in the year given that the increase in the volume of share option contracts (14.4%) was not sufficient to offset the drop in the number of futures contracts on shares (-28.3%), which were affected by the restrictions on short trading, and the drop in dividend futures, where trading fell by almost 83%. The latter, which had shown robust consecutive increases in recent years, were penalised by uncertainties over whether the dividend payment schedule[50] could be maintained due to the crisis. In addition, trading remained concentrated in a small number of underlyings, especially in the case of equity futures, where only four underlyings (Banco Santander, Telefónica, BBVA and Iberdrola) represented over 96% of total trading. In the case of options, six underlying assets were needed (the four mentioned above, plus Repsol and Inditex) to account for 92% of total trading. These percentages are slightly lower than those of 2019,[51] but they continue to reflect a large amount of concentration in this market. Therefore, securities with high levels of derivatives trading are more substantially more active in this market than would be expected given the trading of their underlying in the secondary markets. For example, futures and options contracts traded on Banco Santander alone represented 82% and 23% of the total, respectively, compared to 10.7% of the total traded through BME. In the case of Telefónica these figures were 9.5% and 12% of total derivatives trading (futures and options), compared to 6.3% of the total traded through BME.

50 Numerous companies announced changes in their dividend policy that involved the suspension of dividends, a reduction in their amount or changes in the payment schedule.

51 In 2019, these figures were 98% and 93%, respectively.

Developments in the financial derivatives segment

MEFF made a change to the market's trading system in July to include the new *self-match prevention* function. This system prevents the execution of buy and sell orders from the same member between them, i.e. it rejects the execution of orders of opposite signs from the same member.

In October, MEFF and BME Clearing applied an incentive for trading xRolling FX currency futures contracts, which have been traded in MEFF's financial derivatives segment since June 2019. The incentive consisted of an exemption from trading, registration and deferral fees in order to encourage the trading of these products.

BME Clearing and MEFF also undertook the necessary work to establish in the market a new automated operation request function at the average price for three existing futures contracts on the Ibex 35 index (Ibex 35, Mini Ibex and Micro Ibex). This new function was implemented in February 2021.

Market members

At year-end 2020, MEFF Exchange had a total of 94 market members, three more than the previous year. Of these, 63 are associated with the financial derivatives segment, 37 with the energy derivatives segment and five with the currency derivatives segment. During the year, the members of the energy derivatives segment increased by five, while both the financial derivatives and currency segments lost one member.

Number of members in MEFF Exchange TABLE 2.3.3

Segment	Traders	Own account traders	Total entities	Change 20/19
Financial derivatives	51	12	63	-1
Energy	10	27	37	5
Forex	4	0	4	-1
Total entities[1]	**63**	**31**	**94**	**3**
Change 20/19	1	2	3	-

Source: MEFF Exchange and CNMV. (1) The total is lower than the sum of members in each segment as there are entities that participate in more than one segment.

2.3.2 MEFF Power

MEFF Power is MEFF's energy derivatives segment, in which derivative contracts with financial settlement against the daily average of the Spanish electricity spot market (SPEL) prices, calculated by the Iberian Electricity Market Operator, are recorded. These contracts have settlement periods ranging from one day (daily contracts) to one year (annual or calendar), in addition to contracts of intermediate duration: weekly, monthly and quarterly. The significant times of the settlement period for calculating the average of the spot price against which the derivative is settled may be all of the times of the period (base load contracts) or only those between 08.00 and 20.00 on Monday to Friday included in the settlement period (peak load contract). The last SPEL contract registered with MEFF Power dates from 2018, so over the last two years all its activity has focused on base load contracts.

Trading in MEFF Power continued to increase in 2020, especially in the first half, and ended the year with a registered underlying energy volume of 27.8 TWh, 5.2% higher than in the previous year (26.4 TWh) and the highest annual figure since 2014. This increase in activity was due to the larger number of contracts registered with the highest multiplier. Thus, annual and quarterly contracts registered year-on-year growth of 9.3% and 8.6%, respectively, compared to the drop in the registration of daily, weekly and monthly contracts. This explains why the year-on-year fall in the number of contracts registered (-13.3%), and in the number of transactions (-8.7%), is consistent with the registered growth in energy volumes, due to the larger size unit of each registered transaction in contracts with larger volumes.

However, the cash volume of MEFF Power's activities showed a year-on-year decline of 18.9% in 2020, to stand at €1,137.2 million, compared to €1,402.2 million in the previous year. This trend can be explained by the significant drop in the average price of energy registered (22.9%), which was €40.95/MWh in 2020, while in 2019 it stood at €53.12/MWh.

The open position at the end of 2020 stood at 8.5 TWh, 5.7% below the position at the end of 2019 (9.0 TWh), although it should be mentioned that for most of the year the open position was higher than 10 TWh, and reached a high of 11.8 TWh in June, the second largest open position at the close of a month recorded by MEFF Power. Most of the accumulated position at year-end was represented by annual contracts, which amounted to 3.4 TWh, and quarterly contracts, which amounted to 3.6 TWh. The latter, which showed an annual increase of 6.1% and accounted for 42% of the total, overtook annual contracts as the contracts with the highest accumulated open position. A larger year-on-year decrease was observed in the valuation of the open position at the end of the year, which at the end of 2020 stood at €405.5 million, 16.8% lower than at the end of 2019 (€487.3 million). This was due to the fall in prices of derivatives contracts, which was larger in the spring during the worst of the COVID-19 crisis and somewhat less significant at the end of 2020. At year-end 2020, MEFF Power had a total of 92 participants with open positions, three more than at the end of 2019.

2.3.3 Organised Trading Facilities (OTFs)

MiFID II introduced new categories of trading venues, including the organised trading facilities (OTFs), where only fixed income instruments and derivatives may be traded. Unlike trading on regulated markets and MTFs, trading on OTFs can be carried out using discretionary rules. In order to facilitate the execution of orders, except in derivatives subject to the clearing obligation in accordance with Article 5 of Regulation (EU) 648/2012, OTF managers can trade sovereign debt instruments for which there is no liquid market on their own account without risk (matched principal),[52] as long as the client has given consent, or trade on their own account, without using the matched principal format.

52 "Matched principal trading" means a transaction where the facilitator interposes itself between the buyer and the seller to the transaction in such a way that it is never exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction.

Derivatives are currently being traded in two OTFs authorised by the CNMV: CAPI OTF and CIMD OTF. The former operates in financial derivatives and foreign exchange, while the latter operates in two differentiated segments: financial derivatives and energy derivatives.

Trading on organised trading facilities (OTFs) TABLE 2.3.4

Financial derivatives segment	No. of trades	Cash amount (millions of euros)
Financial derivatives[1]	1,943	431,205
FX derivatives[2]	1,205	297,148
Total	**3,148**	**728,353**
Energy derivatives segment	**132**	**136**

Source: CNMV. (1) Correspond to trades with swaps, basis swaps, futures on interest-rate indices and overnight indexed swaps. (2) Correspond to trades with foreign exchange futures.

As shown in Table 2.3.4, in the case of financial derivatives, the OFTs made 3,148 trades in 2020, 0.8% more than in the previous year, although for a cash amount of €728.35 billion, which represented a 38% decrease compared to the cash amount traded in 2019. Most of the transactions and the amount traded in the financial derivatives segment (62% and 59%, respectively) corresponded to derivatives on interest rates, while the other transactions and amounts trade were operations with an exchange rate as the underlying.

Energy derivatives segment

CIMD's energy derivatives segment is where swaps with financial settlement against the daily average of the price of the Spanish (SPEL) (base load) and Italian (ITEL) (base and peak load) electricity spot markets are traded, although the contribution of the latter is insignificant.

In 2020, 132 trades were made in this segment, for a total volume of 3.2 TWh and a cash amount of €136 million, which represented significant year-on-year falls of 78.2%, 59.4% and 68.9%, respectively, compared to 2019. Nonetheless, average transactions were larger, reaching 24,375.4 MWh per operation, 86.0% higher than in 2019. The increase in the size of the transactions prompted a rise in the average cash amount per transaction €1,031,079 (+36.5%), although growth was lower than in the previous year (42.6%), due to the trend in the average price per MWh, which stood at €42.3/MWh in 2020, compared to €55.1/MWh in 2019.

2.3.4 Warrants and certificates

In 2020, both the number of warrant issues registered and the volume issued dropped substantially, while trading of these instruments in the secondary market increased slightly, in a scenario of high market volatility that encourages the use of this type of instrument. With regard to certificates, the primary market continued to register no activity, while activity on the secondary market continued to fall.

Issues

3,081 warrants issues were registered in 2020, almost 44% fewer than in 2019, the lowest volume in the last ten years. The number of issuing entities decreased to five (six in 2019), all financial entities, as one of them (BBVA) did not operate in this segment. Total premiums reached c.€1.17 billion, 36.4% lower than in the previous year. Amounts continued to decline in all contracts, although the greatest falls were observed in contracts with underlying assets of commodities or shares. As shown in Table 2.3.5, although they still decreased, contracts with underlyings that are indices showed the highest premiums, accounting for almost 58% of the total, mainly to the detriment of issues on shares, which fell to 38%.

Warrant issues registered with the CNMV TABLE 2.3.5

Amounts in thousands of euros

	Number		Premium amount				
	Issuers	Issues	Total	Shares	Indices[1]	Currencies	Commodities
2016	5	7,809	2,688,574	1,438,206	1,153,143	57,305	39,920
2017	6	5,730	2,433,614	939,528	1,443,030	32,415	18,642
2018	5	5,231	2,084,891	818,952	1,160,478	48,767	56,695
2019	6	5,496	1,837,678	901,350	809,259	42,694	84,375
2020	5	3,081	1,167,724	445,662	673,963	24,797	23,302

Source: CNMV. (1) Includes baskets of securities and of indices.

Secondary market

Trading in warrants on the secondary market grew by almost 10% compared to the previous year, to €319.7 million, slightly reversing the downward trend experienced in recent years. Trading continued to focus on warrants on indices, which accounted for half of the total but which continue to lose weight to warrants on shares, which accounted for 46% of the total. Trading in contracts on other assets (currencies and commodities) also increased and came to represent slightly more than 3%, registering their largest market share in percentage and volume in the last four years.

Trading in warrants on the continuous market TABLE 2.3.6

Premiums traded, in thousands of euros

		Premiums traded by type of underlying				
	No. of issues[1]	Indices[2]	Shares	Currencies[3]	Commodities	Total
2016	6,296	420,353	280,953	5,025	9,209	715,541
2017	5,082	266,016	186,717	2,018	7,837	462,588
2018	4,191	317,881	133,863	1,390	3,542	456,676
2019	3,627	186,620	100,818	543	3,182	291,163
2020	3,328	161,714	147,125	2,067	8,795	319,700

Source: CNMV. (1) The number states the issues that recorded trading in each period. (2) Includes baskets of securities and of indices. (3) Includes warrants on fixed income in the years in which these were traded.

As in previous years, there was no activity on the primary market for certificates, while trading in the secondary market continued to fall due to the lack of new issues of this type. The trading volume stood at €227,600, which corresponded to transactions on the only two issues that are active in the market, whose underlying assets are gold and oil (both were issued by the same issuer in 2007 and 2010, respectively).

Trading in certificates on the continuous market TABLE 2.3.7

Premiums traded, in thousands of euros

		Premiums traded by type of underlying				
	No. of issues[1]	Indices[2]	Shares	Currencies	Commodities	Total
2016	2	0.0	0.0	0.0	400.5	400.5
2017	2	0.0	0.0	0.0	362.2	362.2
2018	2	0.0	0.0	0.0	320.4	320.4
2019	2	0.0	0.0	0.0	346.0	346.0
2020	2	0.0	0.0	0.0	227.6	227.6

Source: CNMV. (1) The number states the issues that recorded trading in each period. (2) Includes baskets of securities and of indices.

2.4 Clearing, settlement and registry

2.4.1 Iberclear

The Securities Registry, Clearing and Settlement Management Company (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal), which operates under the business name of Iberclear, is the Spanish central securities depository. It provides the initial registration service (notary service), the service of provision and maintenance of securities accounts (central maintenance service or central deposit function) and manages the ARCO securities settlement system (settlement service), as well as other related ancillary services, in the terminology of the CSDR.[53]

At the end of 2020, Iberclear had 70 participating entities (including central counterparties (CCPs) and other CSDs with which Iberclear has links). In 2020, one new firm was registered and two were deregistered.

2.4.1.1 Registration activity

Since joining Target2-Securities (T2S) in September 2017, Iberclear has managed a single platform, ARCO, in which all securities are included.

At the end of the year, a total of 7,402 issues were registered with Iberclear, with a nominal amount of €1,791,747 million. Compared with the previous year, a significant decrease in the number of outstanding issues was observed (-12.9%), but their amount increased (7.1%), as shown in Table 2.4.1.

53 Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSDR).

Iberclear ARCO. Registration activity TABLE 2.4.1

Amounts in millions of euros

Securities registered	2019	2020	% change 20/19
Number of issues	**8,497**	**7,402**	**-12.9**
Public sector debt	548	555	1.3
Corporate debt	2,013	1,993	-1.0
Other securities	5,936	4,854	-18.2
Nominal balance registered	**1,672,266**	**1,791,747**	**7.1**
Public sector debt	1,057,820	1,168,059	10.4
Corporate debt	479,724	493,520	2.9
Other securities	134,722	130,168	-3.4

Source: Iberclear and CNMV.

By type of instrument, the number of debt issues registered at Iberclear at the end of 2020 totalled 2,548, for a total nominal amount of €1.66 trillion. 78% of the issues were private debt and the remainder were sovereign debt. However, in terms of the nominal amount, 30% corresponded to corporate debt and the remaining 70% to sovereign debt issues. As shown in the table, in 2020 there was an increase in both the number of sovereign debt issues and the amount issued, while corporate debt issue numbers decreased slightly but their amount increased.

The number of issues of other securities at the end of the year stood at 4,854, with a nominal amount of €130.17 billion, which implies a decrease in both the number of issues and their nominal amount. This was mainly due to the lower number of warrant and SICAV issues registered at the end of 2020: 933 and 121, respectively.

2.4.1.2 Settlement activity

The total number of transactions settled in 2020, as shown in Table 2.4.2, was 9,972,561, with a cash amount of €25,773,399 million, which represents a year-on-year increase of 6.7% and 19.2%, respectively, both in the number of transactions and the cash amount, although there was a very uneven distribution among the different types of assets.

In equity, CCP transactions grew by 3.5% in terms of the number of transactions and decreased by 9.3% in terms of cash. Bilateral transactions also increased in number (9.1%), but their cash amount decreased (-9.4%). Overall, the number of equity transactions increased 7.5% while the cash settled decreased by 9.4%.

In the sovereign debt segment, an increase of 3.3% was observed in the number of transactions and 21.85% in the cash amount. CCP transactions increased by 8.2% and by 7.1% in terms of cash. Bilateral and platform trades (without CCP involvement) registered a small increase in terms of the number of transactions (1.6%), and a much larger rise in their cash amount (33.7%).

In the corporate debt segment, activity decreased both in terms of cash (-3.1%) and in number of transactions (-7.1%).

Without differentiating by type of security, and in terms of cash, CCP transactions grew by 6.1%, which, in the case of transactions through platforms (without CCP involvement) or bilateral transactions, was almost 30%. The number of transactions grew by 4.2% and 7.6%, respectively.

Iberclear. Transactions settled ARCO TABLE 2.4.2

Amounts in millions of euros

	2019		2020	
	No. of transactions	Cash	No. of transactions	Cash
Trades from CCPs	**2,564,828**	**9,382,238**	**2,673,757**	**9,952,119**
Sovereign debt	394,936	8,783,022	427,353	9,408,808
Corporate debt	–	–	–	–
Equity	2,169,892	599,216	2,246,404	543,311
Bilateral and platform trades	**6,783,287**	**12,248,470**	**7,298,805**	**15,821,280**
Sovereign debt	1,143,294	10,945,415	1,161,132	14,629,539
Corporate debt	84,894	183,069	78,835	177,370
Equity	5,555,099	1,119,986	6,058,838	1,014,371
Total	**9,348,114**	**21,630,708**	**9,972,561**	**25,773,399**

Source: Iberclear and CNMV.

Iberclear. Settlement incidents ARCO TABLE 2.4.3

Amounts in millions of euros

	2019		2020	
	No. of transactions	Cash	No. of transactions	Cash
Sovereign debt	61,654	845,862	52,138	810,425
Corporate debt	8,283	11,420	3,917	5,504
Equity	832,016	316,825	738,534	263,474
Total failed trades	**901,863**	**1,174,106**	**794,589**	**1,079,404**
Buy-ins and settlement in cash	178	7	184	26

Source: Iberclear and CNMV.

The efficiency ratios in total settlement improved in 2020 in regard to the number of transactions and cash volumes. The inefficiency rate was 8% for transactions and 4.2% in terms of cash (9.6% and 5.4%, respectively, in 2019).

The corporate debt segment saw the largest number of failed trades (8.9% compared with 10.8% in 2019) and 16.9% in terms of cash (18.4% in 2019). Sovereign debt transactions continued to show the best efficiency ratio in relation to the number of failed trades (3.3% compared to 5% for corporate debt), although in terms of cash the inefficiency ratio was slightly higher compared to that of private fixed income (3.4% versus 3.1%).

Failed clearing house trades that were resolved through buy-ins or cash settlement represented a very small percentage of orders made by central counterparties, accounting for less than 0.01% of transactions and cash. Despite their small amount in relative terms, in 2020 these transactions increased significantly compared to 2019. In this case, less than 5% accounted for more than 50% of the cash.

2.4.2 BME Clearing

BME Clearing is the Central Counterparty (CCP) authorised to provide clearing services in Spain in accordance with Regulation (EU) No 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (EMIR).

Table 2.4.4 shows the distribution of active members in BME Clearing, differentiated by segment and by type of member. At the end of 2020, the number of members of BME Clearing decreased by four, to 131. In the energy segment, seven members were added, while four and five entities were deregistered in the financial derivatives and equity segments respectively. One member was also deregistered in the currency sub-segment.

Number of members of BME Clearing by segment TABLE 2.4.4

	Clearing			Non clearing				
Segment	General	Individual	Special indiv.	Non-clearing	Ordinary	Proprietary	Total entities	Change 20/19
BME Clearing Derivatives	8	27	–	12	1	10	58	-4
FX sub-segment	–	4	–	–	–	–	4	-1
BME Clearing Energy	6	–	–	–	–	38	44	7
BME Clearing Repo	1	24	–	–	–	–	25	–
BME Clearing Swap	–	9	–	–	–	–	9	–
BME Clearing Equity	7	15	1	5	20	–	48	-5
Total entities[1]	**18**	**49**	**1**	**16**	**20**	**48**	**131**	**4**
Change 2020	-1	-5	0	4	-4	+5	-4	–

Source: BME Clearing and CNMV. (1) The "total entities" row does not correspond to the sum by segments as one entity may participate in several segments.

2.4.2.1 BME Clearing Derivatives

Transactions in financial derivatives traded on MEFF Exchange are cleared in this segment. In the course of 2020, four entities were deregistered, bringing the number of members to 58 at the year-end, as shown in Table 2.4.4.

In regard to clearing for FX-rolling contracts traded on the MEFF Exchange, BME Clearing included a sub-segment under financial derivatives. There are currently four entities registered.

2.4.2.2 BME Clearing Energy

In this segment, in addition to clearing contracts on energy traded n MEFF Exchange, since 24 May 2018, BME Clearing has provided a clearing service for natural gas (NG) and liquefied natural gas (LNG) contracts: OTC futures, spot transactions and loan or deposit transactions. Unlike electricity contracts, these contracts are settled by physical delivery at a Spanish virtual balancing point[54] (VBP) in the case of LNG contracts or at a regasification plant in the case of NG contracts. Therefore, they are not considered financial instruments.

In September 2020, the CNMV approved the proposal to modify the general conditions of the energy segment to adapt to certain requirements of Circular 2/2020, of 9 January, of the National Markets and Competition Commission (CNMC), published in the BOE on 17 January 2020. The CNMC Circular introduces new natural gas balancing rules, in particular with regard to:

– The creation of the Virtual Balancing Tank for liquefied natural gas.

– The creation of the figure of the "user in arrears" in the Spanish gas system.

Both these changes affect the way in which BME Clearing currently manages the settlement of natural gas contracts on maturity.

As shown in Table 2.4.5, there was a large amount of trading in gas contracts in 2020, both in terms of cash and the number of transactions. Further, the traded volumes of electricity products reached their highest levels in at least the last five years, with significant positive year-on-year growth almost every month. This activity also translated into a robust increase in the open position of both products, which at the end of the year stood at 11.84 TWh,[55] a rise of 32% compared with 2019.

Activity in BME Clearing Energy TABLE 2.4.5

Nominal volume in millions of euros

	2019			2020		
	Electricity	Gas	Total	Electricity	Gas	Total
Cash volume	1,402	5	**1,407**	1,156	92	**1,247**
Number of transactions	3,251	48	**3,299**	3,157	268	**3,425**
TWh	26.4	0.2	**26.6**	28.2	7.2	**35.5**

Source: CNMV and BME Clearing.

As shown in Table 2.4.4, the number of members of this segment reached 44, with the addition of seven new participants in 2020.

54 The virtual balancing point is the virtual exchange point of the transport network where users can transfer ownership of gas as entry or exit thereof.

55 The historical high was registered in April 2016 with 12.5 TWh.

2.4.2.3 BME Clearing Equity

The equity segment is the central counterparty service for transactions in securities traded on the stock exchange. This segment began operating on 27 April 2016, the starting date of the new clearing, settlement and registry system, which made it obligatory for trading in shares and subscription rights carried out through multilateral segments of official secondary markets to be cleared through a CCP. Another milestone was reached in September 2017 with the connection of Iberclear and BME Clearing to the pan-European securities settlement platform Target2-Securities, thus completing the second and final phase of the reform.

In 2020, a cash volume of €844.39 billion was registered, 8.8% down on 2019, as shown in Table 2.4.6.

Activity in BME Clearing Equity TABLE 2.4.6

	2019	2020
Cash volume (millions of euros)	926,203	844,389
Number of transactions	74,537,314	111,407,336

Source: CNMV and BME Clearing.

At the end of 2020, this segment had 48 members, five less than at year-end 2019 (see Table 2.4.4).

2.4.2.4 BME Clearing Repo

The repo fixed-income segment offers the central counterparty service for Spanish public debt repos, thus eliminating counterparty risk for participating entities.

Despite the agreements signed with different platforms in 2018 and 2019, the registration of transactions made through platforms accounted for 1% of the total nominal amount and the number of transactions in this segment continued to decline in 2020 (28%), in addition to the nominal amount registered, which decreased by 20.5%, to €124.59 billion. At the end of 2020, the average open position for the last 10 days, equivalent to the financing provided, stood at €10.40 billion, down by 21% compared with 2019, with an average financed term of 16 days (21 in 2019).

In this segment, the number of active members stood at 25 at the end of the year, of which 24 were individual clearing member and one was general clearing member.

Activity in BME Clearing Repo TABLE 2.4.7

	2019	2020
Nominal volume (millions of euros)	156,769	124,591
Number of transactions	1,894	1,364

Source: CNMV and BME Clearing.

2.4.2.5 BME Clearing Swap

This segment offers the central counterparty service for the trading of OTC interest rate derivatives. It began operating in 2016.

In 2020, only two transactions were registered, for a nominal amount of €12.25 million (16 transactions for €200 million in 2019).

At the end of 2020, there were nine clearing members in this segment (the same as in 2019), all of them individual clearing members.

2.4.3 European initiatives in registry, counterparty, clearing, and settlement services

Progress in the implementation of Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories (CSDR)

The Central Securities Depositories Regulation (CSDR) provides, together with T2S, a key basis for a single capital market. The aim of this Regulation is to establish standardised requirements for the settlement of financial instruments throughout the European Union and to harmonise the organisation and conduct of European CSDs.

The development of Level 2 implementing measures of the CSDR (level 1) was completed with the publication in the Official Journal of the European Union of Commission Delegated Regulation (EU) 2018/1229, of 25 May 2018, supplementing the CSDR with regard to regulatory technical standards on settlement discipline. This rule, which established the measures to prevent and treat settlement fails, was scheduled to come into force in September 2020 but has been postponed until February 2022.

Entry into force of EMIR 2.2 and creation of the ESMA CCP oversight committee EXHIBIT 6

On 1 January 2020, Regulation (EU) 2019/2099 of the European Parliament and of the Council entered into force, amending Regulation (EU) No. 648/2012 as regards the procedures and authorities involved for the authorisation of central counterparties (CCPs), their participating entities and requirements for the recognition of third-country CCPs, popularly referred to as EMIR 2.2. This purpose of this amendment was essentially to strengthen the existing supervisory system for CCPs authorised to provide clearing services in the European Union, whether they are established in the Union itself or in third countries.

One of the key pieces of the new institutional framework developed in this review of the EMIR Regulation is the creation of a permanent committee in ESMA where the competent authorities of the CCPs established in the Union, as well as other authorities that may also have interest, can discuss and agree on the supervision criteria that must be implemented to monitor these infrastructures. Specifically, the committee, known as the CCP Supervisory Committee, has the following functions:

- Carry out, at least once a year, a peer review of the supervisory activities of all competent authorities of CCPs established in the Union.
- Initiate and coordinate, at least once a year, assessments at European Union level of the resilience of CCPs in the face of adverse market developments (stress testing).
- Validate significant changes to CCP models.
- Encourage the sharing of views and regular discussions between the competent authorities of CCPs, in particular with regard to:
  - The supervisory activities and decisions adopted by the competent authorities of European Union CCPs.
  - The draft decisions presented to ESMA by a competent authority in regard to matters such as the provision of new services, acquisition of significant holdings, mandatory registration of CCPs, outsourcing of critical functions, etc.
  - Market developments, including situations or events that have or may have an impact on the strength or resilience of CCPs established in the Union.
- Discuss the opinions and recommendations adopted by CCP colleges to contribute to the smooth and consistent operation of the college and ensure consistency in the application of EMIR.

Likewise, ESMA has been given specific functions to put forward guidelines or recommendations when, as a result of discussions held by the CCP Supervisory Committee, a lack of convergence and coherence in the application of EMIR is observed.

With regard to CCPs established in third countries, the CCP Supervisory Committee will carry the tasks assigned to ESMA under EMIR 2.2, which essentially relate to:

- The recognition of CCPs established in third countries.
- Establishing whether these CCPs can adhere to a comparable compliance regime in order to comply with the obligations established in the EMIR Regulation based on the fulfillment of existing obligations in the CCP's country of origin.
- Verification that CCPs established in third countries whose activities are systemically important to the Union fully comply with the requirements established in EMIR.

For all of the above, at the beginning of 2020 the CCP Supervision Committee was set up, in which the CNMV actively participates together with other EU authorities, holding meetings almost on a monthly basis, and its role as facilitator between the competent authorities during the worst months of the crisis that affected the markets after the outbreak of COVID-19 stands out.

3 Financial institutions and investment services

3.1 Collective investment

After a year in which investment funds marked a very positive performance and a continuation of the same trend in January 2020, the outbreak of the pandemic and its effects worldwide had a significant impact on the collective investment industry, as on the rest of the financial sector. Thus, from the end of February onwards, and particularly in March, there was a significant decline of 10.8% in the assets of these investment vehicles, as a result of the negative performance of the investment portfolio due to the unfavourable performance of the financial markets and the redemptions made by unitholders. From April, as market conditions gradually recovered and normalised, there were moderate inflows of funds, with some fluctuations, in addition to a significant revaluation of the fund portfolio. Between April and December 2020, assets under management recovered 11.8% and closed the year with slightly positive growth. As in 2019, there was no clear trend in unitholder investment strategies in 2020. Growth was observed in some higher risk fund categories, especially international equity, as well as in fixed income funds, which are considered conservative.

As seen since 2016, there was a significant reduction in the number of SICAVs (open-ended investment companies). While in the first two years most of the deregistrations were due to takeovers by other collective investment schemes (CISs), from 2018 onwards these accounted for a relatively small percentage of the total (just over 10% in 2020). Consequently, the assets of these vehicles have also fallen gradually since then (with an accumulated drop of close to 20%).

The growth in assets under management and in the market share of foreign CISs sold in Spain continued in 2020, and at the end of the year these accounted for almost 40% of total CISs marketed in Spain.

3.1.1 Investment funds (IFs)

The assets of Spanish investment funds (IFs), which had seen strong growth in 2019, remained practically unchanged in 2020, with an increase of just 0.1% to reach €279.67 billion. The effects of the pandemic were noticeable in this industry, especially in the first quarter, affecting both the behaviour of investors, who significantly stepped up redemptions, and portfolio returns. Thus, between January and March, the assets under management of IFs contracted by 10.5% as a result of net redemptions of €2.10 billion (just under 0.8% of assets) and, above all, due to the drop in asset value of €27.14 billion (9.7% of assets), caused by the sharp falls in the prices of most financial assets in the context of high volatility. Net redemptions were highest in March, when they stood at around €5.50 billion,[1] while between January and

1 From the very start of the crisis, the CNMV monitored redemptions of investment funds and valuations of the portfolios of these institutions, while remaining in constant contact with the management

February there had been net subscriptions of €3.50 billion. From April, as the markets recovered (especially the equity markets) and investor confidence grew slightly, IF assets picked up and grew by 11.8% to the end of December, to reach the aforementioned figure. Around 90% of this increase corresponded to the positive performance of the portfolio of these vehicles, while the remaining 10% was attributable to net subscriptions made by unitholders.

As shown in Statistical Annex II.1, the fund categories that registered the highest growth in assets under management throughout the year were global equity funds (€3.64 billion more than in 2019, with a variation of 10.7%), despite the significant decline of more than €6 billion in the first quarter due exclusively to the negative return on assets (this was one of the few categories that posted net subscriptions between January and March). This was followed by fixed income and mixed fixed income funds, whose assets increased by €2.43 billion and €2.38 billion, respectively. Fixed income funds saw the largest redemptions by investors in March (representing around 50% of the total, with more than €2.70 billion in net terms), to recover strongly in the subsequent quarters. In the mixed fixed income funds category, although there were also outflows of funds in March, these were of a much smaller scale, resulting in a positive trend for the first quarter of the year, while in the following nine months the net subscriptions were negative. However, this did not compensate for the inflows of funds in the first quarter, so these funds closed the year with net subscriptions of €2.61 billion. Lastly, mixed equity funds saw an increase of €1.66 billion, well below the former categories.

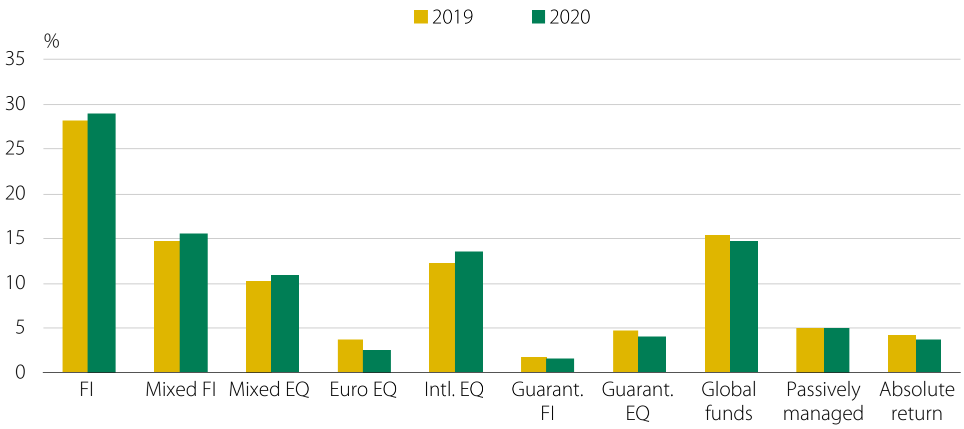
The largest drop in assets under management was observed in euro equity funds, which lost €3.05 billion, reaching a value that was 30.1% lower than at the end of 2019, as the negative return on assets was compounded by relatively high net redemptions during the year. Guaranteed equity funds, global funds and absolute return funds also experienced significant drops, with reductions of €2.19, €2.12 and €1.76 billion, respectively. Guaranteed fixed income funds, which have seen large outflows of funds in recent years (between 2013 and 2019, their assets decreased by more than 85%), shrank further in 2020, with a fall in assets under management of €632 million.

In a break with the trend that had been in place until 2018, with asset variations translating into a decrease in the relative weight of the more conservative categories (fixed income funds and guaranteed fixed income and equity funds), in 2019 and 2020 movements of unitholders did not follow such a clear direction. In both years, global equity funds (considered to be higher risk) registered large net subscriptions of more than €6.70 billion, while fixed income funds also received substantial inflows of funds, the largest in these two years (almost €13 billion, of which more than €10 billion were in 2019).

This would appear to indicate that some investors are opting for equity funds in their search for yield in the current environment of low interest rates, while others, who are more risk averse, were influenced by the uncertainty caused by the crisis and the poor market performance in the first quarter of 2020 and opted for safer categories such as fixed income (see Figure 3.1.1).

companies in order to assess the situation, remind them of their obligations, when required, and make recommendations, especially in relation to the use of the liquidity management tools available to them. In this regard, the CNMV has issued indications on the advisability in certain cases of valuing assets at the bid price or applying swing pricing schemes. For further information, see Exhibit 3.

Investment funds: breakdown of assets FIGURE 3.1.1



Source: CNMV.

In 2020, euro equity funds, also a high-risk category, recorded net outflows of funds of just over €2 billion and redemptions of guaranteed funds (considered to be the most conservative) of almost €3 billion. Therefore, investment in IFs, which was clearly polarised in 2019, showed a more stable trend in 2020. The weight of the most conservative fund categories and that of the highest risk categories (euro and global equity, and global funds) remained stable compared to 2019, with a relative weight of 34.4% for the former (34.6% in 2019) and 30.7% for the latter (31.2% in the previous year).

The aggregate return of IFs for the year as a whole was 0.8% with, as we have already seen, a very different performance between the first quarter and the rest of the year. Thus, in the first three months of 2020, the return on the fund portfolio was -9.3%, while between April and December this figure stood at 11.1%. All categories of funds, without exception, marked the same trend (negative performance in the first quarter and positive in the following three), although on very different scales. Equity funds, given the high volatility of quoted prices, registered the lowest values in the first quarter (-28.5% for euro equity funds -23.1% for global equity funds) and the highest in the rest of the year, with portfolio revaluations of 27.6% and 33.7%, respectively. In the global calculation for the year, euro equity funds offered the lowest returns (-8.8%) and international equity funds the highest (2.8%). Guaranteed funds registered the lowest fluctuations, closing the year at 1.7% for fixed income funds and 0.7% for equity funds.

Breakdown of investment fund assets[1] TABLE 3.1.1

Amounts in millions of euros

	2019	%	2020	%	% change 20/19
Assets	**279,377**	**100.0**	**279,668**	**100.0**	**0.1**
Portfolio of financial investments	**256,751**	**91.9**	**256,232**	**91.6**	**-0.2**
Spanish securities	66,520	23.8	54,630	19.5	-17.9
Debt securities	44,638	16.0	38,431	13.7	-13.9
Equity instruments	9,048	3.2	6,185	2.2	-31.6
Collective investment schemes	8,582	3.1	8,517	3.0	-0.8
Deposits with credit institutions	4,005	1.4	1,341	0.5	-66.5
Derivatives	243	0.1	141	0.1	-42.0
Other	5	0.0	15	0.0	200.0
Foreign securities	190,224	68.1	201,597	72.1	6.0
Debt securities	83,818	30.0	86,110	30.8	2.7
Equity instruments	33,116	11.9	33,886	12.1	2.3
Collective investment schemes	73,054	26.1	81,332	29.1	11.3
Deposits with credit institutions	4	0.0	0	0.0	-100.0
Derivatives	231	0.1	268	0.1	16.0
Other	1	0.0	1	0.0	0.0
Doubtful, delinquent or disputed investments	6	0.0	5	0.0	-16.7
Cash	**21,735**	**7.8**	**22,202**	**7.9**	**2.1**
Net balance (debtors/creditors)	**892**	**0.3**	**1,234**	**0.4**	**38.3**

Source: CNMV. (1) Excluding hedge funds and funds of hedge funds.

As in the last eight years, the breakdown of the aggregate assets of investment funds changed in 2020 in favour of foreign securities, which had a relative weighting of 72.1% of total assets at year-end, 4 pp more than in 2019, exceeding €200 billion. The size of the Spanish securities portfolio fell in both absolute and relative terms to €54.63 billion (almost €12 billion less than in 2019), 19.5% of the total. It should be noted that the change in the weight of the Spanish and foreign portfolio in favour of the latter has been influenced by the more negative price performance of most assets, especially equity assets, in Spain compared to other economies. However, it should also be noted that the foreign securities portfolio includes all securities acquired in non-Spanish markets, regardless of the home market of the issuer. This is especially significant in the case, for example, of debt assets, due to the growing trend that observed for many years among Spanish issuers of making issues in foreign markets.

The increase in IF investment in global assets was especially high in the case of investment in other CISs, which increased by €8.28 billion, 11.3% more than at the end of 2019. Investment in fixed income assets (+2.7% to €86.11 billion) and the corresponding investment in equity securities (+2.3% to €33.89 billion) also increased, albeit to a lesser extent. In relation to the Spanish portfolio, all asset categories registered falls in 2020, most noticeably in the fixed income securities segment, which saw a drop of over €6 billion to €38.43 billion. Investment in other Spanish CISs, unlike foreign vehicles, barely changed and stood at €8.52 billion, a long way off its equivalent in the foreign portfolio.

Management companies continued to streamline the supply of funds, with a reduction in the number of vehicles that was greater than in recent years (80 in 2020 compared to 22 in 2019). At year-end, there were 1,515 investment funds, following 71 registrations and 151 deregistrations during the year (see Table 3.1.2). Most of the deregistrations, a total of 139, were the result of takeovers by other IFs, of which eight were foreign. This reduction in the number of vehicles, coupled with the growth in assets under management, led to an increase in average assets per fund in the year, which rose from €175.2 million in 2019 to €184.6 million in 2020.

Registrations and deregistrations in 2020 TABLE 3.1.2

Type of entity	Entities registered at 31/12/19	Registrations	Deregistrations	Entities registered at 31/12/20
Total financial CISs	**4,233**	**83**	**298**	**4,018**
Investment funds	1,595	71	151	1,515
Investment companies	2,569	1	143	2,427
Funds of hedge funds	7	0	0	7
Hedge funds	62	11	4	69
Total real estate CISs	**5**	**0**	**0**	**5**
Real estate investment funds	2	0	0	2
Real estate investment companies	3	0	0	3
Total foreign CISs marketed in Spain	**1,033**	**58**	**43**	**1,048**
Foreign funds	399	32	24	407
Foreign companies	634	31	24	641
CIS management companies	**123**	**2**	**2**	**123**
Depositories	**36**	**0**	**1**	**35**

Source: CNMV.

In contrast to the stability in terms of assets under management, the number of unitholders increased by 7.8% in 2020, with rises in all four quarters of the year, especially the last, to stand at 12.7 million (see Statistical Annex II.1). Fixed income funds recorded the highest growth, with 466,970 more unitholders, followed by global equity funds, with an increase of 388,419. These two categories also saw the largest increase in unitholders in 2019. In contrast, guaranteed equity funds, in line with the performance of their assets, saw the largest reduction in unitholders, specifically 72,031 fewer than at the end of 2019, while for euro equity funds this decrease was 68,794. The percentage of unitholders in investment funds who were natural persons stood at 98.2%, very similar to the figure seen in 2019, when they accounted for 82.4% of total assets, four tenths of a point down on the previous year (when a drop of 5 points was observed).

Stress test for non-real estate investment funds

EXHIBIT 7

For several years now, liquidity risk and, in particular, the risk that the proportion of liquid assets of investment funds may not be sufficient to meet a potential increase in the volume of requests for redemptions, has been one of the most significant vulnerabilities identified in these institutions as a whole at an international level. During the global financial crisis, there were several cases of money market funds that had difficulties in covering the increase in redemptions. From a supervisory perspective, the evaluation and identification of this risk, together with the development of tools that allow it to be properly managed, has become an essential task. In regard to the work carried out to identify these risks, the exhibit highlights the stress tests that simulate one or more market shocks and assess the level of resilience of the institutions. This exhibit provides a summary of the main findings of a test of this type performed on Spanish non-real estate investment funds, applying a methodology that was initiated by the European Securities and Markets Authority (STRESI framework, ESMA, 2019[1] and later expanded by the CNMV (see Ojea, 2020).[2]

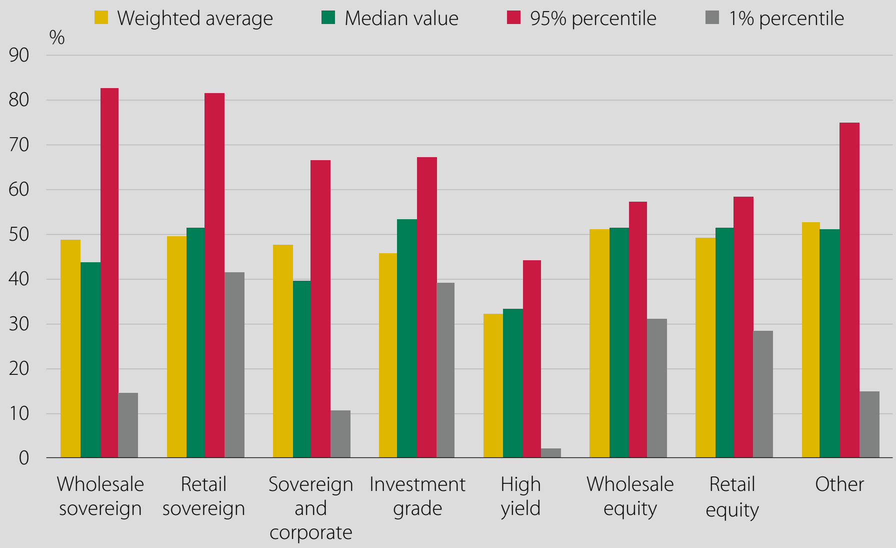
Specifically, the CNMV designed a stress test for the sector comprising money market investment funds, undertakings for collective investment in transferable securities (UCITS) and quasi-UCITS.[3] The database used for the test was extracted from the confidential statements submitted by Spanish investment fund managers to the CNMV in its supervisory role. The granularity of the information contained in this database with respect to the type of unitholder, the composition of the fund portfolio, its category and volume of assets allows the funds to be classified into detailed and representative categories. In this case, following the system used by ESMA, the categories of investment funds are: i) wholesale public debt funds, ii) retail public debt funds, iii) investment grade corporate fixed income funds, iv) high yield corporate fixed income funds, v) mixed fixed income funds, vi) wholesale equity funds, vii) retail equity funds and viii) other investment funds (global and absolute return). The funds are then filtered, as detailed in Ojea (2020), so that those which could distort the simulation of the scenarios are eliminated from the sample. For instance, funds with portfolios containing unidentifiable assets that represent more than 40% of their total assets are eliminated (such as funds that mostly invest in other funds). Guaranteed funds are also eliminated because they penalise redemptions outside the pre-established liquidity windows.

Results of the stress test with data at 30 December 2020

Using the methodology developed by the CNMV, the stress test was carried out on non-real estate investment funds with data from December 2008 to December 2020. The three most important results obtained are described below. Firstly, the proportion of liquid assets in the investment funds' portfolios is quantified. The funds that could experience difficulties in meeting requests for redemptions in different adverse scenarios are then identified, and lastly an estimate is made of the impact of the sale of fund assets on the financial markets.

Figure E7.1 shows the proportion of liquid assets of the funds measured using the HQLA approach[4] by category, which defines the assets available to the funds in the event of a negative shock occurring in the next six months. The weighted average of liquid assets (based on this criterion) for most categories is around 50% of the funds' assets. Only those categories that include corporate bonds clearly fall below this figure, especially the category that includes funds with a large percentage of high-yield corporate bonds in their portfolios. It is also important to note that in all categories there is a certain percentage of funds that have available liquidity that is well below the average. This is especially significant for the wholesale sovereign, and sovereign and corporate categories.

Proportion of HQLA of investment funds by category FIGURE E7.1



Source: CNMV.

The analysis, which considers different redemption shock scenarios for the different categories of funds, reveals that the non-real estate investment fund market is largely resilient in the scenarios posited. As shown in Table E7.1, which represents the percentage of funds (or assets) in each category that could experience difficulties in meeting the redemptions under different scenarios, only the category of high yield corporate fixed income funds could run into liquidity problems in all the scenarios contemplated. In addition, only one other category, "Other investment funds", has funds that could experience problems in the most extreme scenario: *Conditional Expected Shortfall, CoES*[5] ($\alpha = \beta = 2\%$). In the case of high-yield fixed income funds, two funds were identified that could experience difficulties in the less extreme scenarios: *Expected Shortfall, ES* ($\alpha = 3\%$), *CoES* ($\alpha = \beta = \sqrt{5\%}$) and *CoES* ($\alpha = \beta = \sqrt{3\%}$). This number increases to three in the somewhat more extreme scenario *CoES* ($\alpha = \beta = \sqrt{2\%}$) and nine in the most extreme scenario of all. These funds represent 5.2% (two funds), 7.9% (three funds) and 23.7% (nine funds) of the funds in this category and represent in terms of assets compared to the total for the category 3.9%, 4.0% and 8.2% respectively. In particular, there are two funds that belong to the "Other funds" category that could have liquidity problems in the most extreme scenario. These account for 2.1% of the category's funds and 14.2% of assets.

Results of the stress tests (aggregated flows)

TABLE E7.1

%

Number of funds with RCR[1] <1 in each style/Total of funds in each style								
Scenarios	Wholesale sovereign	Retail sovereign	Sovereign and corporate	Investment grade corporate	High yield corporate	Wholesale equity	Retail equity	Other
ES ($\alpha = 3\%$)[2]	0.0	0.0	0.0	0.0	5.3	0.0	0.0	0.0
CoES ($\alpha = \beta = \sqrt{5\%}$)	0.0	0.0	0.0	0.0	5.3	0.0	0.0	0.0
CoES ($\alpha = \beta = \sqrt{3\%}$)	0.0	0.0	0.0	0.0	5.3	0.0	0.0	0.0
CoES ($\alpha = \beta = \sqrt{2\%}$)	0.0	0.0	0.0	0.0	7.9	0.0	0.0	0.0
CoES ($\alpha = \beta = 2\%$)[3]	0.0	0.0	0.0	0.0	23.7	0.0	0.0	2.1
Assets of funds with RCR[1] <1 in each style/Total funds in each style								
Scenarios	Wholesale sovereign	Retail sovereign	Sovereign and corporate	Investment grade corporate	High yield corporate	Wholesale equity	Retail equity	Other
ES ($\alpha = 3\%$)[2]	0.0	0.0	0.0	0.0	3.9	0.0	0.0	0.0
CoES ($\alpha = \beta = \sqrt{5\%}$)	0.0	0.0	0.0	0.0	3.9	0.0	0.0	0.0
CoES ($\alpha = \beta = \sqrt{3\%}$)	0.0	0.0	0.0	0.0	3.9	0.0	0.0	0.0
CoES ($\alpha = \beta = \sqrt{2\%}$)	0.0	0.0	0.0	0.0	4.0	0.0	0.0	0.0
CoES ($\alpha = \beta = 2\%$)[3]	0.0	0.0	0.5	0.0	8.2	0.0	0.0	14.2

Source: CNMV. (1) Defined as the ratio of liquid assets of each fund to the size of the redemption (net outflows). Therefore, funds with an RCR <1 are identified as those that could directly experience liquidity problems. (2) This is the baseline scenario used in the stress test carried out by ESMA (2019). *ES = Expected Shortfall,* a risk measure for expected redemptions considering only the largest redemptions that may arise. In this case, the largest 3% of redemptions is considered. (3) The number of funds that could have liquidity problems are 8: 1 corresponds to the sovereign and corporate category, 6 to the high-yield corporate category and 1 to the "Other" category.

The last step in this test is to estimate the impact on debt and equity market prices when funds are subject to adverse redemption scenarios. The results shown in Table E7.2 suggest that the impact is limited. Unsurprisingly, even in the most adverse scenario, *CoES* ($\alpha = \beta = 2\%$) and applying a pro rata settlement method,[6] it is estimated that equity asset prices would fall on average by 6.95 basis points (bp), investment grade private debt asset prices would fall by 6.80 bp, high yield private debt prices by 4.87 bp and public debt prices 2.76 bp.

Impact on asset prices in the securities markets

TABLE E7.2

Slicing approach (bp)

Scenarios	Public sector debt	IG corporate debt	HY corporate debt	Equity
ES ($\alpha = 3\%$)[1]	1.43	3.06	1.59	3.40
CoES ($\alpha = \beta = \sqrt{5\%}$)	1.17	2.44	1.15	2.67
CoES ($\alpha = \beta = \sqrt{3\%}$)	1.40	3.03	1.58	3.27
CoES ($\alpha = \beta = \sqrt{2\%}$)	1.60	3.47	1.86	3.82
CoES ($\alpha = \beta = 2\%$)	2.76	6.80	4.87	6.95

Source: CNMV. (1) This is the baseline scenario used in the stress test carried out by ESMA (2019). *ES = Expected Shortfall,* a risk measure for expected redemptions considering only the largest redemptions that may arise. In this case, the largest 3% of redemptions is considered.

1 ESMA (2019). *Stress simulation for investment funds.* ESMA Economic Report.
2 Ojea, J. (2020). "Quantifying uncertainty in adverse liquidity scenarios for investment funds". *CNMV Bulletin*, Quarter II, pp. 25-47.
3 Money market funds are those regulated by Regulation (EU) 2017/1131 of the European Parliament and of the Council, of 14 June 2017, on money market funds. UCITS are funds regulated by Directive 2009/65/EC of the European Parliament and of the Council, of 13 July 2009, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS). In Spain, UCITS and quasi-UCITS are regulated by Law 35/2003, of 4 November, on Collective Investment Schemes and its implementing regulations, which transposes Directive 2009/65/EC into Spanish law. It is important to note that according to European regulations, most quasi-UCITS are considered alternative Collective Investment Schemes, which ESMA includes in the "Other" category. These alternative funds are regulated at European level by Directive 2011/61/EU of the European Parliament and of the Council, of 8 June, 2011 on alternative investment fund managers, amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010.
4 The *HQLA* approach measures the liquidity of the fund portfolio using an index that attributes to each asset class a degree of liquidity (a weight that can take values from 0 to 100) depending on its characteristics: $HQLA_i = \sum_{k=1}^{n}(w_{i,k} * s_{i,k}) * 100$. Where $w_{i,k}$ is the weight (degree of liquidity) of asset *k* of fund *i* and $s_{i,k}$ represents the proportion of that asset in the fund's portfolio. In other words, the HQLA index is a weighted average of the liquidity of the assets making up the fund portfolio. The attributed weights, $w_{i,k}$, correspond to those applied under Basel III.
5 *CoES* is defined as: $CoES_{i|j}(\alpha,\beta) = \int_0^u F_i^{-1}(v)\,dv$, where $u = F_i^{-1}\left(CoVaR_{i|j}(\alpha,\beta)\right)$ and F_i^{-1} is the inverse distribution function of variable *i*. *CoVaR* in this context takes a value that fulfils the expression: $Pr\,(Net\ flow\ \%_i < CoVaR_{i|j}(\alpha,\beta) \mid Net\ flow\ \%_j < VaR_j(\alpha)) = \beta$, where $VaR_j(\alpha)$ is the percentile *α* of net flows *j* that determines the severity of the conditional redemptions, while *β* is the percentile that determines the severity of redemptions conditional on the previous scenario. For example, for *CoES* (α = β = 2%), to calculate the redemption shock applied to the funds in each of the categories, the largest 2% of redemptions in each category have been taken into account selected at times when the largest 2% of redemptions occurred in the whole fund sector.
6 The pro rata or slicing settlement method consists of liquidating the assets of a fund in such a way that the proportion of each asset class in the portfolio is always maintained regardless of its total. This would be the most appropriate method to protect investors, unlike the cascade settlement method, whereby the most liquid assets are sold first.

3.1.2 Open-ended investment companies (SICAVs)

The number of SICAVs registered with the CNMV decreased in 2020, following the trend of the last four years and ended the year with a total of 2,427 vehicles compared to 2,569 at the end of 2019 (the result of 143 deregistrations and a single registration). The decrease was also reflected in the number of shareholders, which fell by 9.5% to 362,133. Almost all SICAVs were listed on the Alternative Stock Market (MAB).[2]

The drop in the number of institutions and, to a lesser extent, the unfavourable market performance in the first quarter of the year led to a 6.4% decline in SICAV assets, to €26.94 billion. The decrease in assets was largely similar to the fall in the number of entities, so the average assets per SICAV barely changed compared to the previous year, moving from €11.2 billion at the end of 2019 to €11.1 billion in 2020. However, average assets per shareholder registered an increase of 3.4%, from €71,918 to €74,382.

2 Only eight SICAVs were not listed on this market (which was renamed BME Growth in September), six of which were in liquidation.

The downward trend in the number of entities belonging to this subsector of collective investment since 2016 partly reflects a degree of uncertainty surrounding the impact of potential regulatory changes. Since then, the number of vehicles has reduced by 28%, to over 3,300. It is important to bear in mind that this group of companies has led to a greater number of professionals with high levels experience in the various facets of wealth management, which is why they are significant for the development and sophistication of investment services in Spain.

In relation to the breakdown of assets of these vehicles, Table 3.1.3 shows that in 2020 the decrease in assets was reflected in the value of the portfolio of financial investments, which fell by 5.5% to €24.52 billion. Cash, which had already experienced a slight decline in 2019, fell by 16.5%, to €2.22 billion. The relative weight of the foreign portfolio in the total portfolio continued to increase, up by more than 3 percentage points in 2020, to represent 86% at the end of the year (78.3% of total assets). Among the different categories of foreign investment, it is worth highlighting, as in the case of IFs, the increase in the relative importance of investment in other CISs, which came to represent 53.5% of this portfolio (49.4% in 2019). Investment in fixed income securities fell sharply, specifically by 30.1%, which caused its weight to decrease from 21.6% to 15.3% of foreign investment.

Breakdown of investment company assets[1] TABLE 3.1.3

Amounts in millions of euros

	2019	%	2020	%	% change 20/19
Assets	**28,793**	**100.0**	**26,936**	**100.0**	**-6.4**
Portfolio of financial investments	**25,940**	**90.1**	**24,523**	**91.0**	**-5.5**
Spanish securities	4,588	15.9	3,414	12.7	-25.6
Debt securities	1,217	4.2	732	2.7	-39.9
Equity instruments	1,983	6.9	1,601	5.9	-19.3
Collective investment schemes	1,232	4.3	968	3.6	-21.4
Deposits with credit institutions	99	0.3	44.6	0.2	-54.5
Derivatives	0.8	0.0	3.2	0.0	275.0
Other	56.8	0.2	66	0.2	16.2
Foreign securities	21,348	74.1	21,086	78.3	-1.2
Debt securities	4,618	16.0	3,226	12.0	-30.1
Equity instruments	6,134	21.3	6,548	24.3	6.7
Collective investment schemes	10,549	36.6	11,276	41.9	6.9
Deposits with credit institutions	1.1	0.0	0.0	0.0	-100.0
Derivatives	34.1	0.1	23.8	0.1	-29.6
Other	12.5	0.0	12.6	0.0	4.0
Doubtful, delinquent or disputed investments	3.8	0.0	4.9	0.0	31.6
Intangible assets	**0.0**	**0.0**	**0.0**	**0.0**	**–**
Property, plant and equipment	**0.5**	**0.0**	**0.5**	**0.0**	**100.0**
Cash	**2,660**	**9.2**	**2,222**	**8.2**	**-16.5**
Net balance (debtors/creditors)	**192.1**	**0.7**	**190.8**	**0.7**	**-0.6**
***Pro memoria*: No. of shareholders**	**400,359**	**–**	**362,133**	**–**	**-9.5**

Source: CNMV. (1) Interest included in each heading.

The Spanish securities portfolio saw a decline in both its relative weight and absolute value, as it went from just over €4.59 billion and 17.7% of the portfolio in 2019 to €3.41 billion and 13.9% in 2020. The main categories of assets under Spanish securities (fixed income securities, equities and investment in other CISs) registered significant decreases, which ranged from 19.3% for equity to 39.9% for debt instruments. These uneven variations caused changes in the distribution between the different instruments in the same way as in the foreign portfolio, with an increase from 26.9% to 28.3% in the relative weight of investment in other CISs and a reduction of the weight of fixed income securities of 5 percentage points, to 21.4%. At any event, it should be noted that amounts invested by SICAVs in Spanish equity and collective investment schemes remain higher than those of IFs (5.9% and 3.6% compared with 2.2% and 3.0%, respectively).

3.1.3 Hedge funds

In Spain, unlike other European countries, hedge funds remain uncommon in the collective investment segment, with a relative weight of less than 1% of total assets. This collective investment segment consists of two types of vehicles, depending on whether they invest in financial assets directly (hedge funds) or through other hedge funds (funds of hedge funds). In both cases, the vehicles can be set up as funds or as companies.

The aggregate assets of these institutions grew at a lower pace in 2020 compared to 2019 (4.9% compared to 24.4%), to €3.56 billion at the end of December. This growth was different among the different types of vehicles: while the assets of the funds of hedge funds increased by 15.4%, to €652.8 million, hedge funds saw a smaller rise of 2.8%, and closed the year at €2.91 billion. At the end of 2020, vehicles set up as funds accounted for 80.1% of the assets of this segment (81.3% in 2019). Of these, hedge funds accounted for a smaller amount with a weight of 12.7% of total funds (11.9% in the previous year). Companies accounted for the remaining 19.9%.

The performance of the portfolio was in line with market performance over the year, since in both types of vehicles a negative return was observed in the first quarter and a positive return in the following three quarters. In the case of funds of hedge funds, the return for the year as a whole was 3.7%, thanks to a first quarter in which the performance of the portfolio (-3.5%) was less unfavourable than for of other vehicles, while for hedge funds the annual return was 1.8% (-13.8% in the first quarter).

The total number of unitholders and shareholders in these institutions grew by 4.0% (412 more than in 2019) and at the end of the year there were a total of 10,819. This movement was almost exclusively due to the registrations in the hedge funds segment, with an increase in unitholders of 5.5%, to 7,961. In the case of funds of hedge funds, the number of unitholders remained practically unchanged, ending 2020 at 2,858.

The total number of these vehicles registered with the CNMV in December 2020 was 76, seven more than at the end of 2018. As shown in Table 3.1.2, this increase occurred only in the hedge funds segment, where there were 11 registrations and four deregistrations, closing the year with 69 institutions. In the case of funds of hedge funds, there were no movements in the CNMV registry and the figure has remained stable since mid-2018, with seven registered vehicles.

3.1.4 Real estate CISs

In 2008, at the height of the financial crisis in Spain, real estate CISs started to suffer a continuous and uninterrupted fall in assets under management and the number of unitholders. Despite the recovery of the real estate and construction sectors from 2015, the main figures for these vehicles continued to mark a negative performance. One of the main reasons is that real estate investment in Spain is channelled mainly through publicly traded real estate investment companies (SOCIMIs) – the Spanish adaptation of real estate investment vehicles (REITs) in other countries[3] – that have been monopolising the real estate business. As a result, real estate CISs may now be considered insignificant within the collective investment sector, managing around €1.2 billion, after managing over €9.5 billion in the middle of 2007.

In 2020, there were no movements in the CNMV's real estate CIS registry, so the number of entities at the end of the year remained unchanged at five: two real estate investment funds and three real estate investment companies. However, it should be mentioned that the two funds that are still operational reported to the CNMV (in 2011 and 2015) that they were entering into liquidation. One of the three companies is also in liquidation.

There have been hardly any changes in the main figures of the two existing funds since the end of 2018, and at year-end 2020 there were still 483 unitholders and assets under management by these vehicles of €310.8 million, up 0.5% compared to year-end 2019. The return offered by these funds, which, for the first time since the crisis began, became positive in 2018, was 0.47% in 2020.

As in previous years, the companies saw a notable increase in assets during 2020, specifically of 18.8%, to €907.1 million. However, this volume is insignificant in regard to Spanish collective investment as a whole. Around two-thirds of this increase was due to the positive returns obtained during the period, while the remaining third owed to net subscriptions made by unitholders. In contrast, the number of shareholders remained virtually unchanged and closed the year at 315 (316 in 2019).

3.1.5 Foreign CISs marketed in Spain

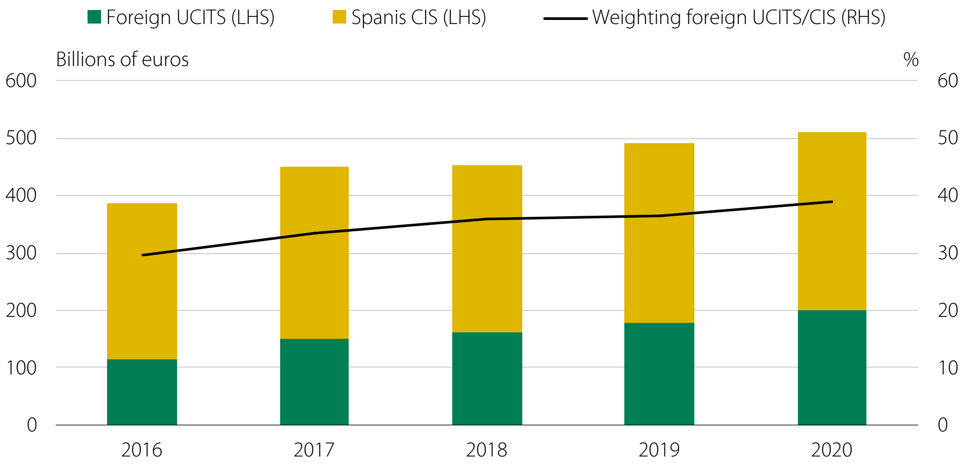
As seen in Figure 3.1.2, the volume of investment of foreign CISs marketed in Spain has seen a steady and significant increase in recent years, increasing fivefold between mid-2012 and the end of 2017. Continuing this trend, and despite the exceptional circumstances experienced in 2020, investment grew significantly once again, reaching €199.42 billion at the end of the year, 11.5% above the 2019 figure.

The number of foreign CISs registered with the CNMV grew by 15 in 2020, and hence at year-end there were a total of 1,048 undertakings of this type (407 funds and 641 companies). Unlike 2019, when growth was due solely to companies (the

3 Law 11/2009 of 26 October regulating SOCIMIs. SOCIMIs have a favourable tax treatment that exempts them from paying corporate income tax and allows them to enjoy a 95% credit on transfer tax and stamp duty. In return, they are required to distribute 80% of the profits obtained from rental income and 50% of the gains generated by the sale of assets. Their activities focus on the promotion, refurbishment and transaction of leased real estate, holdings in other SOCIMI and the performance of ancillary real estate activities. They are also required to have a minimum capital of €5 million and be listed on a regulated market or multilateral trading facility, such as the MAB.

number of funds was reduced by 30), in 2020, registrations exceeded deregistrations for funds, with eight more than in the previous year, and for companies, with seven more. Most of the registrations corresponded to vehicles from Luxembourg (10 more than in 2019), to stand at 472 (see Statistical Annex II.5). The number of French vehicles also increased by three, having fallen sharply in 2019 and 2018, with 70 fewer vehicles in the two years.

Assets of foreign CISs marketed in Spain[1] FIGURE 3.1.2



Source: CNMV. (1) From the first quarter of 2018, the data of unitholders and investment volume are estimated with the data received to date. With the entry into force of CNMV Circular 2/2017, of 25 October, the number of entities required to submit statistical information has increased and therefore the data for the last three years may not be fully comparable with the information published up to December 2017.

3.1.6 Collective investment scheme management companies (CISMCs)

A total of 123 CIS management companies were registered with the CNMV at year-end 2020, the same number as at the end of 2019, with two registrations and two deregistrations (for further details see Statistical Annex II.6). This halted the growth that had occurred over the last five years (between 2014 and 2019 the number of entities went from 96 to 123). Assets managed by CIS management companies decreased by 0.4% to slightly below €311 billion, in line with the general trend of the sector. As in previous years, around 90% of this figure corresponded to Spanish real estate investment funds, followed by foreign CISs, with assets managed by Spanish management companies of around €15.60 billion, which represents 4.9% of the total. This sector also remained highly concentrated: the three largest management companies held a combined share of 43.5% of total assets managed at year-end 2020, a figure that is higher than the 41.8% seen in 2019.

Despite the stability of the assets managed by CIS management companies, their aggregate profit before tax fell by 6.2% compared to 2019, a year in which they had already registered a significant fall, to stand at €909.6 million at the end of 2020. As in the previous year, this decrease was due to the decline in net fees and commissions, which make up more than 99% of CIS management companies' gross margin. Although fees and commissions paid fell by 2.0%, to €1.41 billion, the decrease in fees and commissions received was larger, at 2.3%, standing at €2.93 billion. This trend was due mainly to fees and commissions for CIS management, which are by far the most significant, with around 87% of the total received by the management companies, which declined by 3.5% to €2.55 billion. Fees and commissions received for subscriptions and redemptions fell by 7.8%, standing at just under €12 million. In contrast, fees and commissions under "Others" registered an increase of 6.7% due mainly to the performance of management fees for venture capital firms, which rose 26.3% to over €70 million (see Table 3.1.4). As a result of the decrease in management fees received, the average management fee for CISs fell in 2020 and stood at 0.82% at the end of the year, compared to 0.85% in 2019 (0.91% in 2018).

Income statement of CIS management companies TABLE 3.1.4

Amounts in thousands of euros

	2019	2020	Change (%)
Interest margin	**958**	**662**	**-30.9**
Net fees and commissions	1,556,633	1,515,601	-2.6
Fees and commissions received	2,998,367	2,928,983	-2.3
CIS management	2,637,719	2,545,899	-3.5
Subscription and redemption fees	12,672	11,689	-7.8
Other	347,975	371,393	6.7
Fees and commissions paid	1,441,734	1,413,382	-2.0
Profit from net financial investments	3,407	2,349	-31.1
Return on equity instruments	6,638	4,233	-36.2
Net exchange differences	-247	-1,053	326.3
Other operating income and expense, net	1,908	9,201	382.2
Gross margin	**1,569,297**	**1,530,993**	**-2.4**
Operating expenses	577,814	582,490	0.8
Personnel	323,777	325,113	0.4
General expenses	254,037	257,377	1.3
Depreciation, amortisation and other provisions, net	15,071	42,950	185.0
Impairment losses on financial assets	-70	783	–
Net operating profit	**976,482**	**904,770**	**-7.3**
Other gains/losses	-7,194	4,832	-167.2
Profit before tax	**969,288**	**909,602**	**-6.2**
Income tax expense	-272,760	-261,193	-4.2
Profit from continuing operations	**696,528**	**648,409**	**-6.9**
Profit/(loss) from discontinued operations	0	0	–
Net profit for the year	**696,528**	**648,409**	**-6.9**

Source: CNMV.

The declining profits in the sector caused an increase in the number of entities in losses (28 vs 7 in 2019). However, the added value of the losses fell slightly, down 2.7% to €7.6 million (see Table 3.1.5).

Profit before tax, number of loss-making entities and amount of loss TABLE 3.1.5

Amounts in thousands of euros

	Profit before tax	No. of loss-making entities	Amount of loss
2015	626,446	11	3,526
2016	600,818	13	7,369
2017	754,562	19	6,630
2018	1,115,425	26	11,541
2019	969,287	21	7,839
2020	909,602	28	7,627

Source: CNMV.

3.1.7 CIS depositories

As in the previous year, and after a large number of depositories were deregistered in 2018 corresponding to entities that had not been effectively performing the activity of a CIS depository and which the CNMV had contacted to suggest they should consider whether or not to remain in the registry, in 2020 there were very few movements. There was only one deregistration, bringing the number of depositories registered in December 2020 to 35, of which 22 were operational. Of these, vehicles belonging to banking groups clearly predominated in the sector, with 95.6% of total CIS assets deposited in these groups at year-end 2020, largely in line with the figure in 2019. The remaining 4.4% was divided among credit cooperatives, broker-dealers and insurance companies. Of the amount deposited in banks, 30.8% corresponded to branches of foreign financial institutions, mostly belonging to the European Union. Of this figure, more than 70% was concentrated in a single entity established in France.

3.2 Provision of investment services

Investment services may be provided by different types of entity: credit institutions, investment firms, a category that includes broker-dealers, brokers, portfolio management companies and financial advisory firms, and CIS management companies (CISMCs). Credit institutions are by far the largest providers of investment services in Spain and account for the bulk of fee and commission income in the different types of services. Broker dealers and brokers continue to have a relative weight of some significance, particularly in order transmission and execution. It should be noted that portfolio management companies, financial advisory firms and CIS management companies offer a more limited catalogue of investment services than broker-dealers and brokers.

Regardless of the type of entity, it can be inferred that around 67% of the business related to the provision of investment services in the broad sense[4] (measured through the fees and commissions received) is carried out by commercial banks or entities that are consolidated into commercial banks. The rest corresponds to entities or groups whose activity is mostly unrelated to commercial banking. Noteworthy among the latter, in view of the size of the revenue that they receive for this activity (see Section 3.2.3), are several credit institutions specialised in providing investment services.

4 Including the activity of CIS management.

This section provides a detailed description of the activity and the economic and financial position of entities subject to prudential supervision by the CNMV whose main activity is the provision of investment services.[5] It also focuses some attention on the activity of credit institutions that provide investment services and are therefore also subject to supervision by the CNMV with regard to compliance with rules of conduct in the market and in their relations with clients. In this latter case, the CNMV does not conduct a comprehensive supervision of the entities – that includes solvency and conduct of business rules –, as is the case with investment services companies and CIS management companies (see Section 3.2.1).

In 2020, a year marked by the shock caused by the COVID-19 pandemic, the activity of broker-dealers in terms of the provision of investment services increased compared to previous years. This growth was due to a company that belongs to a foreign credit institution significantly increasing its activity.[6] Due to Brexit, this institution decided to transfer part of its activity carried out in the United Kingdom to Spain, which is based on the processing and execution of client orders on derivatives. With the exception of this company, all others saw a reduction in activity, while brokers saw an increase.

The results of these entities continued to reflect the change in the business model that a significant number of broker-dealers and brokers are experiencing. Traditionally, fees and commissions for order processing and execution were the main source of income for both types of firm. However, for several years, a shift has been observed in the activity of broker-dealers belonging to credit institutions to their parent companies and the transfer of an amount of the trading of securities listed on Spanish stock markets to trading venues located in other European countries (see Section 2.1). In addition, some broker-dealers and brokers have specialised in other investment services and ancillary activities. These factors have led to a lower weight of fees and commissions for order processing and execution for a significant number of entities in the sector in recent years.

In contrast to the last few years, investments carried out by entities on their own account increased significantly among investment companies. These investments grew 218.7% compared to 2019 and accounted for 18.1% of the gross margin in the subsector. A large part of this increase was due to the sale of BME shares that were held by two broker-dealers that took part in the bid launched by SIX. It is also important to highlight the increase in other operating income and expenses, which accounted for 17.2% of the gross margin in 2020.

Brokers saw a slight increase in their income, mainly due to the increase in fees for investment advice. It should be noted that this would have been even higher if it had not been for the negative contribution of the gains/(losses) on financial investments of a company that was intervened by the CNMV.

The increase in income seen by broker-dealers and brokers led to a higher aggregate gross margin for the sector compared with the previous year. However, this increase in activity in the sector was accompanied by a sharp rise in operating expenses. This

5 The CNMV oversees broker-dealers and brokers, portfolio management companies and financial advisory firms both with regard to prudential supervision and in order to ensure compliance with rules of conduct. In the case of credit institutions, the CNMV only supervises this second factor with regard to the provision of investment services.

6 This entity is Credit Suisse Securities, SV.

was more significant for brokers, whose expenses grew at a higher pace than their income. In the total calculation, profit/(loss) before tax in the sector increased compared to 2019, although the performance differed between broker-dealers and brokers (profits up by 80.1% for former and a loss of 25.7% for the latter).

A large number of firms (32 out of 95) closed the year with losses (12 broker-dealers and 20 brokers). Aggregate losses decreased by 32.9% compared with the previous year. The large number of loss-making entities is still a reflection of a far-reaching adjustment process affecting the sector, which is due to the transfer of part of the business to credit institutions and the reorientation of the business from traditional investment services to other investment services, which are not as profitable (at least for the moment). The impact of the COVID-19 crisis on the sector does not appear to have been particularly significant in 2020. However, it is difficult to predict the future impact of this negative shock on the sector, as it will depend on its duration and final impact on the economy and the financial markets.

The sector's surplus equity over minimum requirements required by law decreased significantly, although it remained at comfortable levels. However, it is important to note that for a significant number of these entities the real buffer provided by the surplus equity over minimum requirements is low as these are not significant amounts in absolute terms.

With regard to financial advisory firms, both the total volume of assets under advice and profits fell substantially. It should be noted that the weight of retail clients increased for the third consecutive year to become the main type of client of these firms, to the detriment of non-retail clients (large investors, including CISs, and other institutional investors).

Only one portfolio management company was registered with the CNMV at the end of 2020, the same one as at year-end 2019. This does not mean that over recent years no entities have been created whose main business model is managing their clients' portfolios rather that these entities have preferred to operate as brokers. The requirements to set up a portfolio management company or a broker with a similar programme of activities are not very different, which favours the creation of brokers due to their flexibility when deciding to progressively provide other investment services.

3.2.1 Credit institutions

At the end of 2020, a total of 111 Spanish credit institutions (banks, savings banks and credit cooperatives) were registered with the CNMV which are able to provide investment services, one fewer than in 2019.[7] The small decrease was due to the deregistration of a subsidiary belonging to a foreign credit institution. The number of foreign credit institutions providing investment services in Spain at the end of the year stood at 487, 11 more than the previous year. 432 of the registered foreign credit institutions operated under the freedom to provide services regime and 55 through branches. Almost all of these institutions were from other Member States of the European Union (482 institutions, see Statistical Annex II.12).

7 It should be noted that in 2020, of the 111 registered credit institutions, 101 can actively provide investment services.

Table 3.2.1 shows the revenue obtained by credit institutions from the provision of securities services and the marketing of investment funds and other non-bank financial products. As seen in the table, the aggregate amount of fees and commissions received for the provision of securities services and marketing of CISs increased by 8.5% in 2020, to €4.78 billion.

The provision of investment services implied fees and commissions of €2.13 billion for credit institutions, 15.5% more than in 2019. The income obtained from the different investment services saw double-digit growth in all headings. In particular, commissions for processing and executing orders (21.5%) and for the placement and underwriting of securities (19.6%) rose sharply. Fees for investment advisory services and portfolio management grew by 12.1% and 10.7% respectively. The increase observed in income from order processing and execution could, at least in part, be related to the fact that trading in the securities markets was higher during the most turbulent moments of the crisis in an environment of high volatility (see Section 2).

As regards fees and commissions for ancillary services related to investment services, credit institutions received €1.02 billion, which represents a decrease of 10.9% compared with 2019. In this case, the fees and commissions recognised in respect of the various ancillary services grew sharply compared with the previous year, except for the administration and custody segment, which remained stable.

Income of credit institutions from the provision of securities services and marketing of non-bank financial products TABLE 3.2.1

Amounts in millions of euros

	2017	2018	2019	2020	% of total CI fees and commissions
For investment services	**1,759**	**1,735**	**1,847**	**2,133**	**14.0**
Placement and underwriting	283	217	296	355	2.3
Order processing and execution	571	510	498	605	4.0
Discretionary portfolio management	389	414	479	530	3.5
Investment advisory services	516	595	573	643	4.2
For ancillary services	**890**	**965**	**923**	**1,023**	**6.7**
Administration and custody	653	667	650	651	4.3
Financial reports and research	148	184	148	206	1.4
Other ancillary services	89	115	125	166	1.1
Marketing of non-bank financial products	**3,739**	**4,222**	**4,084**	**4,010**	**26.4**
Collective investment schemes	1,821	1,688	1,597	1,581	10.4
Pension funds	498	892	927	972	6.4
Insurance	1,330	1,507	1,437	1,377	9.1
Other	90	135	123	80	0.5
Total	6,387	6,922	6,854	7,166	47.2
***Pro memoria*:**					
For securities services and marketing of CISs	4,469	4,388	4,367	4,738	31.2
Total fee and commission revenue	**14,295**	**14,928**	**15,134**	**15,190**	**100.0**

Source: CNMV and Bank of Spain. In 2017, the confidential statements that credit institutions submit to the Bank of Spain were modified as a result of adaptation to the preparation criteria, terminology, definitions and formats of the FINREP (FINancial REPorting) statements of the European Union.

Income received from the marketing of non-banking products decreased by 1.8%. As in 2019, there was an increase in income from the marketing of pension funds and a decrease in income received from the marketing of CISs and insurance. The combined weight of income from providing securities services and marketing CISs in the total amount of fees and commissions received by these entities increased from 28.9% in 2019 to 31.2% in 2020. This occurred in a context in which total fees and commissions received by credit institutions barely changed (+0.4%). In recent years, the pressure of the low interest rate environment on income has given rise to a change in the business model of credit institutions, in order to compensate, as far as possible, the decrease in traditional revenues deriving from the interest margin with higher fees and commissions for banking and financial services.

The comparison of the fees and commissions received by credit institutions and investment firms shows the preponderant importance of the former in providing investment services. As shown in Table 3.2.2, this type of service is mostly provided by credit institutions. This is largely due to the fact that a significant number of investment firms (broker-dealers and brokers) whose leading or sole shareholder was a credit institution have disappeared with their activities now taken on by the credit institutions themselves. Credit institutions clearly exceed broker-dealers and brokers in services for processing or executing orders, a segment in which investment firms accounted for the bulk of the fees and commissions for many years. In 2013, this situation changed and in recent years, credit institutions have progressively gained market share in this segment, to stand at around 70%.

Fees and commissions received for investment services. 2020 TABLE 3.2.2

Amounts in millions of euros

	Broker-dealers and brokers[1]	Credit institutions (CI)	Total	% CI/total
Total Investment services	**464**	**3,714**	**4,179**	**88.9**
Placement and underwriting	7	355	362	97.9
Order processing and execution	276	605	882	68.7
Portfolio management	28	530	558	95.0
Investment advisory services	40	643	683	94.2
Marketing of CISs	113	1,581	1,694	93.3
Total ancillary services	**227**	**1,023**	**1,250**	**81.9**
Administration and custody	40	651	691	94.2
Other ancillary services	187	372	558	66.6

Source: CNMV and Bank of Spain. (1) Includes portfolio management companies.

In regard to ancillary services related to investment services, although credit institutions also carry more weight than investment firms, they are less significant than for investment services. It should be noted that in the heading "Other ancillary services", investment firms received more than 30% of the total income of this market segment.

3.2.2 Investment firms[8]

3.2.2.1 Broker-dealers and brokers

Authorisation and registration

At the end of 2020, a total of 95 broker-dealers and brokers were registered with the CNMV, the same number as at the end of 2019. This stability in the number of institutions, coupled with the increase registered last year, could be taken as a positive signal for the sector, especially in the context of uncertainty caused by the COVID-19 pandemic. It can be observed that banking groups are continuing to integrate their broker-dealers and brokers into the parent, which is leading to deregistrations. However, this is being offset by the registrations of independent institutions linked to non-banking entities. This highlights the transformation of the composition of the sector, with a growing presence of independent entities linked to non-bank financial groups.

As shown in Table 3.2.3, eight new firms were registered and eight firms were deregistered over the year. Of the first, four were independent brokers. The other four were a broker and two broker-dealers that belonged to non-bank financial groups and a broker owned by an Andorran bank. Four of the deregistrations were due to firms being integrated into the banking group they belong to (three broker-dealers and one broker). The other four entities that were deregistered were two independent brokers and two other brokers, one of which became a broker-dealer and the other became a CISMC (see Statistical Annex II.8).

There was one change of control among brokers and broker-dealers in 2020 (see Statistical Annex II.9). This change affected a broker that was acquired by a Swiss insurance company. The number of representatives used by investment firms decreased significantly from 2,305 at the end of 2019 to 1,760 at the end of 2020.

As usual, most of the broker-dealers and brokers that use an EU passport to operate in other countries of the European Union do so under the freedom to provide services regime. Specifically, at the end of 2020, 55 firms were operating under this regime (six more than in the previous year, see Statistical Annex II.10), while four Spanish firms had branches in other countries, two fewer than in 2019. The list of countries in which entities operated under the branch regime remained unchanged.

8 In accordance with Article 143 of the recast text of the Securities Market Act, investment firms include broker-dealers, brokers, portfolio management companies and financial advisory firms.

Registrations and deregistrations

TABLE 3.2.3

Type of entity	Firms at 31/12/19	Registrations	Deregistrations	Firms at 31/12/20
Spanish firms	**95**	**8**	**8**	**95**
Broker-dealers	39	2	3	38
Brokers	56	6	5	57
Foreign firms	**3,085**	**147**	**104**	**3,128**
With a branch	65	9	8	66
Freedom to provide services	3,020	138	96	3,062
***Pro memoria*:**				
Representatives	2,305	205	750	1,760

Source: CNMV.

As shown in Table 3.2.3, 147 firms authorised in other Member States informed the CNMV in 2020 of their intention to begin providing investment services in Spain. A total of 104 firms reported that they were ceasing to operate. Most of these notifications, both for registrations and deregistrations, corresponded to entities operating under the freedom to provide services regime, which increased in number to 3,062, above the figure of 3,020 in 2019. Most of the entities were authorised in the United Kingdom, followed at a considerable distance by entities authorised in Cyprus, the Netherlands and Germany. In turn, the number of foreign firms with branches went from 65 to 66. Despite the increase in the number of branches, there was a significant decrease in branches located in the United Kingdom (from 33 to 26) (see Statistical Annex II.7). This is undoubtedly related to Brexit. It is very important to note that UK institutions lost their EU passporting rights to operate in Spain on 1 January 2021. From then on, if they wish to continue to operate, they must re-register as non-EU entities. As of 31 March 2021, only two entities have been registered as branches and none of these operates under the freedom to provide services regime. Therefore, the number of entities operating under the freedom to provide services regime in Spain stands at 884.

With regard to entities authorised in other Member States that operate in Spain under the freedom to provide services regime, although the CNMV (as the authority of the host Member State) does not receive information on the activity that they perform, it is likely that many of them are not active entities (a situation which is often referred to as "just in case notifications").

Earnings

Broker-dealers and brokers obtained a combined profit before tax of €136.5 million in 2020, a rise of 80.1% on the previous year, due to the increase in profits obtained by broker-dealers (+98.0%). Brokers posted a decrease in profits of 25.7%.

The overall increase in sector profits was due largely to the better earnings obtained by broker-dealers and the reduction in the amount of the losses posted by loss-making firms. The increase in the profits obtained by five companies accounted for 88.0% of the combined rise in earnings for broker-dealers and brokers.

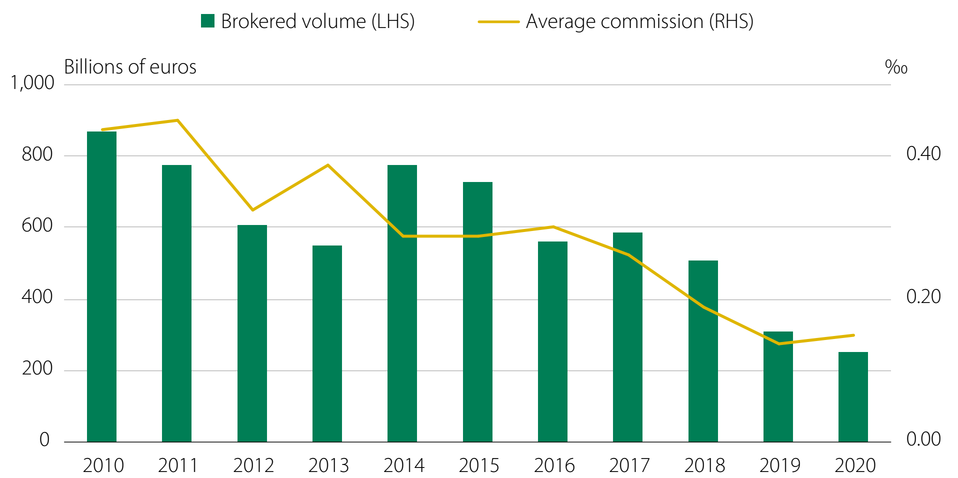
A total of 32 firms ended the year with losses, the same number as in 2019. However, the aggregate volume of losses was significantly lower, especially for broker-dealers. The losses of these firms decreased by 46.6%, while the reduction in losses made by brokers was 1.3% (see Tables 3.2.5 and 3.2.7).

As shown in Table 3.2.4, broker-dealers experienced a significant increase in income compared with the previous year. All items contributed to this rise, except for the interest margin and net exchange differences. In particular, there were notable increases in gains on financial investments (229.7%) and other operating income and expense (218.7%). The rise in net fees and commissions was 11.2%, although the performance of its different components was uneven.

Fees from order processing and execution remained the largest sources of income from the provision of services to third parties, marking a strong rise of 54.5% in 2020. This increase is explained mainly by the contribution of a company belonging to a foreign credit institution, mentioned above, whose main activity consists of processing and executing client orders.

For investment firms, these types of fees and commissions (for processing and executing orders) traditionally came from brokering activities in the Spanish equity markets. However, in recent years this type of brokering has been declining with respect to brokering carried out in other markets such as global equity and derivatives markets. Specifically, brokerage fees in Spanish equity markets went from accounting for 47.5% of the fees and commissions for processing and executing orders of broker-dealers in 2018 to 12.2% in 2020. This was due both to the decrease in brokered volumes in these markets and the lower brokerage fees applied in the past few years (see Figure 3.2.1). In 2020, the increase in the activity of the aforementioned broker-dealer, whose main business area is the processing and execution of client orders on securities other than Spanish equities, contributed to exacerbating this trend.

Broker-dealers that are stock market members: brokered volume and average effective fees and commission on equities in regulated Spanish markets FIGURE 3.2.1



Source: CNMV.

Most other items under fees and commissions decreased. The drop in fees and commissions received from the placement and underwriting of securities (-40.3%) and from investment advice (-75.2%) stand out. In the case of the latter, one entity, which received 77.8% of total income for this investment service in 2019, registered a decrease of 95.3% in 2020, reflecting the highly concentrated nature of this activity. The increase in income from "Other" fees and commissions received, which increased by 31.2%, should also be noted. Fees and commissions paid increased significantly (45.1% compared to the previous year) and accounted for 40.8% of fees and commissions received, 6.2 percentage points more than in 2019. This was because derivatives transactions showed the highest growth in 2020, forcing investment companies to make higher payments to third parties.

Gains on financial investments increased by 229.7% in the year, to stand at €97.1 million. These figures break the trend seen in recent years, as proprietary trading activity has been reduced to levels that can be considered low compared to investment companies in peer countries. However, the rise was not only due to the increase in proprietary trading but was also driven by the sale by two broker-dealers of the shares they held in BME as a result of the takeover launched by SIX. These sales represented a gain of €38.8 million, which translates into 57.4% of total growth in this heading. It is also important to highlight the increase in income from other operating income and expenses (218.7%), which stood at €92.2 million.

Broker-dealers' operating expenses also increased, in line with rise in activity in the sector. The two expense subheadings also grew: personnel expenses increased by 16.8%, while general expenses were up by 42.9%. Expenses for depreciation, amortisation and other charges also rose considerably (+349.2%), although their amount was still lower than other expense items. The fact that expenses as a whole increased at a lower rate than the gross margin (42.2%) led to a robust rise in operating profit (+123.3%), which went from €56 million in 2019 to €124.9 million in 2020. Profit before tax increased by 98.0% and stood at €128.7 million, almost double the amount shown in 2019, due to other income of €3.7 million.

Movements in the aggregate income statement over recent years reveal the change in the business model of a large number of broker-dealers, as described above. Their traditional main business, brokerage in securities markets, has been losing its relative importance, while marketing, management and advisory services provided to third parties and "Other" activities are increasingly important in their income statements. In this general trend there is an exception: a broker-dealer belonging to a foreign credit institution that transferred a significant part of its brokerage business to Spain. The activity of this company accounted for 57.6% of the total income for broker-dealers for processing and executing client orders.

As in recent years, a small number of companies generated most of the profits in this subsector. Specifically, at the end of 2020, four broker-dealers accounted for 62.1% of the total profits of companies reporting a profit, and 68.4% of the aggregate profit.

Income statement of broker-dealers[1]

TABLE 3.2.4

Amounts in thousands of euros

	2019	2020	% change 20/19
Interest margin	**38,125**	**35,957**	**-5.7**
Net fees and commissions	**279,650**	**310,868**	**11.2**
Fees and commissions received	427,813	525,812	22.9
Order processing and execution	164,606	254,307	54.5
Placement and underwriting	8,849	5,279	-40.3
Deposit and book-entry of securities	42,643	39,260	-7.9
Marketing of CISs	53,506	50,985	-4.7
Portfolio management	15,102	13,128	-13.1
Investment advisory services	23,400	5,813	-75.2
Other	119,707	157,040	31.2
Fees and commissions paid	148,163	214,944	45.1
Gains/(losses) on financial investments	**29,452**	**97,113**	**229.7**
Net exchange differences	117	-981	-
Other operating income and expense	28,949	92,259	218.7
Gross margin	**376,293**	**535,216**	**42.2**
Operating expenses	316,406	396,091	25.2
Personnel	214,600	250,567	16.8
General expenses	101,806	145,524	42.9
Depreciation, amortisation and other charges	3,265	14,665	349.2
Impairment losses on financial assets	644	-533	-
Net operating profit	**55,978**	**124,993**	**123.3**
Other gains/losses	9,033	3,736	-58.6
Profit before tax	**65,011**	**128,729**	**98.0**
Income tax expense	10,483	25,801	146.1
Profit from continuing operations	**54,528**	**102,928**	**88.8**
Profit/(loss) from discontinued operations	**0**	**0**	**–**
Net profit for the year	**54,528**	**102,928**	**88.8**

Source: CNMV. (1) Includes information from all firms that were included in the CNMV registries at any time during the year, not only at year-end.

An analysis by entity shows that 12 broker-dealers posted losses before tax, one fewer than at year-end 2019 (see Table 3.2.5). Seven of these had already suffered losses in 2019. Of these 12 companies, ten are independent entities and two belong to a financial group. Accumulated losses were €13.9 million in 2020, down from €29.9 million in 2019. It should be remembered that the overall losses of broker-dealers in 2019 were marked by the losses of two broker-dealers belonging to foreign credit institutions. If the specific losses of these two entities are discounted, the losses recorded by the rest of the entities in 2019 would have been €13.0 million, a somewhat lower amount (6.9%) than the losses recorded in 2020.

Profit before tax, number of loss-making firms and amount of loss before tax TABLE 3.2.5

Amounts in thousands of euros

	Profit before tax (total)[1]	No. of loss-making firms	Amount of loss before tax
Broker-dealers			
2017	158,561	7	-14,701
2018	103,853	18	-28,789
2019	65,011	13	-29,901
2020	102,928	12	-13,930

Source: CNMV. (1) Includes results of all firms which were included in the CNMV registries at any time during the year, not only at year-end.

All broker-dealers receive income mainly from the provision of services to third parties because they cannot carry out investment activities on their own account. While some of the brokers obtain the bulk of their revenue from processing and executing orders, most of them tend to specialise in certain services, such as marketing CISs or portfolio management. Independent entities predominate in this subsector (50 out of 57). The number of broker-dealers controlled by a financial group stands at 11 and, therefore, 27 broker-dealers can be considered independent.

Aggregate profit before tax of brokers fell by 25.7% in 2020 to €7.7 million. The decline in earnings was due to the higher costs, which grew faster than the increase in income.

Net fees and commissions grew by 9.9% on the previous year. In gross terms (fees and commissions received), the increase in investment advice stood out, up by almost €20 million (139.7%). Income growth from issuance placement and underwriting (271.9%) was also robust, although the amount is small in relation to that of other services. However, fees and commissions received from other items all decreased. The most notable falls corresponded to “Other” fees and commissions (-14.0%) and order processing and execution (-5.0%). The rest of the fees and commissions categories did not show large variations: commissions from marketing of CISs fell by 1.2% and portfolio management fees by 2.3%.

The increase in income from fees and commissions of brokers was reflected in a small rise in fees paid to third parties (6.7%). Furthermore, the positive performance of fee and commission income contrasted with the large losses on financial investments of an entity that had to be intervened by the CNMV. Therefore, growth in the aggregate gross margin decreased to 2.9%, standing at €137.6 million.

Operating expenses rose by 9.3%, due to the significant growth in personnel expenses (14.0%), since general expenses were largely unchanged (0.5%). The combination of growth in income that was lower than the rise in expenses brought net operating profit to €3.3 million, which was 64.0% less than in 2019.

Income statement for brokers[1] TABLE 3.2.6

Amounts in thousands of euros

	2019	2020	% change 20/19
Interest margin	**1,252**	**932**	**-25.6**
Net fees and commissions	**130,293**	**143,162**	**9.9**
Fees and commissions received	150,842	165,094	9.5
Order processing and execution	23,194	22,035	-5.0
Placement and underwriting	580	2,157	271.9
Deposit and book-entry of securities	879	754	-14.2
Marketing of CISs	62,866	62,134	-1.2
Portfolio management	14,890	14,554	-2.3
Investment advisory services	14,183	33,990	139.7
Other	34,250	29,470	-14.0
Fees and commissions paid	20,549	21,932	6.7
Gains/(losses) on financial investments	**910**	**-5,562**	**–**
Net exchange differences	75	-596	-
Other operating income and expense	1,119	-372	–
Gross margin	**133,648**	**137,564**	**2.9**
Operating expenses	120,787	132,069	9.3
Personnel	79,015	90,074	14.0
General expenses	41,772	41,995	0.5
Depreciation, amortisation and other charges	3,542	2,130	-39.9
Impairment losses on financial assets	35	26	-25.7
Net operating profit	**9,284**	**3,339**	**-64.0**
Other gains/losses	1,159	4,417	281.1
Profit before tax	**10,443**	**7,756**	**-25.7**
Income tax expense	4,280	4,920	15.0
Profit from continuing operations	**6,163**	**2,836**	**-54.0**
Profit/(loss) from discontinued operations	**0**	**0**	**–**
Net profit for the year	**6,163**	**2,836**	**-54.0**

Source: CNMV. (1) Includes information from all firms that were included in the CNMV registries at any time during the year, not only at year-end.

This year, other gains and losses contributed to profit/(loss) before tax in an amount that was higher than net operating profit (€4.4 million), which represented an increase of 281.1% in 2020. This large increase was partly due to the sale of BME shares by a broker following the bid launched by SIX, which generated a gain of €2.1 million.

The drop in profit before tax affected brokers very unevenly. 27 of those registered at the end of both 2019 and 2020 posted better earnings. Otherwise, there was an increase in both the number of entities in losses (19 to 20) and the amount of the losses, which went from €11.3 million in 2019 to €13.7 million in 2020. It is important to note that 13 of the 20 loss-making brokers at the end of 2020 had already suffered losses in the previous year (see Table 3.2.7).

Profit before tax, number of loss-making firms and amount of loss before tax TABLE 3.2.7

Amounts in thousands of euros

	Profit before tax[1]	No. of loss-making firms	Amount of loss before tax
Brokers			
2017	16,766	13	-7,952
2018	12,532	21	-10,947
2019	10,443	19	-11,349
2020	7,756	20	-13,744

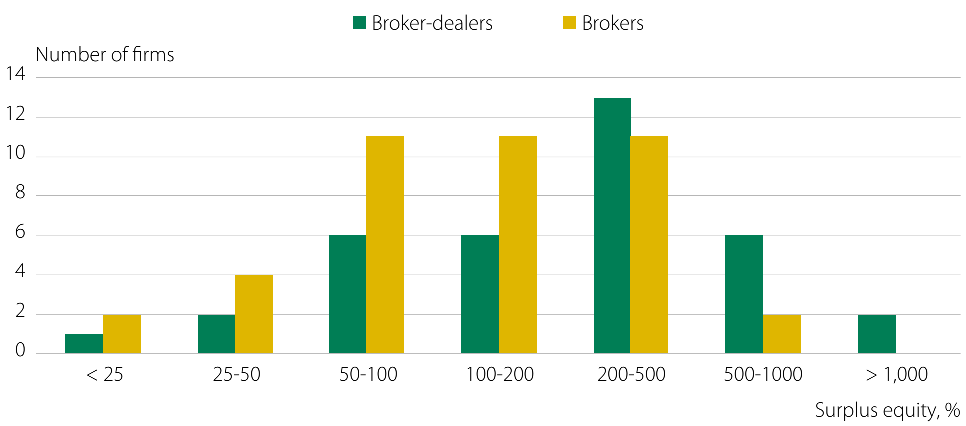
Source: CNMV. (1) Includes results of all firms that were included in the CNMV registries at any time during the year, not only at year-end.

Solvency

The sector as a whole continued to exhibit relatively high solvency levels in 2020. At the end of the year, the capital surplus was 2.8 times the capital requirement. However, this figure was considerably lower compared to the figure at the end of 2019 (4.9 times). However, as indicated above, in absolute terms this buffer is too small to be significant.

As is usual, this margin was generally greater in broker-dealers than in brokers. While the equity surplus for broker-dealers was around 2.8 times, it remained at 2 times for brokers. The overall solvency figure for the sector decreased due to the performance of broker-dealers, whose surplus over the capital requirement was almost two times lower compared to 2019. The broker-dealers with larger surpluses were mainly responsible for this decline. With regard to the distribution of this ratio, Figure 3.2.2 shows that most broker-dealers have a capital surplus of over 200% at the end of 2020. Brokers, however, continued to show more uneven figures. Only one broker-dealer closed the year with a capital deficit (no brokers).

Surplus capital over minimum requirements for broker-dealers and brokers FIGURE 3.2.2



Source: CNMV.

3.2.2.2 Financial advisory firms

Financial advisory firms are a type of investment firm which was introduced as a result of the transposition of MiFID I Directive to Spanish law. These firms offer their clients the reserved activity of advisory services in financial investments. They have an extensive portfolio of retail clients, although their income mainly comes from advising large investors, including CISs and other institutional investors. Since the entry into force of MiFID II, these entities can offer independent or non-independent advice.

At year-end 2020, 140 financial advisory firms were registered with the CNMV, the same number as in 2019. Eight new firms were registered and eight were deregistered during the year. It is important to indicate that two of them were deregistered as they were converted into brokers.

Total assets under advisory services amounted to €12.05 billion. Of this amount, €7.32 billion corresponded to independent advice. Compared with the previous year, the total assets under advisory services decreased by 44.3%, which may have been due to the increased competition from credit institutions in the investment advisory services areas. Most of the advisory service contracts signed corresponded to retail clients (94.5% of a total of 7,262). Furthermore, in contrast to previous years, these contracts accounted for the majority of the assets under advisory services (56.4%). Although both the assets under advisory services of retail clients and non-retail clients fell, the decrease in the latter was much greater (60.1% compared to 18.2%). This trend, which has been in place for several years now, implies that financial advisory firms continue to lose market share in the investment advisory segment and also that their business model is shifting towards one in which the retail segment is more prominent (see Table 3.2.9).

Lastly, the combined profit of these types of entities fell notably from €7.9 million in 2019 to €5.1 million in 2020. This decrease was a reflection of the lower fee and commissions received from clients and, to a lesser extent, from rebates and fees and commissions from other entities. Specifically, fees charged directly to customers went from €45.4 million in 2019 to €37 million in 2020.

Financial advisory firms: number of contracts and volume of assets under advisory services TABLE 3.2.8

Amounts in thousands of euros

	2019	2020	% change 20/19
Number of contracts			
Retail clients	6,005	6,861	14.25
Non-retail clients	432	401	-7.18
Total	**6,524**	**7,262**	**11.31**
Assets under advisory services (thousands of euros)			
Retail clients	8,313,608	6,797,540	-18.24
Non-retail clients	13,314,069	5,251,642	-60.56
Total	**21,627,677**	**12,049,182**	**-44.29**

Source: CNMV.

3.2.3 Considerations on the provision of investment services in Spain by credit institutions and investment firms

Information on the provision of investment services in Spain from a broad point of view (i.e., including the activity of CIS management even though it is not strictly an investment service from a legal point of view) is usually presented in accordance with the type of entity performing said activity: credit institution, investment firm or CIS management company. However, a less formal approach, and therefore one that is more substantive and in line with the entities' business model and their link to commercial banks, makes it recommendable to delineate more accurately what part of the business related to providing investment services is performed by banks that may be defined as commercial banks, i.e., whose income mainly comes from providing typical bank services (deposits, loans etc.), and what part is performed by entities that may be considered to be specialised in providing investment services. This last group of entities would be formed by independent investment firms and CIS management companies (that is, not subsidiaries of commercial banking groups) and by banks specialised in the provision of investment services.

One part of this analysis consists of identifying the companies that have the legal form of a bank, but whose business model is mostly based on providing investment services. For this purpose, the ratio of revenue received for providing investment services as a part of the entity's total revenue can be taken, identifying as banks specialised in investment services any entity with a ratio of over 65%.[9] It is estimated that the amount of income for providing investment services corresponding to these companies in Spain was €1.23 billion in 2020 as a whole. However, if the volume of fees and commissions that these entities pay as rebate fees to third parties are taken into account, which in some cases are of a significant amount due to their specific business model, the volume of revenue would fall to a figure of slightly under €896 million (around 18.9% of total fees and commissions received by the credit institutions in this business).

In the case of non-bank financial entities (broker-dealers, brokers and CIS management companies), those belonging to a commercial banking group and which, therefore, would fall within the scope of the provision investment services of this type of entity, have been identified. In the scope of brokers and broker-dealers, these are currently insignificant as credit institutions have been absorbing those belonging to their group over recent years in the context of a major reorganisation of the Spanish financial sector. As a result of this process, in 2020, Banco Santander took over a broker-dealer belonging to Banco Popular. At the end of 2020, there were a total of four broker-dealers belonging to Spanish credit institutions whose main business was commercial banking. These accounted for 32% of the total assets of broker-dealers in 2020 and around 11% of the income received by this type of entity. In the area of CIS management companies, the importance of those linked to commercial banks is higher as they account for 63% of the net rebate fees resulting from CIS management and 71% of the total amount of the fees received by management companies as a whole.

In view of all these considerations, it is estimated that in 2020 67% of the business related to providing investment services in Spain (including the marketing of CISs and measured through the fees and commissions received for these activities) was

9 The main entities by volume of revenue received include Allfunds, Banco Inversis, Cecabank, and Renta 4.

performed by traditional commercial banks or by entities that belong to their groups, while the rest was performed by financial entities that are specialised in providing investment services and without links to commercial banking. This percentage is somewhat lower than that estimated in 2019 (68%) and follows the downward trend observed since 2017.

A strong independent sector specialised in investment services can be considered positive, as it is likely to bring added value to the sector in terms of innovation, dynamism and competition. In addition to the resulting benefits in terms of lower costs and improved service for investors, this is interesting from two other perspectives: i) the desirable greater balance between pure bank financing and financing of companies through markets, and ii) the efforts to boost the investor culture of Spanish people, which, in addition to being characterised by a low propensity to save, is more focused on investments in real estate and in very low-risk products when compared with the patterns seen in other European economies.

3.3 Venture capital firms and crowdfunding platforms

3.3.1 Venture capital and other closed-ended collective investment undertakings

Undertakings registered with the CNMV

Despite the health crisis caused by the pandemic, in 2020, private equity and venture capital activity followed the upward trend of the previous years, in terms of both vehicles and management companies. In total, 112 closed-ended investment vehicles and 18 new closed-ended management companies were registered, and the CNMV registry closed the year with a total of 546 investment vehicles and 119 management companies. This represents an increase of 19.2% and 12.3%, respectively, compared to 2019 figures, marking a new all-time high.

With regard to closed-ended investment vehicles, among the aforementioned 112 registrations, there was once again a wide variety of legal forms and investment objectives. 81 venture capital entities were registered, four of which were SME venture capital entities. Twelve European venture capital funds (EuVECA) and one European social entrepreneurship fund (EuSEF) were also registered. In total, at 31 December 2020, 31 venture capital funds and four social entrepreneurship funds were registered, which represents an increase of 40% compared with the previous year.

In 2020, registrations of closed-ended collective investment undertakings were once significant, with a total of 18 new entities, four of which were closed-ended collective investment companies and 14 were closed-ended collective investment funds. These investment vehicles, introduced by Law 22/2014, of 12 November, enjoy a great deal of flexibility with regard to investment rules both in terms of investment policy and compliance with investment ratios. It should be noted that a significant number of these vehicles start out with a small number of assets and concentrate their investment in a single company.

Additionally, it should be mentioned that the initiative of Instituto de Crédito Oficial (ICO), through the FOND-ICO Global, was especially relevant in 2020. The ICO Board approved an increase of €2.50 billion, putting the amount available for investment in the next five years at €4.5 billion. A new call, the twelfth, was also completed during the year with the selection of 11 funds (three growth capital, four venture capital, two incubation/transfer of technology and two debt funds), in which it will invest €202 million, most of which have already been registered with the CNMV. Additionally, FOND-ICO Global has launched its 13th and largest ever call in terms of both the amount, which is estimated at €430 million and the number of funds in which it will invest, which be as many as 16. Thus, the €2,000 million the fund was initially endowed with will have been effectively channelled and it is estimated that more than €7.60 billion will have been injected into Spanish companies.

The number of management companies of closed-ended collective investment undertakings rose by 18, leading to a total of 119 such companies registered with the CNMV at 31 December 2020. The proliferation of management companies managing venture capital funds and social entrepreneurship funds stands out this year. Specifically, 10 management companies specialised in this type of vehicle were registered.

Registrations and deregistrations in 2020 TABLE 3.3.1

Type of entity	Entities registered at 31/12/19	Registrations	Deregistrations	Entities registered at 31/12/20
Venture capital companies	148	44	8	184
Venture capital funds	210	33	8	235
SME venture capital companies	19	0	1	18
SME venture capital funds	10	4	1	13
European venture capital funds	20	12	1	31
European Social Entrepreneurship Funds (EuSEF)	5	1	2	4
Total venture capital undertakings	**412**	**94**	**21**	**485**
Closed-ended collective investment companies	26	4	2	28
Closed-ended collective investment funds	20	14	1	33
Total closed-ended collective investment undertakings	**46**	**18**	**3**	**61**
Total venture capital undertakings+closed-ended collective investment undertakings	**458**	**112**	**24**	**546**
Management companies of closed-ended collective investment undertakings	**106**	**18**	**5**	**119**

Source: CNMV.

Key figures on the venture capital sector

According to ASCRI (Association of Spanish venture capital firms) estimates, 2020 ended with an investment volume of €5.56 billion, with a total of 765 transactions, which is higher than the maximum number of investments made in 2019. This trend reflects the buoyant investment trend, although the clear decrease in the number of large transactions (over €100 million) led to a fall in total investment volume of close to 30%.

The venture capital segment was the main driver in terms of the number of operations (624), with an investment volume of €750 million. The international venture capital subsegment posted a new high, with 135 investments made (44 more than in 2019) with a volume of €459 million. In many cases, these investments helped finance large joint venture transactions with Spanish funds.

In sector terms, the highest investment volumes corresponded to communications sector (28%), followed by the IT sector (25.4%) and consumer products (10%). By number of investments, the IT sector stood out (342 transactions), followed by medicine and healthcare (85 transactions) and the biotechnology and genetic engineering sector (54 transactions).

The rate of divestments made in 2020 slowed compared to the previous year because the objective, in most cases, was to preserve the portfolio. In total, divestments totalled €1.13 billion, in the form of 223 transactions.

3.3.2 Crowdfunding platforms

No applications were submitted in 2020 for authorisation of crowdfunding platforms. Consequently, as from the publication of Law 5/2015, of 27 April, promoting business financing, up to the end of the year, the number of applications totalled 74. However, it should be noted that a new procedure called pre-notification has been enabled, in order to be able to carry out a preliminary assessment of crowdfunding project and anticipate problems that could affect a potential application for authorisation. Five pre-notifications of projects were received in the year, one of which materialised in an application for authorisation in January 2021. Thus, factoring in the pre-notifications mentioned above, with the exception of the upturn in 2018, the number of applications filed continued to fall, with figures that were much lower than those recorded in the early years: 24 applications in 2015 and 21 in 2016. However, it should be remembered that in 2015 most of the applications related to platforms that were already operating as such and which, as a consequence of the new regulation, had to adapt to the legislative requirements in order to be able to continue their business.

Number of crowdfunding platform applications TABLE 3.3.2

Platform type	Equity	Lending	Mixed	No data[1]	Total
2015	10	12	1	1	**24**
2016	7	7	7	0	**21**
2017	3	3	3	0	**9**
2018	2	4	6	0	**12**
2019	1	5	2	0	**8**
2020	0	0	0	0	**0**
Cumulative total	**23**	**31**	**19**	**1**	**74**

Source: CNMV. (1) The application for authorisation did not indicate the type of crowdfunding platform.

In 2020, four crowdfunding platforms were authorised, two of them mixed, for loans and equity, and two for loans. In addition, in the year one entity withdrew its application compared to five in 2019 and 13 in 2018 that were withdrawn or assumed to have been withdrawn.

Number of authorised crowdfunding platforms

TABLE 3.3.3

Platform type	Equity	Lending	Mixed	Total
2015	1	0	0	**1**
2016	8	8	2	**18**
2017	4	2	3	**9**
2018	2	0	0	**2**
2019	1	0	2	**3**
2020	0	2	2	**4**
Cumulative total	**16**	**12**	**9**	**37**

Source: CNMV.

Number of rejected or withdrawn crowdfunding platforms

TABLE 3.3.4

Platform type		Equity	Lending	Mixed	No data[1]	Total
2016	Rejected	1	0	0	0	**1**
	Withdrawn	2	4	0	1	**7**
2017	Rejected	1	2	1	0	**4**
	Withdrawn	1	2	1	0	**4**
2018	Rejected	0	0	1	0	**1**
	Withdrawn	2	5	6	0	**13**
2019	Rejected	0	0	0	0	**0**
	Withdrawn	0	3	2	0	**5**
2020	Rejected	0	0	0	0	**0**
	Withdrawn	0	1	0	0	**1**
Cumulative total	**Rejected**	**2**	**2**	**2**	**0**	**6**
	Withdrawn	**5**	**15**	**9**	**1**	**30**

Source: CNMV. (1) The application for authorisation did not indicate the type of crowdfunding platform.

As a result of these authorisations and subsequent registrations and deregistrations, a total of 27 platforms were registered with the CNMV Registry at 31 December 2020. Specifically, two new entities were registered during the year and three were deregistered. Four were registered in 2019, 5 in 2018, 8 in 2017, 12 in 2016 and 1 in 2015. Likewise, in 2019 two entities were deregistered. The key features of the registered platforms include:

– 10 are equity platforms, 8 are lending platforms and 9 are mixed.

– 8 are real estate platforms (1 is a lending platform, 4 are equity platforms and 3 are mixed).

– 12 have their registered address in Madrid, 7 in Barcelona, 3 in Valencia, 1 in Soria, 1 in Ávila, 1 in Santa Cruz de Tenerife, 1 in Las Palmas and 1 in Bilbao.

– One lending crowdfunding platform and one equity crowdfunding platform, both registered in 2016, are controlled by foreign companies engaged in crowdfunding activities.

– Only 1 platform, registered in 2016, is a hybrid platform (it is authorised to act as a crowdfunding platform and as a payment institution).

Number of registered crowdfunding platforms

TABLE 3.3.5

Platform type		Equity	Lending	Mixed	Total
2017[1]	Madrid	0	1	3	**4**
	Barcelona	2	0	0	**2**
	Total	3	1	4	**8**
2018[1]	Madrid	1	1	0	**2**
	Barcelona	1	0	1	**2**
	Total	3	1	1	**5**
2019[1]	Madrid	1	0	1	**2**
	Barcelona	0	0	0	**0**
	Total	2	0	2	**4**
2020[1]	Madrid	0	0	0	**0**
	Barcelona	0	0	1	**1**
	Total	0	1	1	**2**
Cumulative total[2]	**Madrid**	**4**	**5**	**3**	**12**
	Barcelona	**4**	**1**	**2**	**7**
	Total	**10**	**8**	**9**	**27**

Source: CNMV. (1) Additionally, in 2016 a crowdfunding platform was registered with its registered office in Soria and another in Valencia. In 2017, a crowdfunding platform was registered with its registered office in Santa Cruz de Tenerife and another in Valencia. In 2018, a crowdfunding platform was registered with its registered office in Bilbao, and in 2019, one in Avila and another in Las Palmas. In 2020, a crowdfunding platform was also registered with its registered office in Valencia. (2) The sum of the different years does not coincide with the accumulated total as a consequence of the two deregistrations made in 2019 (one equity crowdfunding platform with its registered office in Madrid, and another for loans in Barcelona) and of the three deregistrations in 2020 (one equity platform, one for loans and another mixed).

The information received from the platforms on their activity in 2020 shows that these entities raised €92.5 million, a decrease in volume of 32.9% compared with 2019, at levels very close to those of 2018. It is worth mentioning that this decrease was due almost exclusively to an entity whose business model did not conform, according to the criteria of the CNMV, to the legal crowdfunding regime, which is why its removal from the registry is being processed. The number of investors increased significantly during the year to reach 32,621, 40.2% more than at the end of 2019. As in previous years, the sector is fairly diverse, as three of the platforms accounted for 58.6% of the total financing raised and 49.8% of investors.

Lastly, it should be noted that on 10 November 2020, Regulation 2020/1503, of 7 October 2020, on European crowdfunding service providers for business, entered into force, which will be applicable from 10 November 2021. The Regulation establishes standard requirements for the provision of crowdfunding services, the organisation, authorisation and supervision of crowdfunding service providers, the operation of crowdfunding platforms and transparency and advertising communications in relation to the provision crowdfunding services European Union, incorporating important new features in Spanish regulations. The Regulation provides for the cross-border provision of crowdfunding services in a Member State other than the one whose competent authority has granted authorisation. To do this, the corresponding application must be submitted in the Member State in which the authorisation has been granted, indicating, among others, the countries in which it intends to provide the services, the people in charge and the planned start date for the provision of the service.

II CNMV actions in the securities markets

4 Issuers' financial and corporate governance disclosures

4.1 Financial disclosures

Annual financial reporting[1]

Issuers of securities listed on an official secondary market or any other regulated market domiciled in the European Union, when Spain is their home Member State, are obliged to file an annual financial report with the CNMV, comprising their annual financial statements, the audit report, the management report and statements of responsibility for their content, with the exceptions provided for in current legislation.[2]

The CNMV received 277 annual reports for 2019 (including both individual and consolidated reports) from 144 issuers, excluding asset securitisation funds and bank asset funds. The number of issuers was 5% down on the previous year, mainly as a result of the delisting of companies, compared to the listing of one non-financial company.

The percentage of audit reports with an unqualified opinion stood at 97.8%, slightly higher than the figure of 97.3% for the 2018 annual financial statements. For the twelfth consecutive year, all audit reports of Ibex 35 companies contained an unqualified opinion. In the group of issuers, in 2019 three submitted qualified reports (two of them also in 2018) and none submitted a report with a denied opinion (one issuer in 2018).

It should be noted that one of the three issuers filing a qualified audit report in 2019 subsequently resolved the issue by restating its individual and consolidated financial statements.

The number of audited annual financial statements of received by the CNMV totalled 297 (317 in 2018), including accounts of funds in liquidation and the accounts of private funds. The audit reports of ten funds included emphasis of matter paragraphs, of which seven were related to cases of funds in liquidation, one referred to the constitution of the fund during the year and two called attention to the fact that the portfolio of securitised assets was mainly made up of credit rights involved in bankruptcy proceedings. In 2018, there were two annual reports whose audits included some type emphasis of matter paragraph.

1 Annual financial reporting is available at www.cnmv.es, in the section on regulated information on issuers under the heading of "Annual financial reports", where the official registries of the audited annual accounts of companies that issue securities may be consulted.

2 See Article 121 of the recast text of the Spanish Securities Market Act.

Summary of issuer annual financial reports received by the CNMV (excluding securitisation funds and bank asset funds) TABLE 4.1.1

	2017		2018		2019	
	Number	%	Number	%	Number	%
Audits received by the CNMV	**297**	**100.0**	**292**	**100.0**	**277**	**100.0**
Individual financial statements	155	52.2	152	52.1	144	52.0
Consolidated financial statements	142	47.8	140	47.9	133	48.0
Special reports under Ministerial Order 30/9/92	5	–	4	–	4	–
Audit opinion						
Unqualified opinion	292	98.3	284	97.3	271	97.8
Qualified opinion	5	1.7	6	2.1	6	2.2
Disclaimer of opinion or adverse opinion	0	0.0	2	0.7	0	0.0
Type of qualification						
Audits with exceptions	2	0.7	2	0.7	0	0.0
Audits with scope limitations	5	1.7	6	2.1	6	2.2
Effects of exceptions						
Effects on profit						
Audits with positive effects	0	0.0	0	0.0	0	0.0
Audits with negative effects	0	0.0	2	0.7	0	0.0
Effects on equity						
Audits with positive effects	0	0.0	0	0.0	0	0.0
Audits with negative effects	0	0.0	0	0.0	0	0.0
Nature of emphasis of matter paragraphs						
Going concern related	25	8.4	23	7.9	21	7.6
Asset recovery related	0	0.0	2	0.7	2	0.7
COVID-19 related	0	0.0	0	0.0	32	11.6
Other circumstances	1	0.3	1	0.3	5	1.8

Source: CNMV.

The Securities Market Act entrusts the CNMV with the duty of verifying that the regulated periodic information has been prepared in accordance with applicable regulations. In order to perform this important duty – which contributes year after year to improving the quality of the financial reporting of Spanish issuers –, the CNMV is empowered to require listed companies to publish additional information, reconciliations, corrections and, if necessary, restatements of their published financial information.

In this process, the CNMV addresses issuers when necessary, requesting clarifications or data on specific matters in writing. The additional information that issuers provide in response to these requests is generally published in the official registers and can be consulted on the CNMV website.

Firstly, all financial reports received are submitted to review, focusing on their formal correctness and compliance with the applicable rules and standards, as well as other questions relating to specific regulatory changes. In the formal review of 2019 financial statements and management reports, this involved checking that: i) the statement of responsibility for the content of the annual financial statements is signed by all the directors (Article 8 of Royal Decree 1362/2007); ii) the Annual Corporate Governance Report (ACGR) is included as part of the management report and includes a description of the Internal Control over Financial Reporting (ICFR); iii) there are no material differences between the annual financial statements and the financial reporting of the second half-year submitted previously; and, in the event that such differences do exist, that they have been reported within the period of 10 business days following preparation of the accounts, in accordance with Article 16.3 of Royal Decree 1362/2007; iv) where called for, the audit partner signing the audit report has been duly rotated (Article 40 of Law 22/2015, of 20 July, on Account Auditing), and v) the non-financial information statement (NFIS) is included as part of the management report for entities meeting certain requirements (Law 11/2018, of 28 December). The content of the qualifications and emphasis of matter paragraphs of the audit report is also analysed, and the issues detected in the reviews of previous years are followed up.

Secondly, the CNMV performs a substantive review of a certain number of audited annual accounts. A mixed model of selection is used to identify which entities should be subjected to this review. It is based on risk and random rotation, in accordance with the ESMA guidelines on enforcement. In 2012, the European supervisors agreed to establish annually – in coordination with ESMA – common enforcement priorities for financial statements to promote the consistent application of International Financial Reporting Standards (IFRS) throughout the European Union. In addition, the CNMV incorporates other critical review areas into its work plan to supplement the priorities established by ESMA.

In 2020, no requests for additional information were sent to any entities subject to substantive review as a result of filing a qualified audit report. However, requests were sent to 33 entities in the year, of which 28 were subject to substantive review (partial or full). The reasons for the requests were: i) additional information to be provided on matters regarding recognition or measurement accounting policies (29 entities), and ii) an extension of the disclosures of the information provided in the annual financial report (32 entities).

In relation to the NFIS, it should be noted that of the 144 issuers that submitted individual financial statements and the 133 that submitted consolidated financial statements for the 2019 financial year, 45 were required to include an NFIS in their individual management report and 97 in their consolidated report (31% and 73%, respectively). These figures were similar to those of the previous year.

Law 11/2018 requires that the information included in the NFIS be reviewed by an independent provider of verification services. As a result of this verification, two issuers submitted qualifications in 2019 (13 in 2018). Following requests submitted to both issuers, they explained the reasons why they did not have the information or had not provided it at the end of 2019, stating that they would include the information omitted in their 2020 NFIS.

The supervisory work of the CNMV on NFIS follows a similar approach to that of financial information and reviews are carried out at two levels: formal and substantive, the latter applicable only to a sample of issuers, identified according to a selection model and described above.

Further, it should be noted that the NFIS was established as one of the supervisory priorities for 2019 by ESMA and the CNMV. The review of the NFIS of all substantive entities required the preparation of these statements focused on the priorities defined and on the significant aspects of each entity.

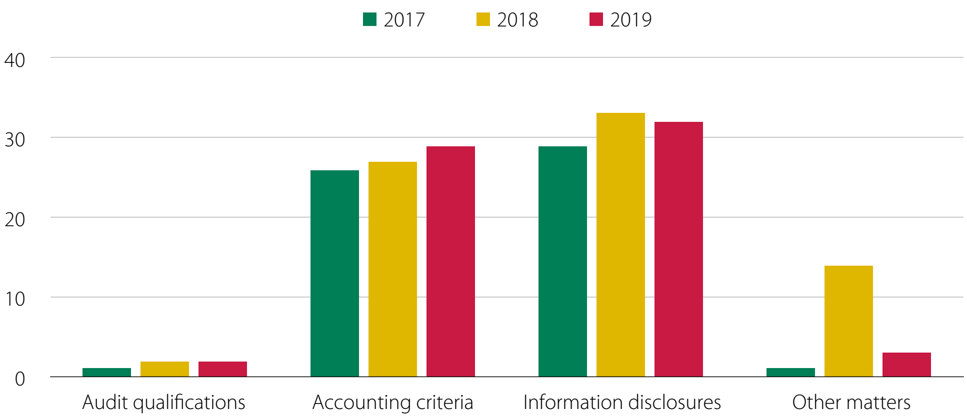
As a result of the review, in 2019 requests were sent to two entities for additional information on the following aspects: i) the framework used to prepare the NFIS; ii) the methodology used by the entity to calculate the salary gap and its compliance with GRI 405-2; iii) a description of the impact of risks and opportunities related to climate change on the business model; iv) the methodology used to determine the key performance indicators used, as well as an explanation of why they are significant, and v) the scope of the NFIS.

In addition, recommendations were given to 21 issuers for the preparation of future NFISs. In 19 cases, these recommendations were sent at the same time as the requests for additional information, and in two cases a letter was sent which only contained the recommendations. In the responses received, the issuers provided the information requested.

After three years of experience and in line with the perception of its growing importance for investors and other stakeholders, the review of the 2019 NFISs shows some progress, albeit not as much as the progress made in 2018, due to Law 11/2018, which included the required verification of the NFISs and led the Spanish Institute of Chartered Accountants (ICJCE) to the publish its NFIS guidelines on verification orders in February 2019, as a result of which companies have included a summary of contents table. In 2019, the inclusion of a greater amount of comparative data was observed because the companies had more time to obtain it and had adapted their internal systems.

Figure 4.1.1 shows the main reasons for which deficiency letters were sent to listed companies over the last three years.

Reason for deficiency letters sent to issuers – excluding securitisation funds and bank asset funds[1] FIGURE 4.1.1



Source: CNMV. (1) Deficiency letters include those sent to issuers subject to formal and substantive review, excluding those related to NFISs.

To facilitate the dissemination of financial information, each year the CNMV publishes on its website the *Report on the supervision of the annual financial reports* and the main areas of review of the accounts for the following year.[3] This report describes the most important incidents detected in the review of the annual financial statements and intermediate periods. A key section of this report identifies the priority areas that will be subject to closer scrutiny in the following year's review process, including both

3 This report provides more detailed information on the actions of the CNMV summarised in this section.

the common review priorities established by ESMA and the specific areas selected by the CNMV following the analysis of the economic climate, changes in accounting regulations and the experience acquired in prior year reviews.

As a result of these supervisory actions, one issuer restated its financial statements after the auditor included a scope limitation in its individual and consolidated audit report, as it was unable to carry out the necessary checks on a financial liability recognised by the company. It restated its financial statements to correct the value of the liability after receiving the necessary information from the creditor. Likewise, three issuers restated information included in their annual financial statements.

A total of eight issuers included a corrective note in their response to the request published on the website and in ten cases the supervisory actions relating to the 2019 annual financial statements gave rise to a commitment to correct the next interim financial statements, modifying certain accounting treatments or expanding the disclosures in the 2020 annual financial statements.

From 2010, the financial disclosures of securitisation funds have also been subject to two levels of review: formal and substantive. In addition, the CNMV received the audited financial statements at 31 December 2019 of four bank asset funds (two more than for 2018). The CNMV's oversight function regarding the financial information of bank asset funds is similar to that which it performs on securitisation funds and is also divided into two levels of review: formal and substantive. The review did not result in any actions taken by the CNMV with regard to the 2019 or 2018 annual financial statements.

The CNMV publishes on its website (www.cnmv.es) the full text of issuers' individual and consolidated financial statements, management report and audit report, as well as a summary of the audit qualifications, the supplementary information that issuers provide in response to deficiency letters and other supplementary information related to the accounts, and special audit reports.

Half-yearly and quarterly reporting

Issuers of securities listed on an official secondary market or on any other regulated market domiciled in the European Union, where Spain is the home Member State, are obliged to send financial information to the CNMV on a quarterly and half yearly basis.[4] The review of this information has a narrower scope than that of the annual financial statements, since interim financial statement formats contain summarised information.

If the half-yearly financial report is voluntarily audited, the audit report will be published in full in that document. Otherwise, it will contain a statement from the issuer expressly noting that it has not been audited or reviewed by the auditors.

In addition, in the event that entities decide to voluntarily submit their quarterly financial report to some type of review by their auditor – whether a full audit or a limited review – this audit report must be sent to the CNMV together with the aforementioned quarterly financial report.

4 Article 119 and 120 of the recast Text of the Spanish Securities Market Act approved by Royal Decree 4/2015, of 23 October.

A total of 55.7% of issuers[5] (56.2% in the same period of the previous year) submitted their financial information for the first half of 2020[6] to some type of review by auditors. This percentage rises to 91.2% if we only consider Ibex 35 listed companies (the same as in the previous year).

When full audits are performed (9 companies), the auditor provides reasonable assurance regarding the reliability of the interim financial statements, while in limited reviews (69 companies) the assurance offered by the auditor is moderate. No qualified opinions were issued by the auditors.

Finally, on 13 April 2021, Law 5/2021, of 12 April was published in the BOE (Spanish Official State Gazette) as regards the encouragement of long-term shareholder engagement in listed companies, amending the recasts text of the Spanish Corporate Enterprises Act. The standard transposes Directive 828/2017 of the European Parliament and of the Council, of 17 May 2017, aimed at improving the corporate governance of companies listed in the European Union and thus increasing their financing possibilities and long-term sustainability. In line with other countries of the European Union, this rule will eliminate the obligation of listed companies to prepare quarterly financial reports, although companies that so wish may continue to submit quarterly information on a voluntary basis.

Single European electronic format EXHIBIT 8

With the entry into force of Commission Delegated Regulation (EU) 2019/815, of 17 December 2018, supplementing the Transparency Directive with regard to the specification of a single electronic reporting format (ESEF), the annual financial reports of listed entities corresponding to the tax years beginning on or after 1 January 2020 and published on or after 1 January 2021 must be submitted in electronic format.

However, on 26 February, Regulation (EU) 2021/337 of the European Parliament and of the Council, of 16 February 2021, was published, amending, among others, the Transparency Directive regarding the use of the single electronic format for the presentation of annual financial reports, which allows Member States to postpone the application of the aforementioned electronic format for one year. The Spanish government has informed the European Commission of its intention to authorise this option to postpone.

Nonetheless, issuers of securities listed on regulated markets may voluntarily submit their annual financial report in ESEF format, as long as the requirements established in the Delegated Regulation are met.

Main objectives of the Delegated Regulation on the Single European Electronic Format (ESEF)

This means that issuers must prepare their annual financial reports only using the XHTML format. In addition, when there are consolidated financial

5 Does not include certain issuers whose year-end does not coincide with the end of the calendar year.

6 In the case of companies whose financial year does not correspond to the calendar year, the latest first half-year financial information filed up to 31 December 2019 has been considered.

statements prepared in accordance with IFRS, in order to ensure better accessibility, analysis and comparability, the main financial statements should be marked using XBRL (eXtensible Business Reporting Language) tags. The block labelling of the notes to the consolidated financial statements will also be mandatory from 2022.

When it is not appropriate to use the base taxonomy to mark elements in their consolidated financial statements, issuers must create an extension to the base taxonomy.

The individual annual financial report must be presented in xHTML format, while the consolidated annual financial report will consist of a single information package containing the Inline XBRL document together with the taxonomy extension files.

Dissemination of the requirements to prepare and present the ESEF

The CNMV held an ESEF dissemination session in October 2019 to explain the main aspects to be taken into account by issuers in order to adapt to the new formulation and submission requirements for annual financial reports.

It is worth highlighting the content of the European Commission Communication of 10 November 2020, which clarifies some of the provisions of EU Law regarding the preparation, auditing and publication of financial statements drawn up in accordance with Delegated Regulation (EU) 2019/815. Among other matters, these indicate that the responsibility for preparing and publishing the annual financial report in European Single Electronic Format (ESEF) lies with the issuer's board of directors, management or control body and that the auditor's conclusions following its verification of compliance with the legal requirements established in the ESEF Regulation must be included in the audit report.

The content of the aforementioned interpretive communication is aligned with the joint statement of the Spanish College of Registrars, the Institute of Accounting and Auditing of Accounts and the National Securities Market Commission of 30 April 2020[1] in relation to the formulation and deposit of the annual accounts of securities' issuers European Single Electronic Format.

In the section of the ESMA website related to the ESEF[2] there are various documents, tutorial videos, files for testing the software used to prepare the financial reporting packages and a report manual available to provide guidance on the implementation of the financial reporting packages established in the Delegated Regulation and, particularly, for the first time formulation of IFRS consolidated financial statements in Inline XBRL.

1 Joint statement of the Spanish College of Registrars, the Accounting and Auditing Institute and the CNMV, of 30 April 2020. Available at: https://www.cnmv.es/Portal/verDoc.axd?t={a7b04d70-5bec-449f-acbc-08bca5d728fa}.

2 Link to the ESMA website related to the ESEF: https://www.esma.europa.eu/policy-activities/corporate-disclosure/european-single-electronic-format.

4.2 Information relating to significant shareholders, directors, managers and treasury shares

The reporting of significant shareholdings by significant shareholders, and the disclosure of listed company own share transactions (notifications) are governed by Royal Decree 1362/2007, of 19 October, implementing the Securities Market Act 24/1988, of 28 July, with regard to the transparency requirements of issuers whose securities are listed on an official secondary market or on another regulated market of the European Union (Royal Decree on Transparency).

On 18 February 2020, the CNMV issued two notices[7] in relation to notifications from directors and managers of listed companies.

The first explained the two-pronged notification obligation to which directors were subject: the regulation on market abuse, contained in Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse (MAR), and Article 125.5 of the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, 23 October (LMV).

In order to bring the transaction notification obligations of directors of Spanish listed companies into line with the requirements of European Union regulations, the statement established that as of 2 March 2020, the obligations established in Article 125.5 of the LMV were considered to have been met through compliance with those contained in Article 19 of the MAR.

The second statement indicated that, with the same purpose of bringing the transaction notification obligations of directors and managers of Spanish listed companies into line with those required and applied in other countries of the European Union, as of 2 March 2020, the obligations established in the Eighth Additional Provision of the LMV and in Article 47 of Royal Decree 1362/2007, relating to remuneration systems, were considered to have been met, through compliance with those contained in Article 19 of the MAR and in Commission Delegated Regulation (EU) 2016/522, which should be carried out through the NOD procedure set up in the electronic office of the CNMV.

As a result, directors only had to submit notifications of voting rights and financial instruments between 1 January and 2 March 2020, which caused a significant drop in the number of notifications registered.

On 11 December 2019, the automatic publication of notifications of significant holdings was implemented. Of the 1,784 notifications received through the electronic office in 2020, 93.5% were automatically published without incident.

A total of 1,738 notifications were validated in 2020, a fall of 44.9% on 2019. 77% of the notifications registered corresponded to non-director significant shareholders (50% in 2019), an increase caused by the non-notification obligation for the directors from March 2020, and therefore only 12% corresponded to directors (45% in 2019), and notifications of treasury shares increased to 11% (5% in 2019).

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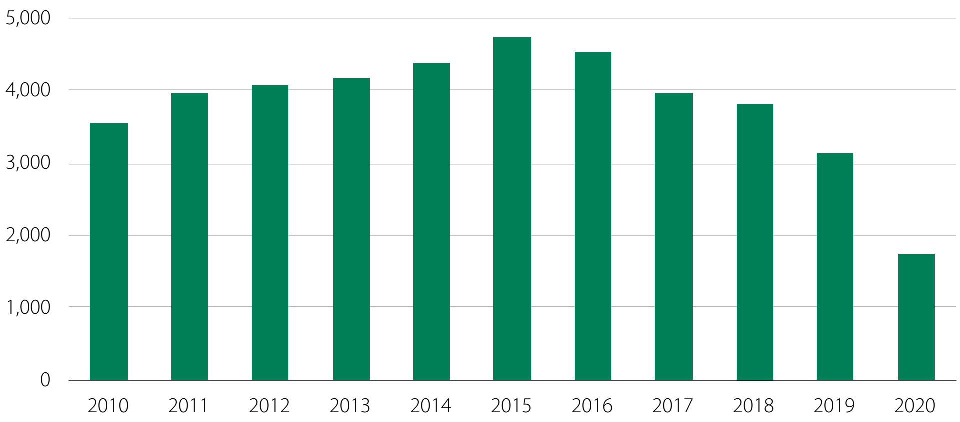
7 Communication by the directors of listed companies of the share transactions carried out through the notification of directors (NOD) process and communication by the directors and executives of listed companies of deliveries of shares and option rights on shares that they receive in the execution of a remuneration system through the NOD process.

Number of notifications registered annually (2010-2020) FIGURE 4.2.1



Source: CNMV.

Notifications cancelled and rectified

Validated notifications accounted for 92% of all those received (1,884), while the remainder were either cancelled or replaced, where appropriate, by new notifications. The number of notifications cancelled due to error was 59.7% fewer than in 2019.

Most cancellations of notifications were at the request of the CNMV when, in the exercise of its supervisory functions, it detected errors, omissions or inconsistencies. As in previous years, the most common reasons for rectification were: i) errors in the date; ii) incomplete information regarding the indirect ownership of voting rights, caused, for example, by a failure to identify the chain of control of the companies through which the obligated party exercises control of the declared voting rights; and iii) inconsistency between the initial position declared by the obligated party in its new notification and the final position declared in the last notification registered. Another frequent error is that, after increases or reductions in the listed company's capital, obligated parties erroneously include in their disclosures both the total number of the issuer's voting rights and their percentage holding.

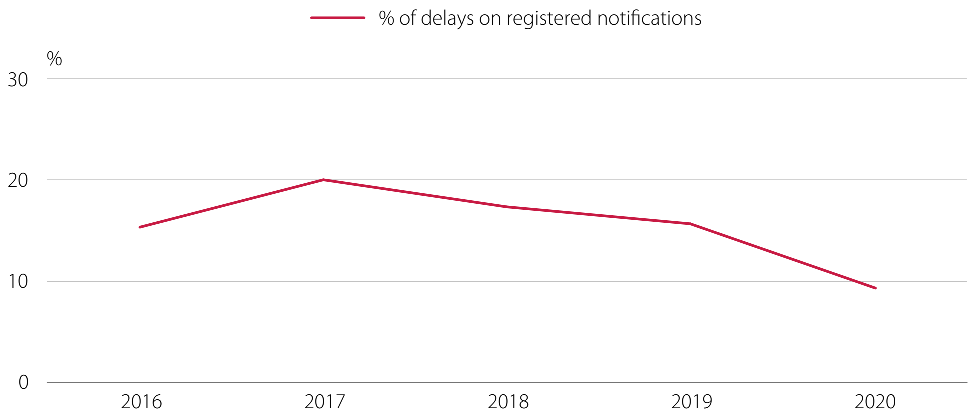
56% of the cancelled notifications were presented by significant shareholders, 27% correspond to declarations of companies on transactions with own shares and the remaining 17% to notifications presented by directors up until March 2020.

Notifications submitted late

A total of 162 notifications (492 in 2019) were received outside the maximum time frame established by the regulations, equating to 9.3% of the total (15.6% in 2019). 86% of late notifications were filed by directors and significant shareholders (97% in 2019).

The trend over the last five years in the total number of registered notifications and the number of notifications filed late is shown below, on the left-hand axis, and the percentage of delays on the right-hand axis.

Notifications submitted late FIGURE 4.2.2



Source: CNMV.

The proportion of notifications filed in 2020 with a delay of fewer than seven days was 51.2% (53.5% in 2019). Delays exceeding 90 days increased slightly to 15.4% of cases, 14.0% in 2019.

Notifications relating to significant shareholders

Under the Royal Decree on Transparency, the first notification threshold for significant shareholder voting rights is set at 3% of share capital. If the shareholder is resident in a tax haven, this threshold is reduced to 1% and its respective multiples. The average annual number of notifications per significant shareholder stood at 5.3 (5.4 in 2019). The 1,338 notifications received in 2020 (1,591 in 2019) concerned significant shareholdings in 98 listed companies (107 in 2019) and were submitted by 251 separate shareholders (297 in 2019). Table 4.2.1 gives a breakdown of notifications received, grouped by intervals of voting rights and the market capitalisation of the companies involved.

Number of notifications regarding significant shareholders' voting rights TABLE 4.2.1

	Total notifications	Less than 5%	Between 5 and 15%	Between 16 and 30%	Between 31 and 50%	More than 50%
Ibex 35	620	465	123	10	5	17
Over €500 million	552	411	105	10	5	21
Under €500 million	166	99	42	12	7	6
Total	**1,338**	**975**	**270**	**32**	**17**	**44**
% of total	**100**	**74**	**20**	**2**	**1**	**3**

Source: CNMV.

Treasury stock notifications

According to the Royal Decree on Transparency, an issuer of shares admitted to trading on an official secondary market or on another regulated market domiciled in the European Union for which Spain is the home Member State is obliged to notify the CNMV of the share of voting rights in its possession when it makes acquisitions amounting to or exceeding 1% of the company's total voting rights. In April

2009, the ceiling for treasury shareholdings under the Spanish Corporate Enterprises Act rose from 5% to 10%. In 2019, the CNMV validated a total of 196 notifications of treasury share transactions (170 in 2020) which affected 60 issuers (55 in 2019). Table 4.2.2 shows the breakdown of notifications received last year, grouped by market capitalisation and percentage of final holdings of treasury shares.

Number of notifications of treasury shares according to the final percentage declared TABLE 4.2.2

	Total notifications	Less than 1%	Between 1 and 2%	Between 2 and 3%	Between 3 and 4%	Between 4 and 5%	More than 5%
Ibex 35	95	51	19	5	4	5	11
Over €500 million	61	19	14	10	7	2	9
Under €500 million	40	19	7	5	6	2	1
Total	**196**	**89**	**40**	**20**	**17**	**9**	**21**

Source: CNMV.

Shareholders' agreements and concerted actions

The Spanish Corporate Enterprises Act[8] requires disclosure of any shareholder agreements affecting listed companies or their controlling shareholders. These communications are recorded as "inside information or other significant information". Shareholder agreements may regulate the exercising of voting rights or restrict the free transferability of the shares. If the first circumstance arises, the CNMV will assess the impact on notifications of significant shareholdings. The CNMV received a total of 16 notifications relating to shareholder agreements in 2020 (22 in 2018), affecting 13 listed companies (14 in 2019).

The Royal Decree on Transparency provides that any agreement entered into with a third party whereby the parties use their voting rights to impose a lasting common policy in relation to the company's management or to significantly influence the course of the same must be notified as a concerted action. In 2020, six notifications (22 in 2019) of concerted action between the shareholders of five listed companies (9 in 2019) were registered.

4.3 Corporate governance report

In 2020, 127 listed public limited companies (139 in 2019) and 18 fixed income issuers (20 in 2019) presented their ACGR for 2019, in accordance with the provisions of Article 540 of the Spanish Corporate Enterprises Act and the Seventh Additional Provision of the TRLMV.

This is the second year in which listed companies are permitted to present their ACGR and the annual directors' remuneration report in free format, accompanied by the corresponding statistical annex. Thus, 18 listed companies (12 listed on the Ibex 35) and one other issuer of securities chose to submit their ACGR in this format.

8 Royal Legislative Decree 1/2010 of 2 July approving the recast text of the Spanish Corporate Enterprises Act.

In general, there were no incidents with the electronic receipt of the reports, though notices were sent to eight companies (seven in 2019) for filing after the deadline.

On the basis of companies' ACGRs,[9] the CNMV prepares and publishes on its website an annual report in which it analyses, in aggregate terms, the issuers' main corporate governance practices and disseminates a wide range of statistical data for each individual entity.

According to the 2019 ACGRs of entities with securities admitted to trading on regulated markets, the most important aspects and trends in the corporate governance practices of listed companies were as described below.

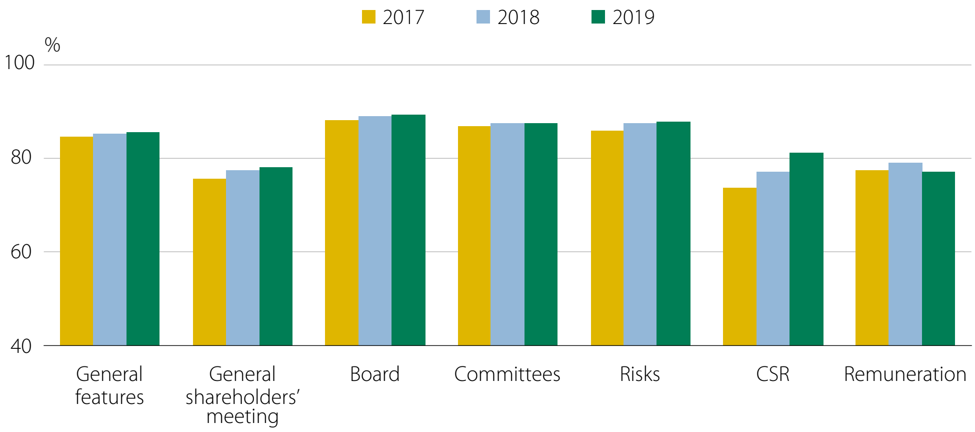
Application of the "comply or explain" principle

The level of compliance with the Code of Good Governance of Listed Companies in its fifth year of application was high. On average, listed companies comply with 85.7% of the recommendations of the new code (unchanged on 2018) and partially with another 7.1%. Therefore, at an aggregate level, recommendations that were not even partially observed by listed companies accounted for only 7.2% of the total.

In 2019, on average, Ibex 35 companies complied with 91.6% of the Code of Good Governance and, in addition, partially complied with a further 4.5% of the recommendations applicable to them.

Figure 4.3.1 tracks average compliance with the Code of Good Governance recommendations, with a breakdown by category.

Degree of compliance with recommendations of the Code of Good Governance FIGURE 4.3.1



Source: ACGR of companies and CNMV.

The CNMV analysed a sample of 331 explanations for not following the recommendations included in the 2019 ACGRs, all of which related to the ten least followed recommendations of the Code of Good Governance.

9 Corporate Governance Reports of issuers of securities admitted to trading on regulated markets.

In the review of 2019, an increase was detected in the number of redundant explanations (those that reiterate non-compliance or merely indicate the existence of a deviation from the recommendation), temporary explanations (in which the company commits to adopting the necessary measures to comply with the recommendation in the future) and general explanations (those that provide general reasons for disagreeing with the recommendation but do not give a specific explanation for the particular company). A decrease was detected in specific explanations (those that inform about a specific situation in the company and explain why this circumstance prevents them from following the recommendation) and alternative recommendations (those that do not explain the specific causes and circumstances leading to non-compliance, but include additional information on procedures or actions of the company that can be considered alternatives to those recommended by the code because they pursue the same purpose).

This shows that, although some entities do seem to be improving the quality of their explanations – mainly those of the Ibex 35 – there is still much room for improvement for companies to make satisfactory use of the considerations of Technical Guide 1/2016 on good practices for the application of the "comply or explain" principle, so that the explanations they provide to justify non-compliance with any of the recommendations are of quality and allow shareholders, investors and other agents to know and adequately assess the reasons why the company has decided not to follow any particular one of them. The CNMV will continue to pay special attention to this aspect of corporate governance in the coming years.

As a result of the review of the criteria used by listed companies in their ACGRs to inform on the level of compliance with Code of Good Governance recommendations or to explain the reasons for non-compliance, the CNMV sent notices to 27 companies (21 in 2019). In these, information, additional clarifications or correct data were requested in regard to compliance with certain recommendations of the code and most letters sent included guidelines on how to improve the quality of the explanations given when not following the recommendations and suggested that the company should follow the Technical Guide 1/2016 on good practices for the application of the "comply or explain" principle, published on the CNMV's website in July 2016.

In other cases, the notices requested clarifications on discrepancies or certain inconsistencies between the information disclosed in the ACGR and other publicly available information on the company, its shareholders or directors.

General Shareholders' Meeting

The average percentage of capital taking part in general meetings held in 2019 was 71.2% (72% in 2018). This percentage has ranged between 68% and 72% in the last five years. Average participation, in terms of the percentage of capital present or represented at the meeting, remains inversely proportional to the companies' free float, such that attendance tends to be higher when the free float of companies is lower.

Board of Directors and directors

The total number of board members of listed companies amounted to 1,272 (1,325 in 2018). The percentage corresponding to Ibex 35 companies fell slightly to 35.1% (32.6% in 2018).

The average size of the Board of Directors was 10 members (the same figure as in 2018 and with no significant changes from previous years), while the average was 13.1 directors for the Ibex 35 companies (the same as in 2018), which was also similar to previous years. In 2019, the size of the Board of Directors ranged between the minimum of five and the maximum of 15 members recommended by the Code of Good Governance in 94.5% of companies (94.7% in 2018). Boards with over 15 members (3.1%) were once again almost exclusively concentrated in Ibex 35 companies.

The chairpersons of boards of listed companies continue to be mostly executive directors (46.5% in 2019), but this was more than 2 percentage points down compared with 2018 and has been declining since 2013. The percentage of independent directors chairing a board rose to 13.4% (12.8% in 2018).

There was a majority of non-executive members on the boards in 100% of companies (99.3% in 2018).

In 2019, 67.7% of Ibex 35 companies had at least 50% of independent directors, although this figure falls to 64.7% if it is considered that independent directors were the majority (54.6% in 2018). Of the remaining companies, 74.2% (70% in 2018) of their governance bodies had at least one third of members who were independent directors.

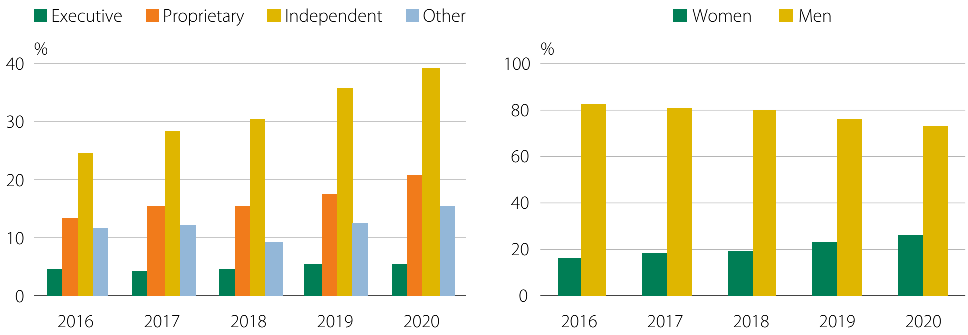
The percentage of women on the boards rose by 11.4 percentage points between 2013 and 2019 to stand at 23.4% (19.7% in 2018) and at 27.5% in Ibex 35 companies (23.1% in 2018). This percentage is still a long way below the target of 30% of women board members by 2020 established in recommendation 14 of the Code of Good Governance for listed companies, and the 40% established in recommendation 15 of the code[10] revised in June to be complied with before year-end 2022. By categories, the increase of 5.4 percentage points in female directors classed as independent stands out; women represented 35.8% of the total number of independent directors in 2019 (30.4% in 2018). The percentage of female other external directors also increased to 12.6% (9.2% in 2018) as did that of female proprietary directors, who now represent 17.6% of the total number of proprietary directors (15.5% in 2018). The percentage of female executive directors increased slightly in 2019 to 5.5% of the total number of executive directors (4.9% in 2018).

The information available for 2020 reveals that the percentage of women on boards continued to rise in the year. This percentage stood at 26.1% for all listed companies and 31.3% for Ibex 35 companies, exceeding, in the latter case, the aforementioned target of 30% of female members on boards by 2020, although below the target of 40% for 2022. The percentage of female directors in the different categories also increased: female directors classified as independent reached 39%, proprietary directors stood at 21% and other external directors reached 15.4%. The percentage of female executive directors remained low and barely changed in 2020 (5.5%).

10 https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/CBG_2020_ENen.PDF

Figure 4.3.2 shows the presence of women on boards by category. The left hand panel shows the percentage of female directors in each of the four categories out of the total number of directors, male and female, in that category. The right hand panel shows the percentage of men and women on the board, without differentiating among categories.

Women directors as a percentage of the total number of directors FIGURE 4.3.2



Source: ACGR of companies and CNMV.

Board committees

In 2019, 27.6% (32.3% in 2018) of listed companies had a delegated committee with executive functions. All listed companies are required to set up an audit committee and an appointments and remuneration committee (or, in the latter case, two separate committees).

Finally, for the last seven years the CNMV has published on its website an ***Annual Report on the Remuneration of Directors of Listed Companies*** (ARRD), which describes in aggregate terms the main features of the remuneration policies and practices applied to directors, obtained from the information included in the ARRD published by each listed company.

In 2020, 127 listed companies filed their 2019 reports, in accordance with the provisions of Article 541 of the Spanish Corporate Enterprises Act. 22 companies (16 belonging to the Ibex 35), six more than the previous year, opted to present this information in free format, accompanied by the corresponding statistical annex.

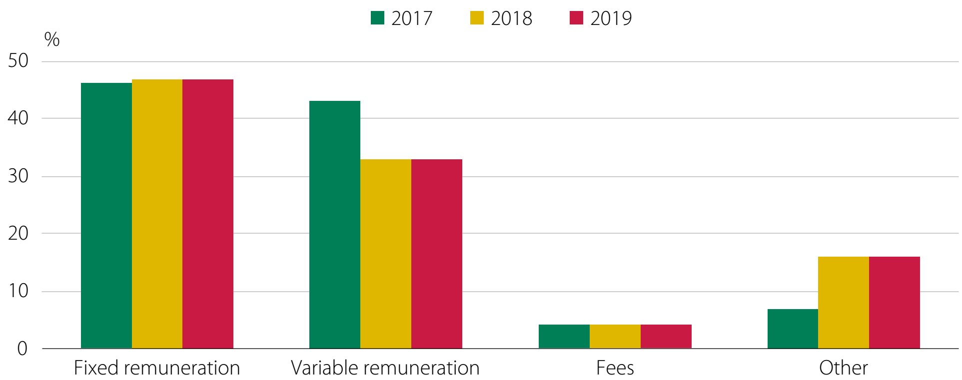
The average remuneration per board and per director stood at €4 million and €382,000 per annum, respectively, in 2019. The average remuneration per director was 6.4% up on the previous year. One of the reasons for this increase is that companies that submitted an ARRD for 2019 but had not done so for 2018 had higher remuneration than those that had submitted one for 2018 but did not do so for 2019. Another reason is that in one company there was an exceptional increase of €14.2 million as a result of the dismissal of an executive director.

The average remuneration per director was 1.9% up on the previous year. However, without taking into account the aforementioned one-off increase of €14.2 million, average remuneration per director would have decreased by 1.5%.

Since 2013, the first year in which the report on the ARRDs of listed companies was published, there has been an upward swing in board remuneration, with average remuneration rising by 34% between 2013 and 2019.

Figure 4.3.3 tracks remuneration per board by item.

Remuneration by item FIGURE 4.3.3



Source: ACGRs of companies and CNMV.

The most significant component of remuneration was fixed remuneration, which represented 47% of the total (44% in Ibex 35 companies and 54% in other companies).

Variable remuneration, including the gross gains from shares or financial instruments vesting during the year, represented 33% (33% in the Ibex 35 and 32% in non-Ibex 35 companies); directors' fees 4% (3% in Ibex 35 companies and 6% in non-Ibex 35 companies); remuneration by way of savings schemes vesting during the year, which represented 4% on average (5% in Ibex 35 companies and 2% in non-Ibex 35 companies); and the remainder corresponds to indemnities and other items of remuneration.

Partial review of the Code of Good Governance of Listed Companies EXHIBIT 9

On 26 June 2020, the CNMV Board approved the partial review of the Code of Good Governance of Listed Companies based on four main lines: promoting the presence of women on the boards of directors, greater relevance of non-financial information and sustainability, more attention to reputational and, in general, non-financial risks, and clarification of aspects related to directors' remuneration.

The review affected, to a varying degree, the wording of 20 of the 64 recommendations of the code.[1]

The main amendments are as follows:

Recommendation 2. Listing of companies belonging to groups

The scope of application of the recommendation has been expanded and the new text addresses not only cases where the two group companies are listed, but applies in all cases where the listed company is controlled by another entity.

Recommendation 4. General communication policy

Companies must now have a general policy for the disclosure of economic-financial and corporate information.

Recommendation 7. Voting and remote attendance

Entities must have systems in place so that shareholders can exercise their right to vote by remote means and even, at least for entities with high capitalisation, envisage mechanisms that allow remote attendance and participation in the meeting.

Recommendations 14 and 15. Gender diversity

Recommendations on gender diversity have been reinforced. The number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022. Companies should also work to increase the number of female senior managers.

Recommendations 22 and 24. Removal of directors

Recommendation is amended so that the board must assess any situation in which a director is involved in circumstances that could damage the standing or reputation of the company, and, where appropriate, take action without waiting for an official court decision (such as an indictment or the opening of oral proceedings).

Recommendation 37. Composition of the executive committee

The new text recommends the committee contain at least two non-executive directors, at least one of them being an independent director.

Recommendations 39, 41, 42 and 45. Risks and non-financial information

Technical adjustments have been made to the wording to include non-financial risks. The scope of the channel for reporting irregularities has been expanded and it is recommended that this mechanism guarantee confidentiality.

Recommendations 53, 54 and 55. Sustainability

Some technical adjustments are made and the term "corporate social responsibility" is replaced by the broader and currently used term of "sustainability in relation to environmental, social and governance" (ESG) aspects.

Recommendation 59. Variable retribution

The text has been changed to clarify that variable remuneration for directors should only be paid when it has been sufficiently verified to ensure that previously established performance or other criteria have been met.

Likewise, it is recommended that companies consider the inclusion of a reduction (*malus*) clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Recommendation 62. Share-based remuneration

The new text clarifies the scope of the rule according to which, once shares or options or financial instruments arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

The wording is also modified to clarify that it is not necessary to respect this requirement when the director has economic exposure to the variation in the price of the shares for a market value equivalent to at least twice the amount of his or her fixed annual remuneration.

Recommendation 64. Severance pay

The amendment specifies payments made for contractual termination, which may not together exceed two years' of salary, may include any payments accrued or where the payment obligation arises as a consequence of or due to the termination of the contractual relationship between the director and the company, including amounts not previously included in long-term savings systems and amounts paid under post-contractual non-competition agreements.

1 Specifically, recommendations 2, 4, 6, 7, 8, 14, 15, 22, 24, 37, 39, 41, 42, 45, 53, 54, 55, 59, 62 and 64 have been amended.

5 Supervision of the markets

5.1 Market abuse monitoring tools

One of the aims of supervising secondary markets is to detect and prevent possible conduct of market abuse. To this end, the CNMV uses various sources of information, particularly the daily reporting of transactions in financial instruments carried out by investment firms, credit institutions and, in certain circumstances, markets. The information contained in this reporting feeds into an electronic alarm system used by the Secondary Markets department to detect possible cases of market abuse. Another important source of information is the suspicious transaction and order report.

Daily reporting of transactions

In 2020, the CNMV continued to provide support to entities in dealing with incidents and responding to the most frequent enquiries and to stress the importance of compliance with regulations, in terms of both formal requirements and timing, and pursuing high quality standards. In this regard, the CNMV sent several general notices to reporting entities as a result of the general quality checks carried out, making bilateral contact in certain cases to correct particular errors, and individually reviewed the transaction reporting of a number of entities. These reviews led to 17 deficiency letters relating to the lack of quality of the content of the reports and/or the failure to report transactions.

In 2020, the CNMV received over 256 million registrations (55% up on 2019) of transactions executed in financial instruments. The number of entities required to report to the CNMV stood at 186 on average (183 in the previous year), and reports were also received from some markets, in reference to their members, and from participants not subject to MiFID. This increase in reports received was partly due to the higher use of special files (REQ) to report omitted or corrected transactions, implemented in the last quarter of 2019 by the CNMV. It is also a consequence of the decision of some financial institutions to centralise their operations in Europe through their Spanish investment firms due to Brexit, as well as to the rise in trading due to the pandemic.

This also affected the registrations forwarded by the CNMV to the competent authorities of other Member States, which exceeded 180 million (much higher than the 100 million seen in 2019). In addition, over 309 million registrations were received from the competent authorities of other EU Member States (a similar figure to the previous year).

This entire system rests on another reporting obligation relating to data on instruments carried out by Spanish markets in order to consolidate, on a daily basis, the

European instrument database published by ESMA – the Financial Instrument Reference Data System (FIRDS).

Reference data (FIRDS)

The CNMV monitors the submission of FIRDS data to ESMA on a daily basis, in addition to the information needed carry out transparency calculations – Financial Instruments Transparency System (FITRS).

Throughout 2020, the CNMV focused on the timeliness and quality of the reference data, such as the issuer's LEI (Legal Entity Identifier) code, the financial instruments classification code and the maturity date of correlation between the instruments sent to the FIRDS and the transparency system. It was also in continuous contact with trading venues in order to correct any incidents detected.

At the end of 2020, there were six regulated markets, five multilateral trading facilities, two organised trading facilities and seven systematic internalisers registered with the CNMV's FIRDS. Standouts include the start of reporting by the Dowgate MTF and the registration of the new growth company segment and SOCIMI (MIC: GROW) of BME MTF Equity. The regular daily flow in the year consisted of 24 or 26 files, corresponding to 24 different Market Identifier Codes (MICs), while the number of reported instruments rose from around 35,000 per day at the end of 2019 to almost 33,500 per day at the end of 2020. The active instruments in ESMA's database whose significant competent authority was the CNMV amounted to 154,170 (140,319 in the previous year).

Suspicious transaction and order reports

The obligation imposed by Article 16 of the Market Abuse Regulation[1] on investment firms and markets to report to their competent authority orders or transactions that might infringe market abuse rules constitutes another basic supervisory instrument for the CNMV. The number of suspicious transactions and order reports (STOR) was 280 (a decrease of 18% compared to 2019). As in previous years, most of the STORs were related to the potential or attempted use of inside information (68%) and the rest to possible market manipulation. Most (85%) of the STORs received corresponded to shares, followed by derivatives (7.5%); while reports received on transactions with fixed income instruments fell to 7%.

178 of the total STORs were received from financial institutions, while five were submitted by the markets.

About 34% of the STORs were reports of suspicious transactions on Spanish instruments received from other regulators (a percentage that was slightly lower than the previous year), compared with 17.5% of the total reports sent by the CNMV to other regulators (a similar percentage to the previous year).

1 Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

There has been a slight lapse in compliance with this obligation, which is required immediately on detection of the suspicious transaction by the entity or the market, mainly due to the pandemic. At certain times during the year this caused a very high volume of market activity, which required a greater effort to assess the application of the obligation to submit STORs to the CNMV.

Summary of market supervisory activity

As shown in Table 5.1.1, the number of transactions made through the trading venues supervised by the CNMV increased by 46.3% compared with 2019, with sharp rises in equity and derivatives trading. However, in cash terms, there was a reduction of 17.8%.

Number of trades and volume

TABLE 5.1.1

	No. of trades (thousands)			Nominal/cash amount (millions of euros)		
Markets	**2019**	**2020**	**% change 20/19**	**2019**	**2020**	**% change 20/19**
Equity	37,186	55,164	48.3	469,621	429,339	-8.6
Fixed income	74	70	-5.0	860,002	909,058	5.7
Regulated market	22	16	-28.4	173,295	180,656	4.3
MTF	22	23	6.4	160,657	129,579	-19.3
OTF	30	31	3.3	526,050	597,487	13.6
MTF	–	–	–		1,336	–
Derivatives	3,557	4,485	26.1	1,799,985	1,233,806	-31.5
Total markets	**40,817**	**59,719**	**46.3**	**3,129,608**	**2,572,203**	**-17.8**
Settlement	9,348	9,973	6.7	21,630,708	25,773,399	19.2
Clearing	78,020	115,804	48.4	1,700,140	1,474,064	-13.3
Total	**128,185**	**185,496**	**44.7**	**26,460,456**	**29,819,666**	**12.7**

Source: CNMV.

The Securities Market Act permits the CNMV to require market participants under its supervision to provide necessary information in the course of its investigations or to carry out or cease certain behaviours. The **deficiency letters** sent out by the CNMV, in its role as market supervisor, as well as the reports prepared in this area, are shown in Table 5.1.2.

Summary of market supervisory activities TABLE 5.1.2

Markets	Deficiency letters	Supervisory reports	Reports sent to other bodies and agencies	Periodic reports
Equity				
2019	107	67	39	0
2020	84	53	41	0
Fixed income				
2019	0	0	9	4
2020	3	12	8	12
Derivatives and trading infrastructures				
2019	4	9	5	34
2020	12	31	40	9
Settlement				
2019	7	0	7	0
2020	7	3	4	2
Clearing				
2019	29	12	8	0
2020	22	14	1	0
Other				
2019	40	1	0	10
2020	53	0	24	25
Total				
2019	**187**	**89**	**68**	**48**
2020[1]	**183**	**113**	**120**	**48**

Source: CNMV. (1) The total includes two requirements and two reports sent to other departments related to the transfer of ownership of Bolsas y Mercados Españoles (BME).

5.2 Publication by issuers of inside information and other significant information

The scope of the market abuse supervisory area includes the obligation imposed on issuers under Article 17.1 of the Market Abuse Regulation to disclose information that may affect the price of their securities listed on trading venues. This obligation guarantees correct price formation and at the same time prevents investors from being able to operate with more information than others. In 2020, the CNMV continued to monitor compliance with this requirement, for both shares and debt securities regardless of the type of trading venue in which they are listed.

In January 2020, the CNMV reported on the introduction of a new communication procedure, which, since 8 February, has allowed issuers to separate disclosures of inside information from disclosures of significant information. This distinction is established in the Securities Market Act and the Market Abuse Regulation requires inside information to be identified as such in publications.

In 2020, the total number of disclosures registered (for inside and significant information) amounted to 6,284 (19.6% fewer than in 2019).

Table 5.2.1 shows a breakdown of the number of disclosures classified according to type.

Price-sensitive information notices and inside or significant information disclosure TABLE 5.2.1

	2019	2020		
Type		Price-sensitive information notices to 7/02/2020	Inside information	Significant information
Financial instruments	**4,022**	**420**	**129**	**3,135**
Public offerings (for sale or subscription)	27	3	6	20
Block trades	24	–	10	–
Trading halts and resumptions	22	1	16	20
Credit ratings	92	3	35	32
Securitisation funds	2,432	256	3	1,978
Other financial instruments	1,425	157	59	1,085
Business and financial position	**2,079**	**123**	**435**	**1,424**
Earnings information	1,471	76	194	–
Insolvency proceedings	15	3	8	–
Other business and financial position	593	44	233	1,424
Corporate transactions	**503**	**29**	**105**	**129**
Corporate governance and official notices	**1,210**	**48**	**26**	**281**
Total	**7,814**	**620**	**695**	**4,969**

Source: CNMV.

5.3 Market abuse supervision actions

Temporary trading halt

A **temporary trading halt** is an exceptional measure that the CNMV may adopt in serious cases of asymmetrical or insufficient information that does not allow for proper price formation. In 2020, the numbers of trading halts and affected issuers were in line with those of the previous year.

Temporary trading halts TABLE 5.3.1

	2019	2020
Number of issuers suspended	14	9
Number of halts	15	9
Due to the need to disclose relevant information	7	5
Due to expiry of acceptance period for delisting bids	6	3
Other	2	2

Source: CNMV.

Market sounding

The Market Abuse Regulation and its implementing standards define what is understood by market sounding and indicate the obligations that must be met so that disclosure of inside information made in the course of a market sounding is deemed to be made in the normal exercise of a person's employment, profession or functions, and does not therefore constitute the unlawful disclosure of such information. These obligations affect the requirements for both the market participant who reports the information as part of a market sounding exercise and the party who receives it. The requirements refer to aspects such as the assessment of the "inside" nature of the information transmitted or the need to prepare and keep records of that information, and to keep records of the potential investors the market participant disclosing the information is in contact with.

Accelerated book builds

Book builds may be used in the following cases: i) the sale of shares of one issuer on behalf of the company itself, hence a sale of treasury stock; ii) the sale of shares or subscription rights of an issuer on behalf of a significant shareholder; and iii) the placement of the issuer's newly issued shares through a capital increase without pre-emptive subscription rights.

In this type of transaction, it is common for the issuer or the significant shareholder to give a mandate to one or several financial institutions for them to carry out market sounding with the aim of determining investor appetite for the securities offered.

Due to the risk of unlawful disclosure and use of inside information that this activity entails, the CNMV continued to actively supervise the book builds performed over the year. Supervision involves monitoring the price of the shares involved in the book builds, reviewing the corresponding disclosures and sending requests for information to the entities responsible for performing the market sounding and to the entities that receive the information. Market sounding for securities listed on regulated markets and multilateral trading facilities is monitored.

A total of seven accelerated book builds of large blocks of shares were carried out in 2020, involving six issuers (one was the subject of two book builds during the year). The number of book builds made in 2019 and 2018 was 11 in both cases.

In three of the transactions, shares owned by a shareholder of the issuing company were placed. In two transactions the shares derived from capital increases (in one case it was a capital increase carried out in parallel with the issue of convertible bonds) and in two transactions, a placement of existing shares was carried out on behalf of certain bond subscribers.

The placements remained in a range of 0.8% to 13.7% of the share capital. Price discounts ranged from approximately 4.2% to 10.7%, and in one specific case the placement price was made without a discount with respect to the closing price of the session in which the transaction was announced.

Treasury stock trading

Another important aspect of the CNMV's supervisory work relates to treasury stock trading by issuers and, in particular, discretionary treasury stock trading. Discretionary treasury stock trading refers to transactions carried out outside the safe harbours established by the legal framework against market abuse in the European Union: buyback programmes and accepted market practices (liquidity contracts).

There are two possible risks associated with treasury stock trading. The first of these relates to the potential generation of false or misleading signals on volume, which might confuse investors with regard to the share's level of liquidity. The second risk is the potential generation of misleading signals with regard to price, which might affect price formation to the extent that trading is of large volumes or at prices far removed from the prevailing market range.

In view of these risks, it is prudent to limit transactions with treasury stock to those carried out in execution of buyback programmes as referred to in the Market Abuse Regulation, and liquidity contracts as referred to in CNMV Circular 1/2017 of 26 April, amended by CNMV Circular 2/2019 of 27 November. Both buyback programmes that are aligned with the Market Abuse Regulation and the provision of liquidity – as an accepted market practice in accordance with said Regulation and the CNMV Circular – constitute safe harbours for treasury stock trading with regard to market abuse regulations, provided that they are carried out in compliance with the limits and requirements established in the corresponding regulations.

On 13 January 2020, the CNMV issued a statement rendering the criteria on discretionary treasury stock transactions invalid. This decision responds to the lack of regulation or recognition of this practice in other EU markets, to the risks to the integrity of the market inherent in this type of transaction and to the subsequent entry into force of the regulation on market abuse, the harmonising design of which made these criteria, published in 2013, difficult to reconcile with the current regulatory framework.

Change of control in BME's trading infrastructures

EXHIBIT 10

On 17 November 2019, SIX Group AG (SIX) launched a voluntary takeover bid for all the shares of Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME).

On 23 December, SIX submitted a request to the Government of Spain to authorise the takeover bid and change of control of the governing companies of the regulated markets, Iberclear and BME Clearing, in accordance with the provisions of section two of the Sixth Additional Provision of the recast text of the Securities Market Act and Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012. The Ministry of Economic Affairs and Digital Transformation declared the request to be complete on 10 February 2020, the date on which it requested the corresponding report from the CNMV.

The CNMV then started to analyse the documentation provided by SIX in accordance with the joint guidelines on the prudential assessment of acquisitions and increases of qualifying holdings in the banking, insurance and securities sectors implemented by the European Securities and Markets Authority, the European Banking Authority and the European Authority for Insurance and Retirement Pensions. This assessment covered aspects such as the new structure of the proposed group and effects on supervision, the reputation, professional capacity and experience of the managers, the reputation and financial solvency of the bidder, prudential requirements, prevention of money laundering, the financing of the bid and other considerations.

The CNMV also asked BME for the report provided for in Articles 2 and 4 of Royal Decree 361/2007, of 16 March, to rule on the consequences that the loss of its participation would have on the development of the regulated and the systems managed by the systems company and the central counterparty. The foreseeable impact of the operation on each of BME's infrastructures was also analysed, as well as the commitments assumed by SIX, which are described below. The reports submitted to the Ministry by the Catalonian, Valencian and Basque autonomous governments were also assessed.

Given the significance that the merger of SIX Group and BME Group could have for the operation of the Spanish and Swiss financial markets and that these groups include entities that are subject to supervision, to facilitate collaboration between FINMA (the Swiss competent authority) and the CNMV, the authorities agreed to draw up a collaboration agreement to cooperate in the supervision of BME and SIX.

After analysing the documentation received, the CNMV reported in favour of the proposed bid on 18 March 2020, stating that the commitments voluntarily assumed by SIX had been one of the key reasons for reaching such a conclusion. These commitments were recorded in the Agreement of the Council of Ministers, dated 24 March 2020, by which the Government authorised the takeover under certain conditions and highlighted the following points: i) equal treatment of users of Spanish and Swiss infrastructures; ii) the potential admission to trading of SIX, both on the Swiss and Spanish stock exchanges, should SIX become a listed company; iii) specific commitments for the three key infrastructures (stock exchange, BME Clearing and Iberclear); iv) maintaining a sufficient supply of trading, clearing and settlement services, and services to ensure that the key infrastructures continue to operate normally; and v) when there is a cooperation agreement with the competent authority of the third country, the delegation or outsourcing of critical functions by the aforementioned infrastructure shall be subject to the authority of the CNMV.

On 25 March, the CNMV authorised the takeover bid, which was announced by SIX on 11 June. Following the exercise of sell-out rights by BME shareholders who did not accept the takeover bid and the exercise of squeeze-out rights by SIX, the acquisition of BME's entire share capital was completed and the company was delisted on 30 September.

Throughout the process, the CNMV paid close attention to the socio-organisational aspects of BME's market infrastructures. For instance, having recourse to its powers in this area, the CNMV carried out an exhaustive follow-up of all variations in the stakes in BME's share capital and of the modifications that occurred in its governing and management bodies after the change of control.

It should also be noted that on 3 December 2020, the CNMV approved a prospectus to admit a senior bond issue made by SIX to trading on the AIAF. This transaction was performed through its vehicle SIX Finance (Luxembourg) S.A., in the context of the refinancing of the acquisition of BME, for an amount of €650 million and matured in December 2025.

The CNMV will continue to monitor the integration of BME Group into SIX Group to ensure that it is carried out in accordance with applicable legal requirements and the aforementioned stated commitments.

Share buyback programmes

Specifically, buyback programmes are regulated under the Market Abuse Regulation and in Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016. The safe harbour nature of the programme is ensured by its having one of the following objectives: i) to reduce the capital of an issuer; ii) to meet obligations arising from financial debt instruments convertible into shares or; iii) to meet obligations deriving from stock option programmes or other allocations of shares to employees or members of the governing body of the issuer or of an associate.

Buyback programmes must also comply with a series of transparency and operational conditions. In order to verify compliance with these conditions, the supervision of the CNMV, as in previous years, was essentially focused on the following aspects: i) supervision of the information published by the issuer prior to the start of the buyback programme; ii) supervision of the information published by the issuer with the details of the transactions performed in the framework of the buyback programme; iii) supervision of compliance with the conditions for operating in terms of volume to verify that the issuer did not buy more than 25% of the average daily volume of the shares; iv) supervision of operations in auctions; and iv) supervision of compliance with the restrictions on trading implemented in the framework of the buyback programme.

In 2020, 35 buyback programmes were in force, corresponding to 31 different issuers (four issuers executed two programmes in the year). 23 of these programmes were for the purpose of buying back their own shares for their cancellation and 14 were to meet the obligations deriving from the company's incentive plans. Two of these programmes were approved for two of the objectives set out in the Market Abuse Regulation.

The explanation for this increase in the number of buyback programmes compared to the 27 in 2019 is mainly due to the environment for equity prices caused by the impact of the pandemic on the markets and possibly in the repeal of the discretionary management criteria, which has transferred the treasury stock activity of some issuers to the scope of the repurchase programmes.

In this market context, several buyback programmes were also suspended, amended or terminated early. Some issuers chose to relaunch the liquidity contracts that they had suspended at the start of their buyback programmes, giving priority to the objective of providing liquidity.

Liquidity contracts

Liquidity contracts entered into by issuers with financial intermediaries are regulated under CNMV Circular 1/2017, of 26 April, which entered into force in July 2017. Since that date, the CNMV has been paying particular attention to supervising the liquidity contracts subject to this Circular. The supervisory effort began with the work to transition from the previous circular to the new one, which included: adaptation of contracts, analysis of the operations resulting from the cancellation of the former contracts, responding to enquiries and supervision of the price-sensitive information disclosures of the cancellation and notification of the new contracts. Supervision has been very close since then.

In addition to the supervision performed on a day-to-day basis – which includes monitoring transparency and reviewing transactions – the CNMV conducts a periodic and exhaustive analysis every quarter to determine the behaviour of liquidity contracts and compliance with the conditions laid down in Circular 1/2017.

At the end of the year, 36 issuers held liquidity contracts in force.

Stabilisation

The Market Abuse Regulation and Delegated Regulation (EU) 2016/1052 also regulate as safe harbours stabilisation transactions intended to provide support for the price of an initial or secondary offering of securities during a limited time period if the securities come under selling pressure, thus alleviating sales pressure generated by short-term investors and maintaining an orderly market, which contributes to greater confidence of investors and issuers in financial markets.

In order for stabilisation transactions to benefit from the safe harbour, they must comply with a series of transparency and operational conditions. In this regard, supervision of stabilisation transactions performed in the framework of public offerings for sale or subscription focus on verifying compliance with said conditions, with particular attention paid to the following aspects: i) the price at which the stabilisation transactions were executed, which must never be above the offer price; ii) the volume of shares subject to stabilisation; and iii) the information published in the context of the stabilisation, both relating to the transactions performed and to the start and end of the stabilisation.

5.4 Transactions carried out by directors and related parties

Article 19.1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council (MAR) and Article 230 of the Securities Market Act (LMV) establish that persons with management responsibilities, as well as those closely related to them, must report any transactions they carry out on shares or debt securities issued by their company or on derivatives related to these instruments once the threshold of €20,000 has been reached, immediately and at the latest within a period of three business days from the date of the transactions. Transactions must be reported to the issuer or market participant of the emissions allowances market and to the competent authority of the Member State in which the issuer or participant of the emissions allowances market is registered.

In relation to the notifications of transactions made by persons discharging managerial responsibilities and persons closely associated with them on the issuer's own securities, a total of 2,432 were registered in 2020, an increase of 95.5% compared with the previous year. The number of enquiries replied to increased by 88.78%, with issues related to the interpretation of regulations, questions on how to report certain situations and notification errors standing out.

This increase in notifications and enquiries was mainly caused by the publication on 18 February 2020 of the CNMV criteria for directors of listed companies to report their transactions by means of notification of directors and related parties (NOD procedure) and not through the significant equity model.

Throughout 2020, the different supervisory measures under this regime continued. In particular, the CNMV sent out letters requesting information to several issuers and persons discharging managerial responsibilities in order to verify compliance with the obligations set out in Article 19 of the Market Abuse Regulation. With regard to issuers, the supervision consisted in determining whether they complied with the obligation to notify in writing the persons discharging managerial responsibilities of their obligations under Article 19 and to draw up a list of all persons discharging managerial responsibilities and persons closely associated with them.

It also supervised compliance with the restriction periods regime, in other words, banning individuals with managerial responsibility from conducting transactions on their own account or on the account of a third party, directly or indirectly, relating to the shares and debt instruments of the issuer or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the publication of the interim or annual financial report. These measures affected issuers that are listed on both regulated markets and multilateral trading facilities.

5.5 Short-selling

Another notable part of the CNMV's supervisory work concerns compliance with the obligations imposed by Regulation (EU) No. 236/2012 of the European Parliament and of the Council, of 14 March 2012, on short-selling and certain aspects of credit default swaps. These obligations refer to the following areas.

Transparency regime

The Regulation establishes a transparency regime with the obligation to notify net short positions in shares that reach or fall below 0.2% of the capital, as well as each additional 0.1% in excess of that percentage. In addition, the Regulation establishes the obligation to disclose positions that reach 0.5% of the capital, as well as each additional 0.1% in excess of that percentage.

On 16 March 2020, ESMA temporarily lowered to 0.10% of share capital (previously 0.20%) the threshold for reporting net short positions in shares listed on regulated markets in the European Union. ESMA noted that, in the exceptional circumstances arising from the COVID-19 pandemic, this preventive measure was essential so that national authorities could carry out a more detailed monitoring of market developments. This measure was in force until 19 March 2021.

In 2020, the CNMV received a total of 6,171 notifications of net short positions in shares (43% more than in 2019) and a total of 190 investors reported short positions, mostly US and UK hedge funds, as in previous years. In the increase observed, the reduction of the minimum disclosure threshold mentioned above was noted. At year-end, net short positions were held on 74 issuers, and 91 issuers were affected by short positions at some time during the year (77 in 2019). The average of all the aggregate net positions weighted by market capitalisation stood at 0.77% of the capital at year-end 2020 (0.64% in 2019).

The CNMV performs different supervisory actions aimed at verifying compliance with the Regulation. In this regard, it performs an analysis of the notifications of net short positions received and carries out periodic supervisions of notifications of net short positions that are more than six months old in order to determine whether or not they remain in force. This makes it possible to detect possible breaches of the Regulation by holders who have not updated their net short positions by means of the appropriate notification, which led to the CNMV sending several letters requiring information. This analysis also allows the CNMV to keep an updated register of the positions of this type in listed issuers on Spanish markets.

Ban on short positions (Article 23) and the creation or increase of net short positions (Article 20)

As a result of the pandemic, the CNMV implemented two bans, both of which had the favourable opinion of ESMA.

On 12 March 2020, the CNMV resolved to prohibit short-selling during the day of 13 March on all liquid shares admitted to trading on the Spanish stock exchanges whose price had fallen more than 10% in the previous session (12 March) and on all illiquid shares (pursuant to Delegated Regulation (EU) No. 918/2012) when this fall was greater than 20% (in total 69 listed companies). The decision was adopted in accordance with Article 23 of Regulation (EU) No. 236/2012 of the European Parliament and of the Council, of 14 March 2012, which empowers national competent authorities to temporarily restrict short-selling in the case of a significant drop in price. The agreement was taken based on the performance of the stock markets in the context of the situation created by COVID-19, as European share prices had seen extremely large falls (-14.06% for the Ibex 35) with numerous securities showing variations that exceeded the thresholds established in Regulation (EU) 236/2012 and its implementing regulations.

On 16 March 2020, the CNMV issued a one-month ban on transactions on securities and financial instruments that imply the creation or increase of net short positions in shares admitted to trading in Spanish trading venues, for which it is the competent authority, in accordance with Article 20 of the Regulation. The ban was in place from 17 March to 17 April, both inclusive, and could be extended for additional periods of no more than three months if the circumstances that had caused it remained unchanged, in accordance with Article 24, or it could be lifted in any time before the end of the period, if deemed necessary. The measure was also implemented in other jurisdictions of the European Union such as Austria, Belgium, France, Italy and Greece.

On 15 April 2020, the CNMV resolved to extend the ban for one month on shares traded in Spanish trading venues (stock exchanges and the Alternative Stock Market, MAB) for which it was the competent authority. The ban was extended from 18 April to 18 May 2020, both inclusive, and could be extended for further renewable periods of no more than three months.

On 18 May 2020, having analysed the performance of the market and the circumstances that had led to its implementation, and in concert with other European securities supervisors who had adopted similar measures, the CNMV ruled not to extend the ban on the creation or increase of net short positions for any longer.

Creation and increase in net short positions and compliance with conditions for performing short sales

The CNMV sent various letters requiring information to verify compliance with conditions for performing short sales to natural and legal persons operating in the Spanish stock markets, with a focus on those evidencing any incidents in settlement due to delays in the delivery of the shares sold.

Lastly, in 2020, the CNMV continued to process notifications from entities relating to their intention to make use of the exemption for market-making activities. In accordance with the provisions of the Regulation on short-selling, market makers are not subject to the obligations relating to the notification and transparency of net short positions or to the restrictions on short-selling for transactions carried out in their market making activity.

With regard to the regime for short positions on sovereign debt, financial institutions domiciled in the United Kingdom and that wished to remain primary dealers under Regulation (EU) No. 236/2012 after 1 January 2021 (the effective date of Brexit) had to transfer their status as an authorised primary operator in Spanish sovereign debt to a financial entity domiciled in a country of the European Union.

The CNMV has assessed the proposals and disclosure requirements of the new entities domiciled in the European Union that have chosen to take advantage of the exemption from notifications and restrictions under Article 17.3 of the Regulation when declaring their actions as a primary operator. The disclosure of cessation of this status under Article 17.10 has also been reviewed by UK entities. The CNMV has informed ESMA of these entities' use and cessation of this regime for Spanish sovereign debt.

5.6 MiFID market supervision

Electronic trading

Spanish markets performed normally in 2020 and were not affected by the activation of their contingency plans in March to address the pandemic and the consequent remote working of most of their staff.

The cyberattacks experienced by a large number of European Union trading venues in the second half of the year, which in some cases caused serious interruptions of trading, did not significantly affect the stock exchange systems or the rest of the Spanish markets.

In 2020, the CNMV carried out various supervisory actions related to trading on electronic trading venues. In particular, for stock exchanges, various aspects of the algorithmic trading regime established under Article 48 of the MiFID Regulation and various delegated regulations of the European Commission were analysed: market making agreements and schemes (Delegated Regulation (EU) 2017/578), the ratio of non-executed orders or OTR (Delegated Regulation (EU) 2017/566) and system capacity (Delegated Regulation (EU) 2017/584). As of the date of this report, the CNMV is analysing the conclusions obtained and potential recommendations for the stock exchanges.

In accordance with Article 27 of MiFID and Commission Delegated Regulation (EU) 2017/575, the publication of the quarterly reports on the quality of execution of transactions was monitored in a timely manner.

Additionally, the report to ESMA on the volatility management mechanisms and parameters applied by trading venues, in accordance with Articles 18 and 48 of MiFID II was completed and the tick size regime was monitored according to the updated annual calculations on transparency published by ESMA on 28 February 2020.

In 2020, a notification was received from one entity regarding a new algorithmic trading registration in accordance with Article 17 of MiFID II, as well as eight amendments to previous notifications. At the end of that year, the number of reporting entities stood at 84.

Number of notifications received by the CNMV TABLE 5.6.1

	2019	2020	Change (%)
NNA procedure Notification of activities related to algorithmic trading	65	9	-86.15
NAI procedure Notification of systematic internalisation activity	15	15	–

Source: CNMV.

Fixed income markets

Supervisory actions and market news

The CNMV continued its work of monitoring daily transactions to prevent and detect market abuse. A large part of the investigations carried out are related to price dispersion in illiquid instruments or inaccuracies in the reporting of prices.

There have been several developments in the Spanish debt markets.

– In October 2020, the MTF DowGate started operating in Spain, with 131 transactions for a nominal amount of €1,090.05 million, of which 5% corresponded to Spanish sovereign debt and the rest to foreign sovereign debt.

– In 2020, there was a 7% decrease in issues carried out on the MARF, standing at 9,584 million. This trend occurred despite the increase in the number of issuers and the fact that almost 40% of the issues were government backed. The first time registration of two covered bond issues stands out.

– On the AIAF market, in 2019 the CNMV authorised changes to its regulations to include a new type of transaction: conditional transactions. These are transactions on ISIN codes reported to the FIRDS during the admission process. In June 2020, trading started in this new type of transaction, with a total of 56 transactions, of which 82% corresponded to Spanish public debt.

Credit ratings

Rating agencies

The supervision of rating agencies corresponds directly to ESMA. Therefore, as a member of the Board of Supervisors of ESMA, the CNMV's activity with respect to these entities consists mainly in its contribution in the implementing regulations on rating agencies as well as disciplinary procedures, and authorisations and rejections of new agencies in Europe.

The implementation of these tasks includes the approval and publication of the review of the internal control guidelines that credit rating agencies must have in place to safeguard integrity, quality and independence in the provision of their services. The objective of these guidelines is to reinforce the separation of the different control functions and the effectiveness of the processes for identifying risks, while respecting the principle of proportionality applicable to smaller agencies.

Also noteworthy is the publication of calls for evidence on the accessibility and use of ratings, which ESMA uses to map the main activities (regulatory and otherwise) credit ratings are used for by different parties, identify the specific data needs that these users need and how these needs correspond to the information currently provided in the European Ratings Platform managed by ESMA and on the websites of the credit rating agencies.

Extraordinarily, in the area of supervision, the exhaustive monitoring carried out by ESMA of the evolution of ratings in the environment marked by the economic crisis triggered by the COVID-19 pandemic should be noted, which led to the publication a specific thematic report on the potential risks of credit ratings issued on CLOs (collateralised loan obligations).

In 2020, ESMA authorised the deregistration of the Polish agency Inc Rating Sp. Zoo at the request of the entity itself, and the deregistration of Kroll LLC as a certified agency, due to duplication issues with respect to its European subsidiary registered in 2017, Kroll Bond Rating Agency Europe Limited. On 1 January 2021, subsidiaries in the United Kingdom were automatically removed from the agencies[2] AM Best, DBRS, Fitch Ratings and Moody's due to their loss of status as agencies established in the European Union after Brexit, which were replaced by the respective subsidiaries in the European Union.

2 The deregistered agencies are: AM Best Europe-Rating Services Ltd., AMBERS, DBRS Ratings Limited, Fitch Ratings Limited, Fitch Ratings CIS Limited, Moody's Investors Service Ltd., and The Economist Intelligence Unit Ltd.

In the area of sanctions, the agency Scope Ratings GmbH was fined for an infringement relating to the systematic application of its covered bond methodology and deficiencies detected in its review process.

Issuers

In the area of regulatory functions of credit rating agencies attributed to the national competent authorities, the CNMV continued to supervise the obligations of issuers domiciled in Spain to consider contracting small rating agencies[3] and double credit ratings for securitisation instruments.[4]

Derivatives products

The supervision of **derivatives instruments** in 2020 remained focused on analysing and monitoring daily trading, preventing and detecting situations of market abuse, and carrying out the following specific control actions.

Regulated markets

A review of both the volumes traded and the prices, volatilities, transactions, traded strategies and open positions registered in MEFF Exchange in the previous session is carried out on a daily basis. Further, during the weeks in which the contracts mature, the CNMV conducts a specific analysis of the roll-over of positions and of the accounts with the largest concentration of position in the nearest maturity. It also monitors the performance of the Ibex 35 over the period for calculating the settlement price at maturity of the future.

Trading in the FX-Rolling segment is also monitored daily, analysing the trading levels in each of the available currency pairs.

Transactions in warrants traded on stock exchanges are also monitored daily, compliance with obligations of specialists is verified and the disclosures of price-sensitive information by warrant issuers are supervised, together with the settlements corresponding to the different maturities, as well as those of new issues, cancellations and barrier knock-ins.

In order to detect situations of market abuse, the transactions carried out on dates close to key events were reviewed, such as the dissemination of inside information and suspension of trading of derivative products. In addition, special attention was

3 Use of multiple credit rating agencies (Article *8 quinquies*): "1. When an issuer or a related third party intends to designate at least two credit rating agencies for the credit rating of the same issuance or entity, the issuer or a related third party will consider appointing at least one credit rating agency with a fee not exceeding 10% of the total market and which can be assessed by the issuer or a related third party as capable of rating the issue or the entity in question, provided that, according to the ESMA list mentioned in paragraph 2, there is a credit rating agency available to rate the issue or entity in question. Cases in which the issuer or a related third party does not designate at least one credit rating agency with a share of less than 10% of the total market shall be recorded".

4 Double credit rating for securitisation instruments (Article 8 *quater*): "1. In cases where an issuer or a related third party intends to request the credit rating of a structured financing instrument, it will designate at least two credit rating agencies that submit credit ratings independently".

paid to potential market abuse detected in the analysis of daily transactions and automatic warnings, and deriving from suspicious transaction order reports.

Organised trading facilities (OTFs)

In 2020, there were two Spanish OTFs in operation: CAPI OTF (managed by CM Capital Markets Brokerage, AV, S.A.) and CIMD OTF (managed by CIMD, SV, S.A., of Grupo CIMD Corretaje e Información Monetaria y de Divisas, S.A.). Trading on OTFs is supervised on a daily basis in a similar manner to that mentioned above.

All transactions made through CAPI OTF, which trades interest rate and currency derivatives instruments, and in CIMD OTF, which has two main areas: currency futures and interest rate swaps, and energy derivatives (commodities) are analysed daily. All the transactions carried out in the previous session are reviewed, verifying the different classes of trades and their characteristics, such as type, terms, underlyings, references and volumes.

Limits on positions and ancillary activities in commodity derivatives

In the commodity derivatives segment, in Spain derivatives with energy underlyings are traded in the energy segments of the MEFF and CIMD trading venues. At the close of each trading day, the venues submit the open positions of all the holders of these energy derivatives contracts, and checks are made to ensure they are lower than the maximum limits established by the CNMV in application of Article 85 of the recast text of the Securities Market Act.

The exemption for ancillary activities allows entities to trade on their own account in commodity derivatives or emission rights or derivatives of these, and to provide investment services (albeit not on their own account) for these financial instruments to clients or suppliers of its main activity without having to request authorisation as an investment services company, provided that the following requirements are met: i) the trading is ancillary to the main activity of the entity; ii) they are not financial institutions or market makers in these instruments; iii) that do not use high frequency algorithmic trading techniques; and iv) the use of the exemption is reported annually to the corresponding financial authority. In 2020, the CNMV received notifications of adherence to this exemption from 185 companies, a figure which is higher than the 150 seen in 2019.

5.7 Clearing, settlement and registry

Central securities depository

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear) is supervised by the CNMV, which is the competent authority responsible for authorising, supervising and sanctioning Central Securities Depositories (CSDs)[5] in Spain.

5 Under Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSDR).

A large part of the supervision activity carried out during the year focused on the first annual review and evaluation of the systems, strategies, processes and mechanisms applied by CSDs with respect to compliance with the Regulation on Central Securities Depositories (CSDR), specifically Article 22.

As part of the assessment, the implementation by CSDs of the recommendations included in the authorisation was also verified. As part of the process, the Bank of Spain, in its role as the significant authority under the CSDR, was informed about the reception and analysis of the information submitted by the CSD.

The CNMV sent its conclusions and recommendations to the CSD following the assessment. Within the framework of the CSDR, the assessment of applications submitted by foreign CSDs to operate under the freedom to provide services regime continued, pursuant to Article 23 of the Regulation. The purpose of the assessments made by the CNMV is to verify that the procedures that the CSD employs or intends to employ allow users to comply with national legislation referred to in Article 49.1 of the EU Regulation.

Similarly, the information used to calculate the indicators to determine the significant currencies in which settlement takes place and the significant importance of a CSD for a host Member State was reviewed.

Supervision of the system's efficiency also continued, especially in preparation for the entry into force of the settlement discipline regime. The application of the new regime was initially scheduled for the end of 2020, although it has been agreed to postpone its entry into force until February 2022. Thus, in compliance with the CNMV's Activity Plan for 2020, the factors that could be potentially conditioning efficiency levels in the settlement of equity securities were analysed (differentiating, among other aspects, between the settlement model and the type of instruction), as well as the implications that the Post-Trade Interface (PTI) information system could be having on efficiency levels. The CNMV is considering, in conjunction with other stakeholders, possible actions to improve the efficiency and security of the system.

Also during the year, the performance of systemic participating entities was analysed and details were requested on the reasons for settlement fails when they presented a significant default rate.

In addition, given the circumstances arising from COVID-19, exhaustive monitoring was carried out of Iberclear's operations, especially in the moments immediately after the State of Alarm was established. The CSD activated the contingency plan for pandemics, according to which almost all employees became teleworkers, and this posed no problems for the infrastructure despite the increase in volumes registered.

Central counterparty

With regard to BME Clearing, in 2020, a very significant part of the CNMV's supervisory work was focused on verifying compliance by the Spanish Central Counterparty (CCP) with the requirements of Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July, on OTC derivatives, central counterparties and trade repositories (EMIR).

This review is carried out in compliance with Article 21 of the Regulation, which establishes that the review of the agreements, strategies, processes and mechanisms applied by CCPs to comply with EMIR and assess the risks to which they are or could be exposed must be performed at least on an annual basis. Part of this review involves the assessment of the proposals to include new procedures, products or services. The annual review concluded that BME Clearing continues to comply with the requirements of EMIR.

Various specific activities were also performed in relation to certain matters of interest in the supervision of CCPs.

An in-depth review was carried out of the way in which BME Clearing manages operational risk. Market infrastructures automatically manage an increasing number of transactions, and for this reason operational risk management has been the growing subject of attention in various regulatory spheres and forums. For this reason, the CNMV resolved to expand its assessment of the way in which the CCP's practices conform to best international standards in this area.

The CNMV also continued to assess BME Clearing's compliance with the ESMA Guidelines on the management of conflicts of interest by CCPs, published in April 2019. These guidelines are intended to ensure that the policies and procedures of CCPs established in the European Union adhere to standard principles for managing conflicts of interest, including those that could arise between different infrastructures or businesses within a business group.

In 2020, the operations of the governance bodies of the CCP were also reviewed with respect to all matters related to risk management. EMIR establishes high standards for the independence of CCP control areas in order to ensure that the decisions taken on these matters have the sole objective of preserving the integrity and soundness of the infrastructures and their clients above any business reason.

In addition, the ability of the CCP to apply its default management procedures in the situation caused by the COVID-19 pandemic, where most of its staff and the staff of clearing members worked remotely, was also assessed. For this reason, a simulation exercise for default management was requested by one of the members of BME Clearing, in order to assess the extent to which this could be satisfactorily resolved despite the restrictions on movement caused by the lockdown.

Lastly, the actions related to the European stress tests designed by ESMA should be noted, both with regard to monitoring compliance by BME Clearing with the recommendations made in previous years and with regard to the control of the information provided by this CCP for the performance of the tests carried out in 2020 and the assessment of the results obtained in that year.

Other obligations under EMIR

In addition to the supervision of the CCP, the CNMV continued its work of supervising compliance by Spanish entities with the obligations deriving from EMIR, participating in exercises coordinated by ESMA to assess the quality of the information on OTC derivatives trading reported at European level and carrying out specific analyses.

As part of EMIR compliance, the CNMV also analyses the exemption requests provided for in the Regulation with respect to certain intragroup operations: centralised clearing, collateral exchanges or reporting to trade repositories-the latter applicable since the entry into force of EMIR Refit.[6]

5.8 Securities financing transactions. Reporting obligations

Regulation (EU) 2015/2365 of the European Parliament and of the Council, of 25 November 2015, on transparency of securities financing transactions and of reuse, amending Regulation (EU) 648/2012 (on securities financing transactions, or SFTR) aims to improve the transparency and supervision of securities financing operations (repos, securities loans, buy-sell back transactions or sell-buyback transactions, or loans with collateral replacement).

The start of the reporting obligation under this Regulation was postponed for several months due to the impact of COVID-19 on entities with reporting obligations. Thus, the first reporting phase, initially scheduled for April 2020 for IFs and CIs, took place in July, following the statement issued by ESMA in March 2020 as a consequence of the pandemic. In July, the obligation was extended to CCPs and CSDs, in October, to insurance companies, UCITS, AIF, management companies and pension funds and lastly, in January 2021, to non-financial counterparties.

The CNMV took part in the preparation, approval and publication in January 2020 of the ESMA Guidelines on reporting securities financing transactions and the final report, which provides guidelines and examples for reporting transactions and access to data, as well as other aspects related to the rejection and reconciliation of these transactions. The review and publication of the Spanish translation of the guidelines is scheduled for 2021. The final report of ESMA Guidelines on the calculation of positions is expected to be published in first half of 2021. The CNMV also collaborated with ESMA in the preparation, approval and publication of the field validations and reporting schemes published by ESMA and the question and answer (Q&A) documents.

In April 2020, the authorisation of the trade repositories already approved by EMIR (Regis-TR S.A., UnaVista TRADEcho BV, Krajowy Depozit Papierów Wartosziowich S.A. and DTCC Derivatives Repositories plc, DDRL) was extended in accordance with the SFTR. DDRL was subsequently deregistered and authorisation was granted for DTCC Data Repository plc (DDRIE) in December 2020. The CNMV, as the competent authority empowered to receive the SFT information collected by these trade repositories, has registered with them to access and supervise the data.

To supervise the obligation to comply with the report and data quality requirements, a framework agreement has been established between ESMA and the competent authorities to prepare tests to verify data quality, error detection, impact and priority of corrections, monitoring incidents and reporting, which will take place twice a year.

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6 Regulation (EU) No. 2019/834 of the European Parliament and of the Council, of 20 May 2019, amending Regulation (EU) No. 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories.

Queries about this regime can be submitted to ComunicacionOperaciones@cnmv.es.

5.9 Market monitoring

Through its Market Monitoring Unit (Spanish abbreviation UVM), the CNMV undertakes in-depth investigations of situations in which actions contrary to market integrity may have been performed. Firstly, the investigations aim to detect cases of actual or attempted transactions using inside information or recommendations based on inside information or of the illicit communication of such information and, secondly, actual or attempted market manipulation practices. Other aspects are also reviewed, such as proper preparation and maintenance of insider lists and the effectiveness of the mechanisms, systems and procedures of entities providing investment services for identifying and reporting transactions suspected of market abuse to the CNMV. On completion of the UVM's investigations, the CNMV decides whether to apply measures, including disciplinary measures.

As a result of the investigations carried out by the UVM, two disciplinary proceedings were initiated in 2020 against natural persons, for the following reasons:

– Manipulation in the alternative stock market (currently, BME Growth, the SME segment of the multilateral trading facility BME MTF Equity).

  The practice consisted of obtaining shares of a certain security traded in BME Growth by buying from the liquidity provider and, once the long position was established, causing significant price changes through trade orders in the name of two holders (the individual and their asset company), which, when executed, allowed them to obtain a significant trading position, even if there was no change in the final ownership of the shares.

– Various manipulations of the ordinary market.

  In this case, one natural person changed the free formation of prices through small volume purchase orders (in situations where they really wanted to sell) and sell (in other situations, where they really wanted to buy), which caused small volume executions at the price they wanted to attract other investors to their positions (sellers and buyers). This practice, when carried out frequently, becomes market manipulation as it creates a dominant position in price formation in the sessions in which it is carried out.

Lastly, 11 advisory or warning letters were sent to the following entities:

– An insurance company, advising it to be extremely cautious in its stock market transactions to avoid practices that could constitute market manipulation, and to include regulations to achieve this objective in its investment policies.

– Eight credit institutions, to ensure that whenever any area or department has inside information on companies issuing securities or financial instruments, this information is immediately transferred to the regulatory compliance area, as this area is responsible for adopting the measures required for its control and safeguarding, including, when applicable, the preparation of insider lists.

- One communication group, advising it to adopt precise rules of conduct for obtaining, checking and writing news related to securities or financial instruments aimed at avoiding the publication of information that could give a false or misleading image of the issuers and cause undue alterations in their trading.

- One communication consultancy, advising it to prepare and keep updated (in the regulated format) lists of insiders whenever it provides services to companies that issue securities or financial instruments and accesses inside information of that issuer.

6 Supervision of entities

6.1 Investment firms

In 2020, the supervision of entities that provide investment services was carried out normally, although some processes had to be adjusted due to the health crisis experienced as a result of COVID-19. In particular, the work that was normally performed in person at institutions' headquarters had to be replaced with videoconferences.

Table 6.1.1 shows that, as a result of these supervisory actions, the CNMV sent out a total of 881 deficiency letters to supervised entities, 683 of which originated from off-site supervision.

Supervision of IFs and CIs: deficiency letters sent by the CNMV in 2020 TABLE 6.1.1

Type of deficiency letter	On-site	Off-site	Total
For late filing of information	8	118	126
Requests for information	101	324	425
Corrective measures or recommendations	31	124	155
Other notifications	58	117	175
Total	**198**	**683**	**881**

Source: CNMV.

Rules of conduct and organisational requirements

Horizontal review of information on client costs and expenses

The transparency of costs and expenses borne by clients is essential for the provision of investment services and one of the aspects that has been reinforced by the MiFID II Directive.

As established in the CNMV's Activity Plan, in 2020 a horizontal review was carried out of compliance, in time and manner, with the annual obligation to provide *ex post* information on costs for retail clients (information for the 2019 calendar year). The review was carried out on a representative sample of 20 credit institutions (CIs) and 11 investment firms (IFs).

The CNMV has publicly stated that this information should be provided no later than 31 March following the close of each calendar year reported, although the rule does not establish a deadline. Most institutions submitted this information to their clients at the end of March or the beginning of April.

The main conclusions following the annual review of *ex post* information models used by the institutions are described below:

i) Disclosure of total costs, distinguishing between product costs, service costs and incentives received (in amount and percentage). Cost items considered.

The information must be aggregated to allow customers to understand the total cost. In addition, subtotals for costs per product, service and incentives should be provided. Some of the institutions assessed (nine CIs and three IFs) either did not provide separate subtotals for these three items, did not provide them for all services or simply did not give a breakdown, simply reporting the total costs or using other items in the breakdown.

This information must be disclosed to the customer (in terms of amount and percentage) and the statements should explain how the percentage was calculated so they can properly understand its meaning. In some cases (12 CIs and 2 IFs) a breakdown of the percentages was not always included or the meaning was not properly explained.

The costs shown on the statements should include costs for ancillary custody services, VAT and costs for advisory or management services (regardless of whether these are broken down in separate invoices). Several specific incidents were observed in this area. In addition, fees and commissions explicitly linked to the provision of order reception/transmission services must be charged to the customer as service costs and never as product costs. However, some institutions (five CIs) included them in the product costs section.

In the cases where customers bear implicit costs (typically in transactions on fixed income instruments, structured or OTC derivatives or currency exchange linked to transactions on financial instruments denominated in currencies other than the euro) these should be added to total costs and therefore customers must always be informed of them. For these purposes, the correct calculation of the fair value of the financial instrument is essential, using generally accepted criteria that do not include operating, structural, hedging or similar costs.

In order to achieve good levels of transparency and investor protection it is very important that this information be provided to the customer. However, it has been observed that many CIs (13) and some IFs (2) have not yet included some of these implicit costs in their information statements for 2019. For this reason, the CNMV has requested these entities to adopt the necessary remedial measures and to add these costs in the expense statements corresponding to 2020 that will be sent out in 2021 when they are borne by customers.

ii) Level of aggregation established by each entity for disclosing costs. Explanatory notes to be provided.

The information must be presented in aggregate, so that the customer is able to clearly understand the total amount of costs incurred during the year subject to reporting. If separate statements are sent out for different types of financial instruments or the information is presented separately depending on the type of instrument in question, without showing the total amount of costs incurred, this makes it difficult for the customer to be properly informed and does not comply with current regulations. Defects in the presentation of total amounts were observed in the statements of eight CIs and two IFs.

Additionally, in order for clients to properly understand the information provided, it is recommended that explanatory notes be included in the statement together with a description of the cost items included in the different sections (indicating, for example, that the costs include the brokerage fees, custody fees, management fees, etc.).

When portfolio management services are provided to the same customers for some of their positions and other services such as brokerage or advisory services for others, institutions often choose to publish one statement showing the costs corresponding to the managed positions and another separate statement showing the costs corresponding to the rest of the positions.

Given the specific nature of the portfolio management service, this approach is considered acceptable as long as the customer has been informed, in the statement corresponding to the rest of the positions, that the costs corresponding to the managed positions are shown separately.

iii) Form in which the accumulated effect of costs on investment return is presented.

For information illustrating the accumulated effect of costs on return, the CNMV considers that the return obtained must be shown together with the information on the costs incurred, to allow customers to compare the two figures. In general, institutions have opted to use this form to illustrate the cumulative effect of costs on return as required under the regulation.

As the purpose of the information on returns in this context is to provide a comparison with the total costs for the period, it is recommended that the return obtained on the entire portfolio be disclosed (amount and percentage). In any case, information on the percentage return must be expressed using a base that is equal or similar to that used to calculate the percentage of total costs, so that the comparison between the two is consistent.

Application of Regulation 2019/2088 on sustainability-related disclosures in the financial services sector EXHIBIT 11

On 10 March 2021, Regulation (EU) 2019/2088 of the European Parliament and of the Council, of 27 November 2019, on sustainability-related disclosures in the financial services sector, entered into force (the Regulation). This Regulation establishes harmonised standards of transparency to be applied by participants in financial markets. Within the scope of the CNMV, it affects CIS management companies, management companies of closed-ended collective investment undertakings, entities that provide discretionary portfolio management services and financial advisers (entities that provide investment advice).

These standards refer to information on the integration of sustainability risks, transparency in the event of adverse sustainability impacts and information on the sustainability of financial products. The transparency obligations imposed by the Regulation affect the information that participants shall publish on their websites, pre-contractual information (in the case of CISs and venture capital firms, the prospectus) and the annual reports.

The transparency obligations can be summarised as follows:

– Information about policies on the integration of sustainability risks in the investment decision-making process: to be published on websites (Article 3) and in pre-contractual information (Article 6).

– Statement on policies on adverse impacts of investment decisions or advice on sustainability factors: to be published on websites (Article 4) and in pre-contractual information (Article 7).

– Transparency on remuneration policies in relation to the integration of sustainability risk on websites (Article 5).

– Information on the promotion of environmental or social (ESG) characteristics of a product (provided that the companies in which it is invested observe good governance practices): to be included on websites (Article 10), in pre-contractual information (Article 8) and in the information corresponding periodic information, annual reports in the case of CISs or alternative investment funds (Article 11).

– Information on products aimed at sustainable investments: to be included on websites (Article 10), in pre-contractual information (Article 9) and in the corresponding periodic information, annual report in the case of CISs or AIFs (Article 11).

With the exceptions set forth in Article 7 and Article 20 (entry into force and application), which postpones the obligation for periodic information to 1 January 2022, the Regulation shall be applicable from 10 March 2021.

For the purpose of specifying the details of the presentation and content of this information, Article 4 (transparency of adverse sustainability impacts on websites), Articles 8 and 9 (pre-contractual information) and Article 10 (information on website) provide that the European Supervisory Authorities (ESAs), in other words, the European Securities and Markets Authority (ESMA) in the case of securities, the European Banking Authority (EBA) for banks and the European Authority for Insurance and Retirement Pensions (EIOPA) in the area of insurance and pension funds, should-prepare draft regulatory technical standards, which have not yet been approved. Despite the absence of these standards and other regulatory developments, the European Commission has ratified the obligation to comply, as of 10 March of this year, with the obligations relating to information on sustainability risk and the main adverse aspects, as well as with the principles established in Articles 8 and 9, since their application is not conditioned to the prior implementation of technical standards. On 4 February, the ESAs published the draft regulatory technical standards, stating that they have proposed that they be applied from 1 January 2022. They also announced that they planned to issue a communication before the date of application of the Regulation to ensure its consistent application and monitoring.

Without prejudice to the content of the communication the ESAs may publish, on 18 February, the CNMV issued a statement[1] encouraging institutions to use the time remaining before the application of the technical standards to prepare properly. Likewise, during the period in which the Regulation is applied in which the technical standards are not enforceable, it indicated that institutions may voluntarily use the drafts of these standards submitted by the ESAs to the European Commission as a reference.

Therefore, entities must include on their websites and in their corresponding pre-contractual documentation information on the policy for integrating sustainability risks into the decision-making process and on the adverse effects of their decisions on sustainability factors (in the second case, and with regard to pre-contractual information at product level, the deadline is only applicable if adverse incidents are not taken into account, otherwise the obligation is postponed until 30 December 2022 at the latest).

Likewise, CISs or portfolios under management that, in accordance with the provisions of Articles 8 and 9, promote environmental or social characteristics (as long as the companies in which they invest observe good governance practices), or have sustainable investments as their objective, must include, as of 10 March 2021, the information provided for in the regulation on their websites and in their contractual documentation.

The CNMV has conveyed to the institutions subject to the Regulation the importance of proper transparency in the information on sustainability in the financial services sector and correct compliance with the obligations and principles established in the regulations. Further, with a view to the implementation of the Regulation, it intends to:

– Seek harmonised application at European level, for which purpose it will adhere to the guidelines established by the ESAs and in particular ESMA.

– Disseminate criteria to the sector on the implementation of the Regulation in the absence of the technical standards, through the publication of a Q&A document on the consultations received and its supervisory experience.

– Apply the principle of proportionality in the supervision of compliance with the regulations by the institutions required to do so.

– Take into account, both in regard to the registration of amendments in CIS prospectuses and supervision tasks, the uncertainty that has surrounded the date of entry into force of the obligations established in the Regulation.

In the particular case of updating the prospectuses of investment funds to adapt them to the requirements of Articles 6 and 7 of the Regulation (sustainability risk and adverse events), the CNMV has developed a simplified procedure to allow the agile incorporation of information in registered prospectuses.[2]

In regard to the obligations imposed by Articles 8 and 9 of the Regulation, management companies must review the prospectuses of the funds registered as socially sustainable investments and assess whether the information included in this document complies with regulatory requirements. In this sense, taking into account the aforementioned circumstances, the CNMV considers that in general and without prejudice to the review that each management company must carry out, the information contained in the prospectuses of these funds, in accordance with the criteria applied up until that time, could be considered sufficient to comply with the regulatory requirements. Notwithstanding, management companies that wish to do so may voluntarily adapt the content of the prospectuses of these CISs, in accordance with the draft regulatory technical standards submitted by the ESAs to the European Commission. Management companies that decide to update these prospectuses must also follow the simplified procedure referred to above.

The CNMV considers the credibility of the information regarding sustainable investment and awareness of sustainability risks to be essential, therefore it urges the institutions involved to equip themselves with adequate means and procedures to properly comply with the new regulations in this area. Likewise, to more easily meet the objectives pursued by the Regulation, the CNMV has offered to collaborate with the sectors involved to resolve any doubts that may arise and coordinate its application.

As a complement to the statement of 18 February and in accordance with the provisions of its 2021 Activity Plan, the CNMV published on 1 June 2021 the interpretative criteria that will guide its authorisation and supervisory actions in the application of this Regulation.

The document was published in question and answer format, in response to the queries raised by the main sector associations and has taken into account the newness of the Regulation, in addition to the fact that a large part of its content is pending development or clarification by the European Commission. Therefore, the criteria included may be subject to revision or expansion in the future as more information becomes available or guidelines are issued at the European level (by the Commission or ESAs).

As part of the criteria published, the CNMV clarifies that the CISs that wish to be classified as an ESG financial product from now on, may only include references to ESG elements in their commercial name if the percentage of investments that promote environmental or social characteristics exceeds 50% of the investment. In the case of general commercial communications these products (outside the scope of their name), references to ESG terms may be used as long as the advertising message is aligned with the information in the prospectus.

Likewise, the document includes criteria on the minimum information that the CIS prospectus must contain that promote environmental or social characteristics, or a combination of these, or that have sustainable investments as their objective (CISs under Article 8 or 9 of the Regulations, respectively), or various considerations on the principal adverse impacts (PAIs) and their material impact on investments.

1 verDoc.axd (cnmv.es)

2 http://www.cnmv.es/portal/Gpage.aspx?id=ProcFolletoIIC

Assessment of appropriateness and suitability

Following the line initiated by the European Securities and Markets Authority (ESMA) in 2019, the CNMV has participated, together with other supervisors, in a joint supervision action coordinated by ESMA, which this time focused on a review of the suitability assessment procedures to be implemented by institutions that provide portfolio management or advisory services to ensure that the products they include in their portfolios or recommend to their clients correspond to their investment objectives and financial situation, and that the client has sufficient knowledge and experience to understand them.

ESMA is considering the publication of guidelines based on the results obtained from this type of exercise. In the 2019 exercise, which focused on the appropriateness assessment, guidelines were submitted to public consultation and for the 2020 action, a question and answer document could be published or existing guidelines could be amended or complemented.

The objective of these guidelines is to ensure their standardised implementation by all entities and a convergence in the supervisory approach of the national competent authorities of the European Union in regard to the requirements of MiFID II Regulations for the appropriateness assessment.

The guidelines address all relevant aspects of the appropriateness assessment.

The guidelines explain how the institution should collect customer information in order to obtain information about their experience and knowledge in relation to the specific services and products offered. The criteria included in the guidelines are in line with the conclusions obtained by the CNMV from its supervisory actions, which are described in the following Exhibit. The emphasis placed on the need to design questionnaires that allow the institution to assess whether or not the customer really understands the characteristics and risks of the products offered stands out. Thus, entities should implement mechanisms that ensure that customers do not self-assess and if there are self-assessment responses, these should be offset with objective criteria:

– Rather than asking if the customer understands the notion of the trade-off between the risk and return of certain specific types of products, the entity should ask questions about practical examples of situations that may occur.

– Instead of asking whether the customer has sufficient knowledge about the main characteristics and risks of specific types of products, the entity should ask questions to assess his or her real knowledge, for example, through multiple-choice questions.

- Rather than asking whether the customers feel they have sufficient experience to invest in certain products, the entity should, for example, ask what specific types of products they are familiar with and how recent and frequent their investment experience is.

The extent and depth of the information to be collected from customers may vary and be proportional to the complexity and risk of the different products and services.

Additionally, the guidelines indicate that institutions must establish procedures to reasonably ensure that their customer information is reliable and consistent, and it should be considered as a whole so that any inconsistencies can be detected. The information must also be kept up to date.

The guidelines address other significant aspects of the appropriateness assessment process relating to the need to inform the customers of the purpose of the assessment, the entity's knowledge of the products and how to assess the appropriateness of an investment using all the significant information of customers and products, or how to effectively issue warnings and other related requirements such as: the qualifications of the personnel who carry out the assessment process, the obligation to keep a register of the entire assessment process or controls that entities must implement to check that the systems and processes designed meet the appropriateness assessment requirements.

As a result of these actions and considering the supervisory experience of the CNMV, in addition to the changes introduced by MiFID II, the guidelines published by the CNMV on the assessment of appropriateness and suitability will be updated (see the exhibit below).

Review of the Guide to assess appropriateness and supervisory experience EXHIBIT 12

In recent years, the CNMV has highlighted in its supervisory actions the importance for entities to ensure that the information they use to assess the appropriateness of their retail customers' transactions, especially when they refer to complex instruments, is sufficient, consistent, accurate and up-to-date.

Likewise, the importance of using prudent criteria to assess the information obtained from customers has been highlighted, to avoid overvaluing their knowledge and experience, in particular their real level of financial literacy.

In recent years, supervisory actions have been carried out with the specific objective of assessing the quality and consistency of the information on the knowledge and investment experience of customers used by institutions to assess appropriateness or suitability.

The CNMV also took part, together with other European supervisors, in the joint action coordinated by ESMA dedicated to the appropriateness assessment. The conclusions of this review, together with other data sources, were used by ESMA to prepare the new guidelines, which are currently in the public consultation phase.[1]

Supervisory experience

Some of the results of the supervisory actions carried out that institutions should take into account are as follows.

The information obtained from customers should be considered as a whole, so that the result of the assessment is consistent and carefully weighs up their real level of financial knowledge.

For example, for highly complex instruments, if customers state that they do not have a high general level of financial knowledge or express doubts in the understanding of the key characteristics or risks of the products, it would not be appropriate or prudent to assume the product is appropriate, even if the customer may have a high level of academic expertise or previous investment experience in similar instruments.

Deficiencies were also identified in the global assessment when customers show a high level of financial knowledge or familiarity with highly complex instruments and this is inconsistent with their relatively low level of education, especially if they acknowledge that they lack experience in investing in financial instruments with such a degree of complexity. In these situations, the risk of overvaluing the customer's real level of financial knowledge should be avoided and their responses should be verified to ensure that they have sufficient knowledge before the transaction is considered to be appropriate.

The mechanisms used to obtain information on the customer's level of financial knowledge or familiarity with the characteristics and risks of financial instruments must always be robust and aimed at preventing the risk of overvaluing their real level of financial culture.

For example, in the case of highly complex instruments, it has been observed that it is not advisable to ask closed questions about a certain characteristic or risk of the instrument, in which it is easy for the investor to guess what the correct answer to the question would be, or in which the answer is provided in the question itself, especially when customers are asked binary questions, usually with YES/NO answers (e.g. "Do you understand that this product could result in the loss of part of your investment?". To which the answer is YES/NO). Supervisory experience suggests that these approaches are not advisable, since they often do not permit the customer's real level of financial knowledge to be properly assessed as they may not pay sufficient attention to their responses or may want to appear to have a higher level of financial literacy than they actually have, thereby increasing the risk of overvaluing their real level.

The assessment must be performed using questions that refer to the risks and key features of the instruments, in such a way that customers are given the option to provide scaled responses (from not being aware of the risks to fully understanding them), and that customers are able to freely select their level of financial knowledge for the product in question, particularly when these are highly complex instruments. Likewise, questions should not be closed-ended so that the correct answer cannot be easily guessed because of the way the question has been put.

In any case, for instruments with a certain level of complexity, appropriateness should not be presumed to exist without first confirming that the customer has a sufficient level of financial knowledge (i.e. they should always be asked about this aspect, based on the above) regardless of whether they have previous investment experience.

While appropriateness and suitability assessments must be carried out on a case-by-case basis, entities must also adopt measures and take reasonable steps to ensure that the information obtained from customers is generally reliable. Therefore, an assessment should be made of whether situations exist that could at first glance be considered atypical, which would not be expected to occur or would be expected to occur occasionally or as a one-off incident. Entities must periodically critically assess the overall reasonableness of the information used to assess appropriateness, considering, at least: i) whether the overall data on the education level of retail clients as a whole are reasonable, taking into account their sociological features; ii) whether the global data corresponding to clients with a high degree of financial knowledge are reasonable, in particular in the case of groups of clients who do not have prior professional or investment experience or who do not have a level of academic training that would be consistent with a high level of financial knowledge, or iii) whether the global data of retail clients who declare that they have previous investing experience in complex instruments that are infrequently sold to retail investors is reasonable, in particular when the experience expressed by these clients does not correspond to their transactions in the entity.

These periodic and global reviews should aim to identify groups of customers for which the information available may not properly reflect their general level of education, financial knowledge or experience, regardless of whether the data are derived from the appropriateness or suitability assessments.

In sum, it is necessary to carry out a review of the CNMV's public guidelines for assessing appropriateness, since some of its content may be outdated. Thus, one of the objectives of the CNMV's Activity Plan for 2021 is to prepare a technical guide for the assessment of appropriateness. This technical guide will specify the criteria that the CNMV considers should be taken into account when assessing appropriateness to ensure that prudent, consistent and robust results are obtained.

1 On 29 January, ESMA published its *Consultation paper on the Guidelines on certain aspects of the MiFID II appropriateness and execution-only requirements*, which will be in the consultation phase until 29 April 2021.

Other actions

Analysis of the annual report of regulatory compliance units

The CNMV has also carried out other actions related to compliance with the rules of conduct and organisational requirements, which include the horizontal review started in 2019 that focused on the analysis of the annual report submitted by regulatory compliance units. As an integral part of the review, an in-depth analysis was made of the supervision carried out by these units of the level of compliance with the training and experience requirements for commercial personnel. This aspect is generally assessed in the regulatory compliance report to some extent but not always with the scope or depth that would be desirable, and it should always include a global assessment of whether the reporting or advising staff has the appropriate training and experience. Additionally, these reports do not always include a specific section that allows the proposed measures for the resolution of incidents detected in previous checks or the effective degree of implementation of these measures to be properly monitored.

In the area of supervision of compliance with the training and experience requirements of commercial personnel, in 2020 the CNMV concluded a review started in 2019 of the entities included in the CNMV's list of issuers of titles or certificates that are considered to be qualifications for providing information or advice. The fundamental objective was to verify that the entities assessed have complied with the content of the technical guide and meet the conditions for including the titles or certificates that are qualifications for providing information or advice in the CNMV list.

The analysis was carried out on a large sample, comprising 34 titles issued by 10 certifying entities (excluding universities), which represented 48% of all entities and 68% of all titles at the selection date, and focused on three main aspects:

i) Compliance with the conditions required for the issuance of titles or certificates: independence of assessment and training activities, integrity of the assessment process and conflicts of interest.

ii) The absence of approved titles issued by entities prior to the date they were included on the CNMV's list.

iii) Statistical analysis of the data provided on the assessments made.

According to the information collected from the certifying entities, in the period analysed (from enrolment to the beginning of the review, in October 2019), a total of 79,159 students were examined, 84.7% of whom opted for titles qualifying them to provide advice (with a pass rate of 69.3%), compared to the remaining 15.3%, who opted for titles qualifying them to provide information (with a pass rate of 83.4% in this case).

In the review, a small number of incidents were detected at several entities, which had validated titles issued prior to their inclusion in the CNMV list or because they had performed occasional remote assessments. The certifying entities involved were required to adopt measures to ensure that these incidents are not repeated, with the express warning that if they fail to do so the titles could be excluded from the official list.

In regard to the issue of remote assessments, the situation deriving from the pandemic caused by COVID-19, which was subsequent to the reference date of the review, made it impossible to carry out face-to-face tests, and at that time it was not clear whether such tests could be performed. Therefore, in response to the request received from several securities issuers, the CNMV exceptionally accepted assessments conducted remotely provided that the entities had procedures in place that guaranteed the reliability of the test performed. The CNMV published a statement on 13 April 2020, in which the requirements for remote assessments were listed and entities were told that if they wished to use this format they should inform the CNMV.

In order to allow entities to carry out remote assessments on a permanent basis, if they so wish, on 3 December 2020, the CNMV approved an amendment of Technical Guide 4/2017, which specifies the conditions that the assessment processes must meet to ensure the complete reliability of the test.

– They must include the possibility of visually identifying and verifying the identity of the student using the appropriate imaging systems to verify their identity from their DNI (Spanish ID card) or equivalent document.

– They must enable monitoring during the exam in a way which is equivalent to on-site monitoring (with image and sound activated throughout the assessment), ensuring the quality of the evaluation process, preventing the person being assessed from receiving help from third parties or consulting material that is not part of the test.

– They must allow the safekeeping of the relevant documentary evidence of the assessments made, the identification controls and the entire evaluation process in an easily identifiable manner, for a period of at least three years from the date of the assessment.

Derivatives

In 2020, a horizontal action was completed that focused on verifying the requirements for considering certain currency derivatives as means of payment and not as financial instruments, which are therefore exempt from MiFID Regulations. The CNMV has issued a Technical Guide on this subject, which sets out the criteria it considers to be appropriate.

European Union entities under the freedom to provide services regime in Spain

In 2020, work continued on monitoring the activity of European Union entities in Spain under the freedom to provide services regime, to ensure proper investor protection and facilitate the work of their home-market authorities, which in principle are the competent authorities. This year, the work focused primarily on advertising activities carried out by these entities.

Prudential requirements

The prudential supervision of investment firms is carried out by analysing their economic financial situation and net worth viability and verifying that they comply with the solvency requirements laid down in the specific legislation. The ultimate aim is to ensure that these firms have sufficient own funds to take on the risks associated with the activity that they perform. The bulk of this supervision is based on an analysis of the information sent periodically to the CNMV, which is complemented by on-site inspections.

The sector as a whole continues to have ample own funds in relative terms (see Section 3.2.2). As part of its supervisory tasks, the CNMV closely monitored the firms that had revealed net worth or solvency incidents.

During the year, the standard procedures and methodologies for the Supervisory Review and Evaluation Process (SREP) continued to be applied. Overall, these analyses threw up no significant risk situations.

In March 2020, the Board of the CNMV resolved to intervene Esfera Capital, AV, S.A., due to the large losses in the derivatives transactions of its clients, which the entity was unable to address. The entity had a negative balance of €6 million that was hedged with the amount available in the global account on the account of other clients. The intervention involved the transfer of financial instruments owned by clients, as well as the proportional part of liquidity held by the entity. Both tasks were completed in May, at which point clients were compensated through the investment guarantee fund (FOGAIN) for cash amounts not reimbursed by the entity. At the close of 2020, €5 million of the €6 million initially estimated had been repaid.

With the technical support of the Bank of Spain, work continued in 2020 on the review of the internal models for determining the own funds requirements of a large firm that has high volumes of trading in derivative instruments, both in organised markets and OTC.

Similarly, the CNMV continued to review the risk profile of all entities, reporting to the Fund for Orderly Bank Restructuring (FROB) those that fall within the scope of Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms.

6.2 Collective investment schemes and closed-ended investment schemes

The supervision of collective investment scheme (CISs), venture capital firms and closed-ended collective investment schemes was focused on preventive analysis to ensure that management companies of these vehicles adequately comply with their obligations, conflicts of interest are solved appropriately and that unitholders and shareholders receive sufficient information about their investments.

Technical Guide 3/2020 on non-professional advisers to CISs — EXHIBIT 13

On 3 December 2020, following its submission to public consultation, the CNMV approved its Technical Guide 3/2020 on non-professional advisers to collective investment Schemes (CIS), thereby fulfilling one of the commitments made in its 2020 Activity Plan.

The Technical Guide includes the criteria that the CNMV considers should be applied and which it follows when exercising its supervisory activities on the requirements for individuals or entities that are not authorised to operate as investment advisers to CISs, as well as the obligations of the management company or self-managed investment company.

The CNMV has acknowledged that CIS management companies (CISMCs) may receive advice from natural or legal persons that are not authorised to provide investment advisory services in Spain on a professional or regular basis, provided that this is a one-off, exclusive and non-professional event (as defined in the Securities Market Regulations), and meets certain requirements.

Given that the CIS Regulation approved by Royal Decree 1082/2012, of 13 July, requires the CIS prospectus to contain information about advisers, CISMCs have been including, where appropriate, a mention of both the entities or persons authorised to provide investment advisory services on a professional or regular basis, in addition to the entities or persons not authorised to do so, noting in this case that the adviser is not authorised to provide regular advice and therefore is not authorised or supervised.

In recent years there has been a significant increase in the number of advisers that are not qualified to perform advisory services, particularly for funds, fund compartments and open-ended collective investment schemes (SICAVs), which has made it advisable to establish and publicly disseminate criteria to take into account in relation to both non-qualified advisers and the management companies (in this case, about the preliminary actions and the subsequent controls that they have to carry out on the role carried out by advisers).

Technical Guide 3/2020 specify these criteria, which include:

– Verification that the adviser is of good repute, with sufficient investment knowledge and experience and is equipped with the technical means necessary to properly carry out their activity.

– Control procedures for advisers' activities, aimed at preventing and managing possible conflicts of interest, as well as ensuring that any recommendations that are carried out comply with current regulations, the policy established in the CIS prospectus and the risk limits approved by the board of directors of the CISMC or self-managed SICAV.

– Formalisation of the relationship with the adviser in a written contract with sufficient documentary evidence of all aspects required under the Technical Guide.

To establish criteria for this area, the CNMV has been mindful that management companies are responsible for monitoring any recommendations made by the entities that advise them, since they are regulated investment management entities; that is, they have the experience, knowledge and qualifications to assess investment decisions and the inherent risks.

In any event, the two categories of supervision of the vehicles and their management companies performed by the CNMV remain complementary. On the one hand, off-site supervision based on analysing the financial reporting statements of the vehicles submitted to the CNMV on a periodic basis, which include a list of individual positions of the portfolio assets. On the other hand, on-site inspections focused on verifying less standardised or more specific aspects of the vehicles.

Off-site supervision is conducted on two levels. The first level consists of performing general periodic analyses for ongoing control of aspects such as adequacy of resources and appropriateness of the internal controls of management companies, the prevention of conflicts of interest and compliance with legally established ratios and the suitability of investments. The other level includes non-recurring analyses, whether general or specific, of issues which arise or are detected during the supervision.

The main periodic controls performed in 2020 for CISs are summarised below.

– Control of CIS legality. The aim is to supervise appropriate compliance with the limits established in CIS legislation, including structural limits (of assets and minimum number of unitholders and shareholders), limits on diversification by issuer, and counterparty risk and exposure in trading with derivatives.

– Analysis of returns and price comparison and transactions that create potential conflicts of interest. This aims to detect atypical changes in net asset values based on a regression analysis of the daily performance of the market compared with the performance of the CIS. Comparative analyses are also performed to identify discrepancies in the valuations applied by the institutions to the same asset and of transactions on assets (mainly fixed income) in which situations of conflicts of interest could arise, for example, due to the links between the management company and the issuer or placement agent of the asset.

  These analyses make it possible to detect incidents and deficiencies in asset valuation procedures, mistakes in the accounting of transactions and the allocation of expenses and fees and commissions, deficiencies in the controls implemented by management companies and conflicts of interest that could reveal actions that have not been carried out in the exclusive interest of the CIS and which could potentially cause damage to unitholders.

– Analysis of CIS audits. CIS Regulations require firms to send audit reports and annual accounts electronically to the CNMV. This information must be delivered to investors as part of the annual report. No significant incidents were detected in the CIS audit reports in 2020, with only one of them containing a qualification, for which the corresponding information was requested.

As a consequence of the liquidity problems in the fixed income markets as a result of COVID-19, subscriptions and redemptions on CISs were carried out daily. In those cases in which significant movements were identified, an analysis of the portfolios and the transactions carried out was made, with the aim of verifying that there were no forced sales of assets and that the principle of equality between investors was respected (through what is known as the "slicing approach" or the proportional sale of the liquid and illiquid portfolio to address repayments). Additionally, the follow-up actions on the valuation procedures implemented by management companies should be highlighted, specifically, those that took into account the net subscription/redemption position of the CIS and therefore applied valuations to asset buy/sell prices or making adjustments to the net asset value (through the mechanism known as swing pricing). Lastly, the reviews of the valuations were stepped up for assets that presented lower levels of liquidity.

The objective of these supervisory analyses is to ensure that entities carry out a proper liquidity management activity, which respects the principle of equality, that valuation procedures are applied that take into account the institution's net subscriptions and redemptions and that forced or accelerated sales of assets are avoided at prices that are significantly lower than the previous valuation prices, using the tools approved by the regulations (including notice periods, subscriptions and partial redemptions, the creation of special purpose compartments and even the temporary suspension of the fund). Likewise, it should be noted that these supervisory tasks were complemented by others carried out as part of a supervisory action coordinated by ESMA (known as a Common Supervisory Action or CSA) on the management of the liquidity risk of the UCITS (see Exhibit 14).

Supervision at national and European level on liquidity management of CISs during the COVID-19 crisis EXHIBIT 14

Based on the confidential information that management companies submit to the CNMV on a monthly basis, regular off-site supervision is carried out to monitor the liquidity levels of the assets held by the CIS, with the objective of identifying and anticipating possible liquidity problems that may arise, as well as detecting potential deficiencies in the controls and procedures that management companies must implement to ensure proper liquidity management.

For this purpose, based on a predefined methodology that combines information from different market sources, a liquidity level is assigned to each of the CIS assets, which allows institutions that could potentially present significant exposures to investments with the lowest levels of liquidity to be identified.

The objective of these supervisory analyses is to ensure that entities carry out a proper liquidity management activity, which respects the principle of equality between investors (using the slicing approach or the proportional sale of the liquid and illiquid portfolio to address repayments), that valuation procedures are applied that take into account the institution’s net subscriptions and redemptions and that forced or accelerated sales of assets are avoided at prices that are significantly lower than the previous valuation prices.

These supervision tasks were reinforced in 2020, with a focus on the daily monitoring of subscriptions and redemptions of CISs. In those cases in which significant movements were identified, an analysis of the portfolios and the transactions carried out was made, with the aim of verifying that there were no forced sales of assets and that the slicing approach was properly complied with. Additionally, the follow-up actions on the valuation procedures implemented by management companies should be highlighted, specifically, those that took into account the net subscription/redemption position of the CIS and therefore applied valuations to asset buy/sell prices or making adjustments to the net asset value (through the mechanism known as swing pricing). Lastly, the reviews of the valuations were stepped up for assets that presented lower levels of liquidity.

These supervisory tasks were complemented by statements sent out to and regulatory changes. Specifically, in March (the worst moment of the crisis) a statement was sent to all entities, reminding them of the importance of reinforcing liquidity and valuation controls, in addition to adopting measures to avoid conflicts of interest between investors by complying with the “slicing approach" principle and using proper valuation procedures (through the mechanisms indicated in the previous paragraph). In May, an amendment to the CIS Law was approved so that managers could request (for stability reasons) authorisation from the CNMV to apply notice periods without having to comply with regulatory requirements (i.e. that it is expressly established in the fund's prospectus, that it involves requests for redemptions of more than €300,000 and that the term does not exceed 10 days).

It is also worth highlighting the tasks carried out in the context of a supervisory action coordinated by ESMA (known as the Common Supervisory Action or CSA) on the liquidity risk management of institutions for collective investment in transferable securities (UCITS). This action was performed in 2020 in two phases: a first, in which the member countries had to obtain detailed information on their UCITS from the management companies, with the aim of selecting, in a second phase, the UCITS managers and funds that, due to their characteristics and investments made, could have greater liquidity risk and on which a thorough analysis of the management and procedures implemented to control liquidity should be carried out.

In the first phase, ESMA required a minimum coverage of 80% of registered managers in each member state (which was 100% in Spain thanks to the regular monitoring of the portfolios mentioned above), and in the second phase coverage had to extend to at least 20% of the management companies with assets under management that accounted for more than 50% of total UCITS (in Spain, it was performed on 28% of authorised management companies, accounting for 72.35% of assets under management).

All the supervisory actions carried out in 2020, led to the conclusion that first of all Spanish management companies have a prudent approach to management, with significant percentages of their capital contained in highly liquid assets. Secondly, the portfolios of funds that invest mainly in corporate or financial fixed income are widely diversified, which also facilitates liquidity management, and most of the issuers are medium-sized or large companies, with a low exposure to high yield debt.

It should also be noted that since the beginning of the crisis, most management companies have been implementing measures to avoid the generation of conflicts of interest due to liquidity problems. These include increases in liquidity levels (to anticipate significant redemptions), strengthening their valuation and liquidity controls (by monitoring buy/sell spreads and analysing the representativeness of the prices contributed to the market), and monitoring of redemptions, proceeding, where appropriate, to apply notice periods and value assets at sale prices or use swing pricing mechanisms.

Therefore, in the current crisis, no specific incidents were detected that have led to a conflict of interest or caused damages to shareholders. However, certain deficiencies in the procedures and controls implemented by some entities were revealed, related to the definition of the criteria for the application of buy/sell prices or swing pricing, with the methodologies for estimating asset liquidity levels or where no backtesting was performed. All these deficiencies have been rectified.

In addition to these sector-wide analyses of specific issues, the CNMV performed other analyses of specific issues affecting one individual entity, such as asset valuation, investments in non-eligible assets or liquidity, conflicts of interest, etc.

With regard to closed-ended investment vehicles, analyses are carried out off-site that cover the different areas of the total of these vehicles depending on the legal obligations to which they are subject.

For instance, the CNMV assessed the audit reports received, as well as the special reports provided for in Rule 20 of CNMV Circular 11/2008, of 30 December, on the additional information provided to auditors by the entities whose initial reports contained an auditor's opinion with qualifications due to scope limitations. This analysis is performed on the information received by the CNMV. On the one hand, the audit reports of entities that are required by law to submit audited annual financial statements, i.e. those managed by management companies whose assets under management exceed the established thresholds or that market them to retail investors, in addition to reports received from entities that are not subject to this obligation.

Additionally, through the confidential information received, compliance with both the mandatory investment ratio and the diversification ratio is assessed. The management companies of collective investment schemes (CISMCs) and closed-ended collective investment funds are excluded from this analysis, as they are not bound by these ratios.

In 2020, as a result of these supervisory actions in this area, the CNMV sent out 972 deficiency letters to supervised entities.

Of the total number of letters, 365 were for late filing of information, mostly audit reports on vehicles.

A further 116 letters were to request information needed for supervision (other than that available on a general basis) from the entities subject to supervision.

A total of 369 letters were also sent requesting entities to adopt specific measures, improvements or recommendations to resolve the incidents detected in the supervision performed and, finally, 122 letters corresponding to other notifications (basically responding to enquiries and information for management companies).

Supervision of CISs and venture capital firms: deficiency letters sent by the CNMV in 2020 TABLE 6.2.1

Type of deficiency letter	Off-site	On-site	Total
For late filing of information	365	0	365
Requests for information	77	39	116
Corrective measures or recommendations	330	39	369
Other notifications	70	52	122
Total	**842**	**130**	**972**

Source: CNMV.

Other actions

The analysis of the advertising and information that the managers and marketers include on their websites on harmonised and non-harmonised CISs also stands out, which was done through an automatic process (development in Python language) known as web scraping. This action was developed as part of the CNMV Activity Plan for 2020 and is described in the following Exhibit.

In the first place, note should be taken of the regulations governing the provision of information and advertising of investment products among unitholders, specifically, Article 18 of the CIS Law, Order EHA/1717/2010 on the regulation and control of the advertising of investment services and products, and Delegated Regulation (EU) 2017/565 (which is directly applicable). Also, in the field of CISs, the statement issued by the CNMV in November 2015, on the content and format of the advertising information on the web pages of management and marketing companies, stands out.

Automated review of advertising and information disseminated on the websites of CIS management companies and CIS marketing undertakings

EXHIBIT 15

The analysis consisted of a mass extraction of data from the web pages of more than 200 entities and an automated review of the regulatory requirements using Python programming language, which includes libraries of machine learning algorithms.

Controls were implemented that enabled highly automated supervision to be carried out (allowing human intervention to centre on criteria issues) which focused on: i) checking that the management company's website contained the latest version the prospectus, the key investor information document (KID) and the periodic public information (PPI); ii) checking the advertising through a search for any expressions or elements that referred to gains or returns that could be achieved without warning of the risks, or information that could be misleading or that is not based on objective data, and iii) verifying that the legally required performance data were being provided, specifically, the annual performance in the previous five years and that the information contained a notice stating that "past performance is not a reliable indicator of future results", with a font size equal to that of the rest of the information provided.

A quarter of the incidents detected in the analysis were related to ensuring that the latest version of the legally required public information (prospectus, KID or PPI) had been made available to investors.

Another 30% of the incidents corresponded to the identification of messages or expressions which referred to: i) the application of below-market fees and commissions or the possibility of obtaining of the better returns (while no objective supporting data or sources were provided in any of these cases); ii) the use of unclear terminology (for example, the term "guaranteed return", when the fund in question was not a guaranteed fund in the strictest sense), and iii) the highlighting of positive aspects or advantages (using superlative expressions in some cases) without including any kind of warning about the risks.

Lastly, the remaining 45% of incidents were related to information on returns, specifically: i) the legally required data on returns were not provided (annual returns for the previous five years); ii) the legally required data appeared in other sections of the website that were less visible compared to other data on returns (such as, the for the current year or accumulated figures), and iii) the warning notice required under the regulation ("past performance is not a reliable indicator of future results") was not included or it was provided but in a font size that was significantly smaller than the size used for the rest of the information provided.

Lastly, it should be noted that all entities have undertaken to carry out the necessary changes to their respective websites to rectify these issues.

Given the efficiency of this automated review, supervisory tasks in this area will continue throughout 2021, also extending to advertising for venture capital firms and other closed-ended investment schemes that may be offered to retail investors.

6.3 Management companies: CIS management companies, closed-ended collective investment scheme management companies and securitisation fund management companies

The general supervisory tasks carried out by the CNMV with regard to management companies remain geared towards prevention or, as the case may be, resolving potential scenarios of capital deficits that might endanger their solvency.

One of the key factors affecting the solvency of fund managers are the profits they obtain. Therefore, loss analysis is essential to prevent future deficits. The slowdown in the economy caused by the health crisis has had a different impact according to the type of fund manager.

For CIS management companies, which mostly manage investment fund assets for retail clients, the impact has been greater. The number of loss-making entities increased by 68% in June 2020 compared to December 2019, rising from 22 to 37 management companies and accumulated losses were 53% higher. However, the overall sector profits showed a smaller decline, to reach €315 million in June 2020, 10% less than in December 2019 year-on-year.

The higher losses and the fall in overall profits was caused by two factors. The reduction in activity, which led to a 3.8% drop in assets under management (€493 billion in June 2020) and the decrease in success fees charged by managers.

In the case of closed-ended collective investment management companies, whose assets are mainly distributed among professional investors and in which the investments made are longer-term and more illiquid, the results depend on the number of divestments that occur in the sector and the result of these. In the first half of 2020, both the number of loss-making entities and the volumes reported decreased compared to the end of 2019. The global figure for the sector as a whole as 47 million, 27% higher than at the end of 2019.

However, based on the latest data available (for the first half of 2020), it should be noted that management companies as a whole had a large surplus of own funds. In the case of CIS management companies, eligible capital amounted to €768 million (5.9 times the required capital). In the case of closed-ended investment scheme management companies, eligible capital amounted to €136 million (3 times the required capital). Lastly, securitisation fund management companies (available data for which are for year-end 2019) are a different case as almost all of them hold the maximum required capital provided for in the law and adapt their eligible capital to that amount. The sector surplus is therefore very small.

In regard to assets under management, as we have already mentioned, CIS management companies saw a reduction of 3.8% compared to the end of 2019. Assets under management of management companies of closed-ended investment schemes rose by 18% in 2019 compared with 2018, and by an additional 9% in the first half of 2020, while the assets managed by securitisation fund management companies fell by more than 6%.

The recurring supervisory tasks carried out by the CNMV focused on analysing the confidential information received on a half-yearly basis, which allows it to monitor entities' levels of solvency, the annual audited reports, the reports by entities' internal audit unit and a review of certain mandatory legal requirements (see subheading below).

It should be noted that as a result of the State of Alarm declared in Spain due to the COVID-19 crisis the legal deadlines for audits for CISMCs, management companies of closed-ended investment scheme and securitisation funds were extended to 30 April for the former and to 30 June for the latter. As part of this extension, a three-month moratorium was granted to formulate the annual financial statements, starting on 1 June, and the deadline for their approval at the respective general shareholders' meetings was set for 31 October. This has delayed the analyses of the audited annual financial statements until the last quarter of 2020.

It should be noted that in the area of management companies of closed-ended collective investment schemes, the specific non-recurring supervisory analyses remain focused on newly created management companies, which, given the time required to reach minimum returns, have very low own funds and sometimes a deficit.

Internal audit reports of CIS management companies for 2019

CNMV Circular 6/2009, of 9 December, on internal control of CIS management companies, establishes in Rule 6, on internal auditing, and in Section 2 that: "[...] the internal audit function must prepare a report on the results of its activities, which will be sent to the CISMC or investment company board of directors, and sent to the National Securities Market Commission[...]within the first four months of each financial year".

Given that Circular 6/2009 does not establish a standardised model, in December 2012 a letter was sent to all CISMCs establishing the minimum content for internal audit reports in terms of informative data (identification of the internal audit unit, the year it refers to and signature of the person in charge) and content (scope and objective, conclusions obtained, recommendations for improvement and status of the recommendations set out in previous reports).

The content of the internal audit reports provides useful supervisory information on the internal procedures and controls applied by entities, as well as the measures implemented to resolve the incidents detected and their follow-up. For this reason, its content is reviewed annually. From the information received for 2019, it should be noted that 40% of management companies carry out the internal audit function internally while 60% outsource it.

The analysis of the content of the report carried out by the CNMV shows that supervision focuses mainly on the following aspects: unfavourable assessments by the internal auditor, a large number of recommendations, failure to mention the status of the recommendations set out in previous years, the incidence of significant incidents, failure to include conclusions on the work carried out and presentation of the report without the signature of the head of the internal audit unit.

As a result of the supervision carried out in that year, 22 management companies received notifications due to various incidents, of which 10 carried out the internal audit function themselves and 12 outsourced it.

6.4 Depositories

In 2020, the supervision of depositories focused on the analysis of the half-yearly reports on the supervision and monitoring function that must be submitted to the CNMV. In these reports, depositories must include all the failures to comply with legislation or anomalies that have been detected in the management and administration of CISs. Within these, special attention was paid to those prepared by the depositories of venture capital firms and closed-ended collective investment schemes, given the new requirement for these investment vehicles to have a depository.

6.5 Crowdfunding platforms

In 2020, the supervision model was continued, which basically involves a review of the audited annual financial statements, the report established in Article 91 of Law 5/2015, of 27 April, promoting business financing (the content of which has been regulated and included in the tables to be sent to institutions), the auditor's special report and the annual information in table format requested from entities referring to their situation and activity in the period.

The content of the audit reports attached to the annual financial statements continued to be monitored, with a focus on the financial position and asset items corresponding to computer applications, tax assets (these two items are now considered deductible from own funds under the European Regulation that will be applicable in 2021) and unlisted portfolio units.

For the preparation of the crowdfunding platforms risk map, the quantitative information obtained is of particular interest with regard to the funds raised, clients, income and profits, as well as information regarding project delinquency levels and the number and nature of complaints received. After analysing this information, it was considered appropriate to plan specific supervisory actions for 2021.

Lastly, the supervisory action carried out on a crowdfunding platform in 2020 stands out. This arose from the review of its activity in previous years, which revealed that its business model was not suitable for the current regulatory regime, which establishes that offers should be made to more than one potential investor.

6.6 Cooperation in the prevention of money laundering

Regarding the prevention of money laundering, under the collaboration agreement signed between the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Spanish acronym: SEPBLAC) and the CNMV, in 2020 it was resolved to carry out the review programme established for seven entities in the inspection plans, which included both IFs and CISMCs.

As part of the work planned for this area in previous years, conclusions were submitted to SEPBLAC, in accordance with the work plan, on the degree of compliance with the obligations to prevent money laundering for six IFs and seven CISMCs.

Similarly, the CNMV sent SEPBLAC relevant information relating to incidents regarding the prevention of money laundering identified in the review of the internal audit reports prepared by reporting entities.

6.7 Investment Guarantee Fund (FOGAIN)

The Fondo General de Garantía de Inversiones (FOGAIN) is the investment guarantee fund for customers who are unable to recover the money or securities entrusted to investment firms, other than financial advisory firms, in the event of bankruptcy proceedings or a declaration of insolvency by the CNMV. The fund's coverage also extends to customers of CISMCs and of closed-ended investment scheme management companies as regards the provision of investment and ancillary services to individual clients, and for the same insolvency situations as for investment firms. The maximum amount of the compensation following verification of the investor's net position stands at €100,000.

At year-end 2020, the FOGAIN had a total of 179 member entities, in net terms, one more than in the previous year. Table 6.7.1 shows the breakdown by type of entity.

Trends in number of entities belonging to FOGAIN TABLE 6.7.1

Type of entity	2016	2017	2018	2019	2020
Broker-dealers/brokers	81	89	91	94	95
Portfolio management companies	2	1	1	1	1
CIS management companies	58	68	73	81	80
Closed-ended investment undertaking management companies	1	2	2	2	3
Total	**142**	**160**	**167**	**178**	**179**

Source: CNMV.

As indicated, customers of financial advisory firms are not covered by the fund. Nor are customers of foreign entities operating in Spain, unless they operate through a branch and have applied to join FOGAIN under the corresponding legal regime, both for branches of entities of the European Union and third countries (in 2020 there were no entities in this situation). With the exception of those covered by

FOGAIN, foreign entities are covered by the guarantee funds of their home state, whose coverage may not be the same as that offered in Spain.

In 2020, FOGAIN had to deal with the insolvency of one of its member entities. This was Esfera Capital, AV, S.A., which was intervened by the CNMV on 20 March 2020 and on 11 May 2020 the CNMV announced that it could not meet the obligations it had taken on with its investors. As a result of this statement, FOGAIN took over the cover for its customers.

Given the exceptional circumstances caused by the pandemic and the consequent declaration of the State of Alarm, FOGAIN launched a remote channel for processing and submitting applications for compensation, which it made available to investors of Esfera Capital, AV, S.A., to ensure the security of the compensation process.

In 2020, more than 2,100 applications for compensation were received from customers of Esfera Capital, AV, S.A. and €5.11 million were paid out. The rest of the applications received have been processed this year, for a total amount of €5.2 million.

In 2020, FOGAIN continued to provide support and assistance to its member entities in all matters relating to their relationship with the fund and its coverage.

Following the security and liquidity criteria set out in its regulations, the fund continued to invest its assets in public debt with different maturities over the year and, given the interest rate scenario, it invested heavily in bank deposits.

The assets of FOGAIN totalled €109.7 million at the year-end, an increase of 1.57% on 2019. This increase was due to contributions of the member entities and the amounts recovered by the fund during the year, after the severance payments made to customers of Esfera Capital, AV, S.A. and the negative net return on the investments. The size of these assets in relation to the capital position of the member entities stands out, in addition to the low number of prior insolvencies.

In terms of managing the recovery of amounts paid out, FOGAIN recovered €0.97 million in the bankruptcy proceedings of Interdin Bolsa, SV, S.A. in 2020, which means that to date it has recovered the total amount paid to the customers of that entity. Further, it remains party to several open legal proceedings relating to the claims that it has covered and continues to perform all the actions available to it in order to achieve this objective.

During the year, FOGAIN maintained different working groups of member entities on issues of common interest, and it was also present on the CNMV's Advisory Committee.

FOGAIN continued to provide information about its coverage to the clients of its affiliated entities and investors in general, which is one of its legally attributed functions. Numerous enquiries from investors were attended by telephone and through its website (www.fogain.es), in relation to the coverage offered by the fund.

6.8 Resolution of central counterparties (CCPs)

As the resolution of CCPs is a priority on the G20 agenda, one of the Financial Stability Board (FSB) objectives is to achieve progress in resolution planning and analysis of the resolvability of CCPs considered to be of systemic importance in more than one jurisdiction, regardless of whether the corresponding jurisdictions have a specific legal resolution framework.

For this purpose, the FSB has asked the authorities to set up Crisis Management Groups (CMGs) for systemically important CCPs in more than one jurisdiction, made up of the significant resolution and supervisory authorities of the jurisdictions involved in order to improve resolution preparation and facilitate its management and coordination at cross-border level. The Spanish CCP is one of the 13 infrastructures with this status worldwide.

Although Spain has not officially appointed a CCP resolution authority to date, the CNMV has been working in the area of preparing and analysing the resolvability of the Spanish CCP (BME Clearing). In accordance with FSB guidelines, the CNMV has created and since 2019 has chaired the crisis management group at BME Clearing, the forerunner of its resolution college. In terms of organisation and resources, since 2015, the CNMV has had a unit in place to which resolution functions have been assigned, which is hierarchically and functionally separate from the units that carry out the supervisory functions of the CCP, as required by Article 3.4 of Regulation (EU) 2021/23 of the European Parliament and of the Council, of 16 December 2020.

In 2020, the CNMV launched an assessment of the financial resources available to the CCP to address different resolution scenarios, following the steps of the FSB Guidance on available financial resources and treatment in resolution.

The CNMV also continued to advise the Spanish contingent led by the General Secretariat of the Treasury and International Financing in meetings organised by the European Commission and the Council of the European Union related to CCP resolution, in particular, in regard to the European Regulation on CCP Recovery and Resolution that was approved in December. It is part of the ESMA task force in charge of the 19 second-level mandates provided for in these regulations.

Lastly, in accordance with the objective of ensuring the proper functioning of the market infrastructures and preservation of the stability of the financial system, provided for in Article 255 of the Securities Market Act, during the year a preliminary analysis was made of the criticality of participants in market infrastructures managed by BME (trading, clearing, settlement and registry) in order to guarantee that the performance of these functions is duly noted and addressed in the institutions' respective resolution plans.

6.9 Benchmarks

As the competent authority in Spain[1] for the application of the regulation of benchmark indices contained in Regulation (EU) 2016/1011[2] of the European Parliament

1 The Regulation also confers on the Bank of Spain oversight, inspection and disciplinary functions relating to compliance with the following obligations of supervised entities: i) those of contributors of input data to benchmarks prepared by the Bank of Spain; and ii) those relating to the use of benchmarks in financial contracts applicable to entities subject to Bank of Spain supervision in the area of transparency and customer protection.

2 Regulation (EU) 2016/1011 of the European Parliament and of the Council, of 8 June 2016, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014.

and of the Council (BMR), the CNMV is responsible for the authorisation and registration (and supervision) of the administrators of the entities that contribute to the calculation of critical indices and users of the benchmark indices.

Now that the main Spanish benchmark providers have been registered, the CNMV has monitored their activity and changes. The inclusion of one of the providers registered in Madrid, Barcelona, Bilbao and Valencia stock exchanges is currently pending.

The CNMV continued its work as a member of the Euribor and Eonia college, and the Libor. Likewise, the supervision of Spanish Euribor contributors continued. On this occasion, the CNMV has focused its supervisory activity on verifying that the new methodology (hybrid methodology) established by the Euribor administrator, EMMI, was properly implemented.

Status of the interest rate benchmark reform EXHIBIT 16

Almost a decade after the G-20 Heads of State and Government Summit held in Saint Petersburg and the publication of the IOSCO Principles for Financial Benchmarks,[1] which marked the beginning of the reform of these indices, the transition is now in its final and most decisive stages.[2]

In 2020, the reform progressed according to plan, and the crisis caused by COVID-19 did not lead to any significant slowdown – there were only technical delays in some of the partial milestones.

Cessation of LIBOR

The cessation of Libor remains a priority and banks are expected to be prepared by the end of 2021. The index manager conducted a public inquiry in late 2020 on its intention to cease publication of the index beyond the end of 2021 on all available maturities in the following currencies: euro, Swiss franc, Japanese yen and British pound, as well as maturities of 1 week and 2 months corresponding to the US dollar. The remaining maturities (1 day and 1, 3, 6 and 12 months) in this last currency would cease to be published as of 30 June 2023, provided that the index, in said maturities and currency, continues to comply with the applicable regulations, including its representativeness.

The competent authorities of the United Kingdom and the United States have issued communications on the cessation of Libor as of these dates, urging entities not to enter into new contracts that use the index as soon as possible and, in any case, before 31 December 2021.

In Spain, there are numerous non-financial companies, public administrations and financial entities that have signed financing or hedging contracts referenced to Libor. In order to provide these entities with information on progress in the transition, the CNMV issued a communication in early 2021 reiterating the recommendations made in July 2019:

– The advisability of monitoring developments and actions of the working groups and the main advances in the reform process.

- Identifying and evaluating the risks and possible impacts deriving from their exposure.

- Designing a global strategy to plan the corresponding implementation actions.

- Having an appropriate organisational structure to coordinate the design and implementation of the transition work.

The Financial Stability Board (FSB), which coordinates the monitoring of the Libor transition at a global level, has also published a global transition roadmap aimed at raising awareness about the steps that financial and non-financial companies should follow during the remaining period until the end of 2021 to successfully transition and cease Libor.

One of the key actions that entities have to complete during 2021 is the amendment of contracts and instruments linked to the benchmark to replace it with the alternative rates recommended by the working groups in the industry sponsored by the central banks. In the field of OTC derivatives contracts, the International Swaps and Derivatives Association (ISDA) has designed a supplement and a protocol on support clauses for derivatives contracts referenced to indices such as Libor, which facilitate the adaptation of contracts to address the cessation of the index and, where appropriate, their adjustment to the requirements set forth in Article 28.2 of Regulation (EU) 2016/1011 of the European Parliament and of the Council, of 8 June 2016, on the indices used as reference in financial instruments and in financial contracts or to measure the profitability of investment funds.

The CNMV, like other European and international authorities and institutions, has advised Spanish entities to consider the advisability of subscribing to these ISDA documents, taking into account their particular situation and their own needs.

As there are contracts and instruments that do not have proper backup clauses to address the cessation of Libor and which cannot be amended in the short period remaining until its abolition at the end of 2021, the European Union has approved a mechanism (amending Regulation (EU) 2016/1011) that will allow the European Commission to designate a legal replacement rate for all contracts that do not contain a permanently applicable alternative and are subject to the legislation of a Member State of the Union. A similar legislative solution is being considered in other jurisdictions such as the United Kingdom and the United States.

Continuity of Euribor and transition from Eonia to €STR

Significant progress has also been made in the euro area on the process of adapting Euribor methodology to the recommendations of the FSB and the requirements of the aforementioned Regulation, and the transition of Eonia to the new €STR (euro short-term rate) calculated and published by the European Central Bank since October 2019.

Since the disappearance of Eonia was announced, both its administrator, the European Money Markets Institute (EMMI) and the European authorities, have repeatedly reported the date on which it will be permanently discontinued and warned that to mitigate all legal and economic risks as far as possible, index users should use €STR on new contracts, especially if they expire after 3 January 2022.

The adaptation of Euribor calculation methodology to a system based on market transactions, which prioritises real transactions over expert judgement, has allowed for the continuation of Euribor, unlike Libor. The robustness and representativeness of the new Euribor have been demonstrated during the crisis generated by COVID-19. At all times during the pandemic, Euribor has been published regularly and its performance continued to reflect monetary policy decisions and market perception of financing conditions for credit institutions in the unsecured wholesale money market.

To increase the robustness of contracts and financial instruments indexed to Euribor, fallback clauses must be included, as required by Regulation (EU) 2016/1011, to guarantee the continuity of the contracts in the unlikely scenario of the discontinuation of Euribor, increasing legal certainty and minimising the risks of litigation.

Therefore, the working group on risk-free rates in the euro area will shortly publish a recommendation, based on the public consultation carried out in 2020, on the best fallback rates for the different types of products such as loans, deposits, debt instruments, securitisations and investment funds. These rates are based on the euro area risk-free rate, €STR, applying backward-looking methodologies involving the calculation of term rates based on past data, as well as forward-looking methodologies, according to the type of product they are applied to.

The forward-looking approach requires a deep and liquid derivatives market to serve as the basis of calculation, but RFR-based derivatives markets are still far from sufficiently liquid for this purpose. The use by market participants of €STR instead of Eonia in new contracts and the replacement of the Eonia discount curve by the €STR discount curve by European clearing houses at the end of July 2020 have eased the transition. This changes is expected to gradually shift the high liquidity of the derivatives markets on Eonia to the derivatives markets pegged to the €STR in the coming months.

1 IOSCO (2013). *IOSCO Principles for Financial Benchmarks*, July.

2 See Exhibit 17 (Progress in the reform of interest rate benchmarks) published in the *CNMV 2019 Annual Report*.

Supervisory activity has been marked, as in many other areas, by the COVID-19 crisis. In coordination with the other European national competent authorities of entities that participate in the calculation of the Euribor index within the framework of the index supervisory college, the CNMV supervised the contributions made by the Spanish members of the Euribor panel during the COVID-19 crisis.

The conclusions of this review demonstrate that the methodologies approved by the index administrator for level 3[3] are being applied correctly. Despite the different methodologies applied by entities, the monetary policy decisions and the market situation in general are observed to be correctly reflected, which underpins the soundness of the new Euribor methodology and the representativeness of its underlying market.

The interest rates benchmark reform sponsored by the FSB and the approval of the BMR in the European Union led to the development and implementation of a new regulatory framework, which resulted in the creation of new risk-free benchmarks (€STR, in Europe) and the adaptation of existing indices. The CNMV is monitoring the application of these regulations and encouraging awareness and the adaptation of financial institutions and other companies that use interest rate indices in their financial and capital market transactions, by disseminating information and clarifying any uncertainties.

Climate benchmarks and information disclosure on ESG factors

Reorienting capital flows into sustainable investments and reinforcing financial stability by incorporating environmental, social and governance (ESG) factors into investment decision-making is one of the three objectives of the European action plan to achieve a more sustainable global economy.

Therefore, assessing the sustainability of investments is a key factor and one which requires proper benchmarks to provide a transparent and reliable framework for action. Furthermore, it is not guaranteed by the use of traditional benchmarks, despite its importance for financial asset price formation and the measurement of investment performance.

Therefore, the publication of Regulation (EU) 2019/2089 of the European Parliament and of the Council, of 27 November 2019, amending Regulation (EU) 2016/1011 of the European Parliament and of the Council, of 8 June 2016, on the indices used as reference in financial instruments and in financial contracts or to measure the profitability of investment funds, responds to a need to establish a harmonised regulatory framework that establishes minimum requirements for sustainable benchmarks.

This Regulation creates two new categories of climate indices, which must be able to provide investors with reliable information on the carbon footprint of their investments and thus help prevent greenwashing:

– EU Climate Transition Benchmarks, which include companies with a decarbonisation policy.

3 The index is calculated using waterfall methodology that prioritises eligible market transactions (level 1), supported by calculations and interpolations (level 2) and calculations based on closely related markets (level 3) when level 1 transactions are not available.

– EU Paris-aligned Benchmarks, comprising companies whose carbon emissions are aligned with the long-term global warming reduction targets of the Paris Agreement.

To ensure they are recognised and seen as reliable by investors, administrators can use these labels in their marketing activities provided that they comply with the composition and transparency requirements established in the Regulations.

In order to promote the creation of this type of indices, the Regulation asks the administrators of significant benchmarks, i.e. those that are used as a benchmark for instruments or contracts worth more than €50 billion, to make an effort to provide at least one EU Climate Transition Benchmark before 1 January 2022.

The Regulation also establishes, with staggered deadlines, the minimum requirements for the disclosure of information on the sustainability of the benchmarks in their preparation and marketing.

Thus:

– As of 30 April 2020, administrators based in the European Union must explain, both in their benchmark statements and the publication on the index methodology, how ESG factors are reflected in each benchmark or family of benchmarks. For indices that do not pursue ESG objectives, this should be clearly stated by the administrators in the benchmark statement. They must also expressly indicate that they have no climate transition benchmark or Paris-aligned benchmark.

– In 2021, the statement of significant benchmarks for shares and bonds, as well as for EU climate transition benchmarks and the EU Paris-aligned benchmarks, it must include data on whether or not, and to what extent, a level of global alignment can be ensured, with the aim of reducing carbon emissions or meeting the targets of the Paris Agreement.

– Lastly, no later than 31 December 2022, the administrators of the EU climate transition benchmarks must adhere to certain requirements to select, weigh or exclude underlying assets issued by companies that have a decarbonisation policy.

As they do not have underlying assets that have a significant impact on climate change, interest rate and exchange rate indices are exempt from transparency requirements.

In December 2020, the delegated acts that complement Regulation 2016/1011 were published on the reflection of ESG factors in the benchmark statement and methodology, in addition to the minimum requirements that the climate transition and Paris-aligned benchmarks must meet:

– Commission Delegated Regulation (EU) 2020/1816, of 17 July 2020, supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.

– Commission Delegated Regulation (EU) 2020/1817, of 17 July 2020, supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology.

– Commission Delegated Regulation (EU) 2020/1818, of 17 July 2020, supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.

6.10 Resolution (preventive stage) of investment firms

The purpose of resolution is to ensure that a non-viable credit institution or investment firm, or one which is expected to become non-viable in the near future, continues to carry out its key functions without risk to financial stability through the application of resolution tools and powers, when such continuity is necessary for reasons of public interest as an alternative to bankruptcy proceedings.

Spanish legislation on resolution opted for a model that distinguishes between resolution functions in the preventive stage, which are entrusted to the CNMV with regard to IFs and to the Bank of Spain with regard to less significant credit institutions, and in the enforcement stage, which are assigned to the Fund for Orderly Bank Restructuring (Spanish acronym: FROB) for both types of entity. At the European level, the Single Resolution Board is the competent resolution authority for significant credit institutions, within the framework of the Single Resolution Mechanism.

The resolution framework comprises three phases: i) the preventive phase, in which the entity's ordinary activity includes an analysis of its capacity to address its own crisis and to be resolved in an orderly manner if it fails; ii) the early intervention phase, in which the supervisor may exercise new powers to act on entities when they start to weaken but are still viable; and iii) the resolution phase if, in the end, despite the preventive measures, the entity's failure cannot be avoided.

The CNMV must draw up and approve-following a report from the FROB and from the competent supervisor-the resolution plan of each IF or group subject to supervision on a consolidated basis, and thus identify the best strategy in the event of failure. On drawing up the resolution plan, the CNMV performs an assessment of the entity's resolvability in order to determine whether, in the event that it fails, the resolution or liquidation can be carried out in a credible and feasible manner, without undermining the continuity of the critical functions performed by the entity. This plan also identifies and, where appropriate, eliminates, any obstacles that may hinder or prevent the entity's resolution or liquidation.

In 2020, the update of the resolution plans started in 2019 continued. Table 6.10.1 shows the number of plans implemented to date.

Investment firm resolution plans TABLE 6.10.1

	No. of plans drawn up	Plans with possible obstacles	Updated plans
Individual	7	3	5
Group	22	13	7
Total	**29**	**16**	**12**

Source: CNMV.

Once the cycle for preparing the first resolution plans is complete, the CNMV draws up shorter plans for updating, referring less developed points to the update to the initial plans, which are attached as an annex.

The preferred resolution strategy in all cases is that the entities will be resolved, in the event of non-viability by liquidation in accordance with the ordinary bankruptcy procedure, since this does not jeopardise any of the resolution objectives.

The liquidation is considered "credible", insofar as it is not likely to cause negative effects on financial stability, given the small size of the entities and the fact that they do not provide essential functions. The activities and services they provide are considered to be easily substitutable and transferable to other entities, and their interruption would not have an impact on the real economy or financial stability.

Likewise, the settlement is considered "feasible", since the entities periodically report to the CNMV the information required by FOGAIN, so that, if necessary, it can pay the guaranteed amounts to the covered investors.

In the resolvability assessment, the plans drawn up in 2020 did not identify any large obstacles to the liquidation of entities through the ordinary bankruptcy procedure. When entities keep cash from clients or client assets in custody or sub-custody, it is assessed whether the entity has drawn up agreements with third parties for the transfer of these assets in the event that they experience financial difficulties or there are reasonable concerns about their viability, in line with the provisions of Royal Decree 217/2008, of 15 February, to guarantee the transfer and reimbursement of the clients' assets, without incident and in the shortest possible time, and always prior to their eventual non-viability.

When preparing and updating the resolution plan, individual contact is held with IFs to obtain their opinions on the conclusions and key parts of the plan. In 2020, this contact also included monitoring and finding out about their response to the situation created by COVID-19, the effectiveness of their contingency plans and the current and foreseeable impact on their business. Information has also been collected on compliance with the portability requirement for customer assets in the event of non-viability.

In its role as preventive resolution authority of IFs, the CNMV must report on the recovery plans prepared by these entities, in order to assess whether the measures they contain could negatively affect their resolvability and, where appropriate, formulate proposals for modification. In 2020, 22 recovery plans were reported. In all the plans reviewed, it was concluded that their content did not negatively affect the resolvability of the entities.

Coordination between Spanish resolution authorities is guaranteed institutionally as the CNMV, through its deputy chairperson, and the Bank of Spain have been members of the governing committee of the FROB since the entry into force, in July 2015, of Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms. In 2020, 18 face-to-face and written sessions were held.

In addition, the CNMV and the FROB have signed a collaboration agreement to strengthen the existing institutional cooperation between both organisations and the exchange of significant information for the exercise of their respective powers. The agreement contemplates at least two annual meetings of the collaboration committee created for this purpose.

In 2019 and 2020, the Court of Auditors carried out a review of the alignment of the CNMV's resolution area (and that of the FROB and the Bank of Spain) with European resolution regulations. The conclusions of the report (which was published in October 2020), as they affect the CNMV, recognise that the regulations and procedures applied for the resolution of financial institutions have been adapted to the regulatory framework for resolution processes. The report does not identify any deficiencies or make any specific recommendations for the CNMV.

7 Investor assistance

7.1 Claims

Investors can file complaints with the CNMV's Claims Service for delays, failures to address their problems or other inadequate actions by financial institutions, as well as claims for specific actions or omissions that harm their rights or interests which may be considered non-compliance with the rules of conduct of these entities. Nevertheless, they must prove that they previously filed these complaints or claims with the customer service department (CSD) and/or customer ombudsman of the entity in question without obtaining satisfaction or a timely response from the latter.

In 2020, investors presented 1,242 written claims and complaints likely to give rise to the opening of a claim file, an increase on those presented in 2019 and 2018.

The Claims Service analyses these claims and complaints, which, according to whether they meet the requirements to be admitted as claims from their submission, may go through several different phases (preliminary, processing and resolution, and subsequent). This work is performed subject to rules of operation and procedure. Adaptation of these rules to legislation on alternative dispute resolution for consumer disputes was published in the 2017 Report on Complaints and Enquiries.

Claims and complaints that did not meet the requirements to be admitted for processing grew by 38.3% in 2020, and the number of claims and complaints processed during the year rose by 7.7%. The number of claims were resolved without a final reasoned report being issued increased by 6.2% as there had meanwhile been an acceptance, mutual agreement, withdrawal or non-admission, leading to an 8.1% rise the number of claims on which the Claims Service issued a reasoned report. Of these, 51.7% were favourable and 48.3% were unfavourable to the claimant. In the area of claims on which a favourable resolution was issued it is important to note the substantial increase in the level of acceptance by the entity that received the claim over recent years. Acceptance has increased from between 6% and 15% between 2010 and 2014 to over 70% since 2019 (see Table 7.1.3).

The number of claims and complaints being processed at the end of 2020 was up by 10.7%.

Table 7.1.1 shows the data on the claims and complaints processed broken down by type of resolution.

Claims processed broken down by type of resolution

TABLE 7.1.1

Number of claims and complaints

	2018		2019		2020		% change
	Number	%	Number	%	Number	%	20/19
Registered with the CNMV's Claims Service	**1,018**	**–**	**1,077**	**–**	**1,242**	**–**	**15.3**
Not accepted for processing	**348**	**–**	**345**	**–**	**477**	**–**	**38.3**
Processed without a final reasoned report	**107**	**15.4**	**129**	**18.8**	**137**	**18.5**	**6.2**
Acceptance or mutual agreement	97	13.9	112	16.3	117	15.8	4.5
Withdrawal	7	1.0	12	1.7	15	2.0	25.0
Ex post facto non-admission	3	0.4	5	0.7	5	0.7	0.0
Processed with a final reasoned report	**590**	**84.6**	**557**	**81.2**	**602**	**81.5**	**8.1**
Report favourable to the complainant	353	50.6	285	41.5	311	42.1	9.1
Report unfavourable to the complainant	237	34.0	272	39.7	291	39.4	7.0
Total processed	**697**	**100.0**	**686**	**100.0**	**739**	**100.0**	**7.7**
Being processed at the end of the year	**196**	**–**	**242**	**–**	**268**	**–**	**10.7**

Source: CNMV.

There were many different reasons for 739 claims and complaints concluded in 2020, as shown in Table 7.1.2.

Reasons for claims concluded in 2020

TABLE 7.1.2

Investment service/reason	Reason	Securities	CIS	Total
Marketing/execution of advisory service Portfolio management	Appropriateness/ suitability	31	65	**96**
	Prior information	43	84	**127**
	Purchase/sale orders	95	93	**188**
	Fees and commissions	111	88	**199**
	Transfers	18	69	**87**
	Subsequent information	117	84	**201**
	Ownership	12	8	**20**
***Mortis causa* acquisitions**	Appropriateness/ suitability	-	1	**1**
	Prior information	1	1	**2**
	Purchase/sale orders	2	3	**5**
	Fees and commissions	5	-	**5**
	Transfers	-	2	**2**
	Subsequent information	8	17	**25**
	Ownership	11	25	**36**
CSD		**10**	**13**	**23**
Total		**464**	**553**	**1,017**[1]

Source: CNMV. (1) There may be several reasons stated in the same claim or complaint file.

Although very diverse, the causes of completed claims can be grouped into the following categories: appropriateness/suitability, prior information, purchase/sale orders, fees and commissions, transfers, subsequent information, ownership and the operations of the CSD.

In claims relating to appropriateness/suitability and prior information, investors generally complain that products offered are not suitable for their investor profile and they receive no or very little information about them. In claims regarding purchase and sale orders or transfers, investors often disagree with form or execution period. Other claimants question the fees and commissions charged for the products contracted or services provided.

Subsequent information is intended to enable clients to properly monitor their positions in investment products, as well as the options or rights deriving from them. Thus, it is common for investors to claim that they have not received the information or that they have done so after the deadline or with short notice before corresponding instructions have to be issued. An analysis is also made of the attention to information requests made by investors to the entities through which they have contracted the products.

In some cases, issues relating to the ownership of the securities arise, in terms of the legitimacy of the ordering party, charges or encumbrances imposed, usufruct of the securities, waivers or changes of ownership, etc.

Lastly, on occasion, the claim concerns the operations of the CSD both in the phase previous to the client's claim submitted to the entity and during the processing of the claim with the CNMV Complaints Service.

With regard to the type of product, over half of the claims resolved referred to collective investment schemes, while the others related to different types of transferable securities, such as capital instruments, bonds and financial derivatives.

The issues making up most complaints related to the product information provided after the contract was signed (22.2%), fees and commissions charged by entities (20.1%) and purchase/sale orders for products (19.0%).

Actions after a report favourable to the complainant by the respondent entity TABLE 7.1.3

%	Follow-up actions reported by the entity		
Year	Accepts criteria or rectifies	Does not accept or rectify	Entities not reporting follow-up actions
2010	14.6	14.9	70.5
2011	9.6	19.5	70.9
2012	5.8	22.9	71.3
2013	13.5	25.4	61.1
2014	7.3	23.7	69.0
2015	31.2	49.5	19.3
2016	45.8	29.2	25.0
2017	58.3	30.5	11.3
2018	57.2	35.2	7.6
2019	80.2	13.2	6.6
2020	70.3	16.9	12.8

Source: CNMV.

7.2 Enquiries

The CNMV's Investors Department responds to enquiries on matters of general interest relating to the rights of users of financial services and the legal routes for exercising such rights. These requests for advice and information are provided for in Article 2.3 of Order ECC/2502/2012, of 16 November, which regulates the procedure for filing claims with the Complaints Services of the Bank of Spain, the CNMV and the Directorate-General of Insurance and Pension Funds.

In addition to responding to the enquiries defined in the aforementioned Order, the CNMV helps investors search for information included on its website (www.cnmv.es), the content of which can be found in the official public registries of the CNMV and in other documents which it publishes, and deals with various issues or queries relating to the securities markets that retail investors may have.

There are three means available to submit inquiries: by telephone, by post or through the electronic office (available at www.cnmv.es). In the electronic office, there is a section for the presentation of claims, complaints and enquiries, where identification is required by means of an electronic certificate or identity card or through a user name and password, which can be used for future enquiries or claims with the CNMV ((https://sede.cnmv.gob.es/sedecnmv/sedeelectronica.aspx?lang=en).

It should be noted that since 14 March 2020 (when the State of Alarm was declared due to COVID-19), for enquiries submitted by post in which an email address was provided, the response was sent to the email address as it was considered to be the most effective channel in the context of the pandemic.

In 2020, 11,150 enquiries were dealt with. Most of these were made by telephone (84.1%) and were dealt with by call centre operators. These enquiries were limited to providing information contained on the website. By volume, the second most used channel was the electronic office form (12.3%) followed by submission through the general registry (3.6%).

As shown in Table 7.2.1, the total number of enquiries dealt with in 2020 rose by 47.5% on 2019. This increase was due to the higher number of telephone enquiries (2,911 more than in 2019), together with an increase in enquiries submitted through the electronic office (569 more than in 2019) and the general registry (110 more than in 2019).

Numerous claims and complaints that were actually enquiries were also submitted to the CNMV, misusing the channel for reporting possible infractions.

The average response time, apart from enquiries received by telephone and dealt with immediately, stood at 22 calendar days in 2020.

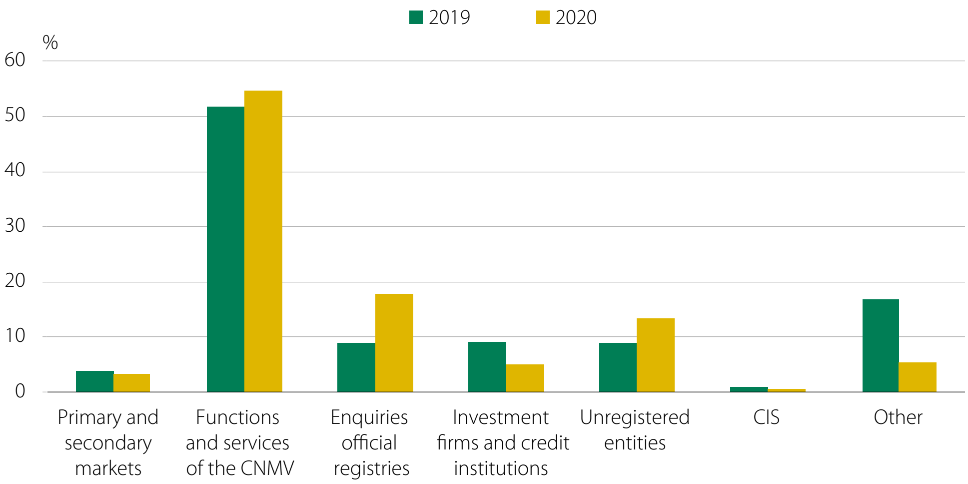
Number of enquiries by channel TABLE 7.2.1

	2018		2019		2020		% change
	No.	% of total	No.	% of total	No.	% of total	20/19
Telephone	9,559	88.7	6,471	85.6	9,382	84.1	45.0
Letter	436	4.0	289	3.8	399	3.6	38.1
Form	777	7.2	800	10.6	1,369	12.3	71.1
Total	**10,772**	**100.0**	**7,560**	**100.0**	**11,150**	**100.0**	**47.5**

Source: CNMV.

As in previous years, enquiries in 2020 were related to investors requesting information about data available on the CNMV's official registries: information on registered entities, fees and commissions for investment services, price-sensitive information notices, short positions, significant shareholdings, CNMV notifications, statistics and publications, among other content that is freely available to the public. Similarly, and as is now the norm, there were enquiries about the CNMV's functions and services and about the status of claim and complaint proceedings. The call centre also provided telephone numbers and contact details of other bodies when the issues raised did not fall under the responsibility of the CNMV.

Enquiries by topic FIGURE 7.2.1



Source: CNMV.

In addition to recurring subjects, investors made other enquiries about matters relating to the market situation or certain events, notably including the following:

– Enquiries and complaints relating to the replacement of the proposed application of profits for 2019 in certain listed companies by another proposed distribution due to the situation created by COVID-19.

– Enquiries and complaints relating to the commitments assumed in the prospectus for the public share offering for the sale of shares Bosques Naturales del Mediterráneo 1, S. Com. p. A, registered with the CNMV on 18 November 1999.

– Enquiries relating to the suspension of trading in the Spanish Stock Market Interconnection System (SIBE) of the shares, or other securities with subscription, purchase or sale rights, of Abengoa, S.A., which took place on 14 July 2020, as well as enquiries relating to the possibility of transferring these shares.

– Enquiries relating to the holding, content and consequences of the extraordinary general shareholders' meeting of Abengoa, S.A., which took place on 17 November 2020.

– Enquiries relating to the difficulties encountered by minority shareholders of Arquia Bank, S.A. (formerly Caja de Arquitectos, S. Coop. De Crédito) to sell their shares.

– Enquiries relating to the intervention of Esfera Capital, AV, S.A. by the CNMV after being informed by the entity itself of an equity mismatch deriving from an incident related to the management of the derivatives positions of a small number of clients.

– Enquiries on public offerings for the acquisition of shares filed with the CNMV in 2020, mainly relating to the acceptance process, calendar and authorised price, as well as the possibility of the squeeze-outs. The enquiries arising from the takeover bids for Bolsas y Mercados Españoles, S.A., MásMóvil Ibercom, S.A. and Barón de Ley, S.A. also stand out.

  Enquiries or complaints were also filed regarding the formulation of a takeover bid for AB-Biotics, S.A., the shares of which were traded on the Alternative Stock Market (MAB).

– Enquiries on the ban imposed by CNMV which was in force from 17 March to 18 May, both inclusive, on transactions on securities and financial instruments that implied the creation or increase of net short positions in shares admitted to trading in Spanish trading venues (stock exchanges and MAB) for which the CNMV is the competent authority.

– Enquiries about the holding of warrants relating to restructuring processes issued by Deoleo, S.A. and Abengoa, S.A., and on their potential sale, liquidation or waiver.

– Complaints relating to the resolution of Banco Popular Español, S.A. and the measures adopted by the Fund for Orderly Bank Restructuring (FROB) on 7 June 2017, which, among others, led to the cancellation of all existing shares, without payment or compensation to any of their holders. Specifically, the complaints focused on the public financial information about the entity at the time stakeholders acquired securities issued by it.

– Enquiries about the implementation of minimum lot trading requirements for sales of certain listed securities.

– Enquiries relating to administration and custody fees for suspended and delisted securities.

– Enquiries and incidents involving Cypriot investment services companies registered on the official registries of the CNMV.

– Enquiries relating to unauthorised entities known as boiler rooms. Section 7.3 of this report covers the actions performed by the CNMV in this area in 2020 in greater detail.

– Enquiries that, due to their content, are not within the remit of the CNMV. Prominent among those are enquiries relating to banking products and services, or about insurance or pension funds. In these cases, the CNMV forwards the communications to the competent supervisory body, informing the sender accordingly. Other issues that are not within the remit of the CNMV are those relating to taxes, in which case the claimants are informed that they should contact the competent tax authority.

Additionally, in order to improve access to information available on the CNMV website specifically aimed at investors, a “Warnings for investors” section was created in the “Investors and financial education” area, with warnings about potential fraud or attempts to trick investors by people or companies providing financial services. In 2020, two new warnings were included, one about attempts to defraud investors using the CNMV’s identity and image and another on new IT strategies of financial boiler rooms. These warnings were published on social media to reach as many people as possible.

A statement was also issued in the “Information of interest for the investor” section of the same area of the CNMV website relating to situations arising in 2020 on the implications of Brexit for investors.

7.3 Warnings about unregistered firms

Through its website, the CNMV issues warnings to investors about firms that are not authorised to provide investment services or activities reserved for collective investment schemes or crowdfunding platforms, provided for by law, and that have been detected by it or by other supervisors.[1]

A summary of the information on the warnings issued in 2020 is shown below (detailed information is available in the “Warnings” section of the Investor area of the CNMV website).

1 Since February 2018 it has been possible to report anonymously and confidentially to the CNMV on potential infringements of the securities market.

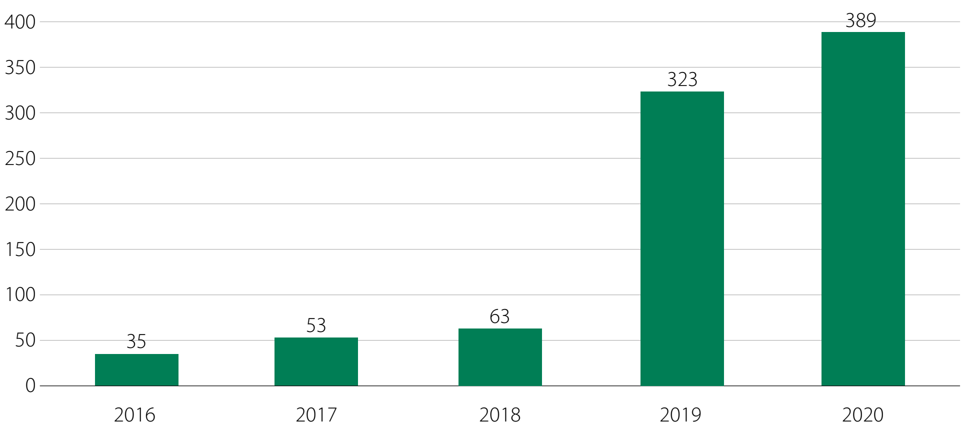
– A total of 389 warnings issued by the CNMV, regarding entities not authorised to act in the securities markets, pursuant to the provisions of the Securities Market Act.[2] This figure marks an increase of 20.4% compared with those made in 2019 (323), which exceeds the number of warnings issued, on an individual level, by any other supervisory body of any neighbouring country except for the United Kingdom (FCA).

– A total of 1,254 notifications (808 in 2019) were received from supervisors in Member States of the European Union, of which 1,184 (69.6% more than in 2019) related to unregistered firms, and 70 (36.4% less than in 2019) were included under the heading "Other warnings", with alerts relating to improper conduct or actions.[3]

As a result of this activity, a total of 1,643 warnings were made in 2020 (45.3% up on 2019). It should be noted that one single regulatory body (FCA) accounts for 45.5% of all warnings issued in Europe, a percentage that rises to 69.1% if those corresponding to the regulator that has issued the second largest number of warnings (CNMV) are also considered.

Figure 7.3.1 shows the trend in the number of warnings on unregistered entities made by the CNMV over the last five years.

Number of warnings issued by the CNMV on unregistered entities FIGURE 7.3.1

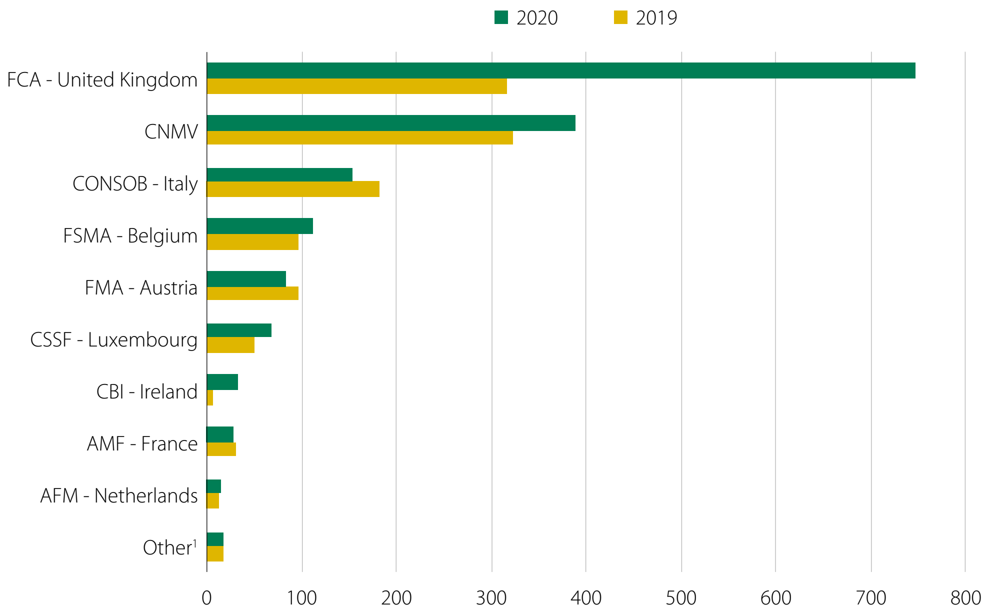


Source: CNMV.

Figure 7.3.2 shows the number of warnings made by supervisory bodies of EU Member States. It should be noted that the Financial Conduct Authority (FCA) of the United Kingdom and the Financial Services and Markets Authority (FSMA) of Belgium are regulators that also have powers in the banking and insurance sector, therefore the warnings they issue also include these areas.

2 Articles 17 and 144 of the Securities Market Act.
3 In 2010, IOSCO enabled a service about unauthorised entities on its website that includes warnings issued by members of the organisation. Given that not all warnings issued by IOSCO members are reported to the CNMV, it is recommended to visit this website for further information.

Number of warnings issued by EU Member States on unregistered entities FIGURE 7.3.2



Source: CNMV. (1) Four supervisory bodies with fewer than ten warnings in 2020.

The increase in the number of warnings published by the CNMV was mainly due to the consolidation of new avenues of investigation to detect these practices, which had been tested in 2019.

It is therefore worth highlighting the rapid development of digital communication technologies and channels in recent years, which has led to the emergence of new types of fraud through the Internet and social media, offering easy access to potential victims and low cost dissemination.[4]

For this reason, in 2019, the CNMV reinforced, and in 2020, consolidated, its actions in this digital area, stepping up searches on blogs, forums, social networks, etc.

Thanks to these actions, the number of unregistered entities detected, about which the CNMV has informed investors, has increased considerably in the last two years.

7.4 Warnings about other entities

In 2020, seven entities were added to the "Other entities" list in the public warnings section of the CNMV's website, which informs investors about entities which may be performing some kind of activity to raise funds or may be providing some type of financial service without any kind of authorisation and without being registered for any purpose with the CNMV.

4 The CNMV issued a press related on 18 November (available at: https://www.cnmv.es/portal/verDoc.axd?t=%7B79b7e568-fee2-454f-89ad-14524de8f832%7D), stating that in the last few months of 2020, testimonies were received from Spanish investors about the use, by financial boiler rooms, of new IT tools made popular by the conditions deriving from the measures adopted due to COVID-19: remote access software (such as AnyDesk, LogMeIn, TeamViewer, etc.) and virtual private networks (VPN services).

The list is not exhaustive and is taken mainly from searches and analyses conducted on the Internet and social networks. Being included on the list, which allows investors to rule out that they are regulated or authorised entities, does not imply any statement on the compliance, or otherwise, of any of the corresponding entities' activities with current legislation.

7.5 Whistleblowing

The CNMV has a special channel for reporting possible infringements so that any person who is aware of actual or potential infringements relating to the organisation and discipline of securities markets, and who wishes to report in confidentially, may contact the CNMV. This channel is specifically aimed at employees, former employees and other persons who provide or who have provided services in entities that may have committed infringements relating to the securities market.

In no circumstances may this channel be used to deal with private complaints or enquiries, as these issues have their own specific channels on the CNMV website.

The channels established for reporting infringements are: i) telephone (900 373 363); ii) email (comunicaciondeinfracciones@cnmv.es); iii) writing to Infringement Reporting, Investors Department, CNMV. Edison, 4 28006 Madrid/Passeig de Gràcia, 19 08007 Barcelona; iv) using the form[5] available in the Infringement Reporting section of the CNMV website, and v) in person at the CNMV offices in Madrid (although this channel has been temporarily suspended due to the pandemic).

These reports must contain factual evidence which may reasonably lead to at least a well-founded suspicion of infringement.[6] They must therefore include a detailed description of the potential infringement, the identity of the persons or entities involved in the potential illegal conduct and the dates on which the alleged infringement took place. At any event, the information provided must not be a repetition of other information that has already been made public.

From 1 January 2020 to 31 December 2020, 807 reports were received, which represents an increase of 26.49% compared to 2019.

Of the 807 reports received, 154 (19%) were wrongly submitted to this channel, either because they were enquiries or claims, or because the matter in hand was outside the remit of CNMV.

Of the remaining 653 reports, 275 (42%) related to unregistered entities, known as boiler rooms, and 378 addressed issues within the scope of the CNMV's Markets Directorate General and Institutions Directorate General.

In 2020, 42 new warnings were published on the CNMV website (www.cnmv.es) as a result of information received through this channel.

5 System enabled on the CNMV website to anonymously submit communications. If the user so wishes, it can also provide a confidential and anonymous line of contact with the CNMV.

6 As provided in Article 276 *ter* of the Securities Market Act.

Of the 378 reports that fell within the remit of the Markets Directorate General and the Institutions Directorate General, 292 lacked factual evidence from which a well-founded suspicion of infringement could reasonably be derived, in most cases because they were not sufficiently substantiated or were very imprecise, or they dealt with matters, which, in the first instance fell to the competence of supervisory bodies of third countries, which accounted for 77% of these communications.

Lastly, while at 31 December 2020, none of the remaining communications had resulted in disciplinary proceedings, 41 of them had led to supervisory actions by a Directorate General of the CNMV (11% of the total number of communications received).

7.6 Investor education

7.6.1 Financial Education Plan

In 2020, the CNMV continued to give preferential attention to the national financial education strategy and continued to work with the Bank of Spain to implement of this plan, with the collaboration of the Ministry of Economic Affairs and Digital Transformation.

A large part of the initiatives carried out in this area in 2020 were aimed at expanding the scope and efficiency of the activities performed and at meeting the strategic objectives established for 2018-2021, although the activity had to be adapted to the circumstances created by COVID-19. This meant that initiatives that had been traditionally carried out in person had to be performed online.

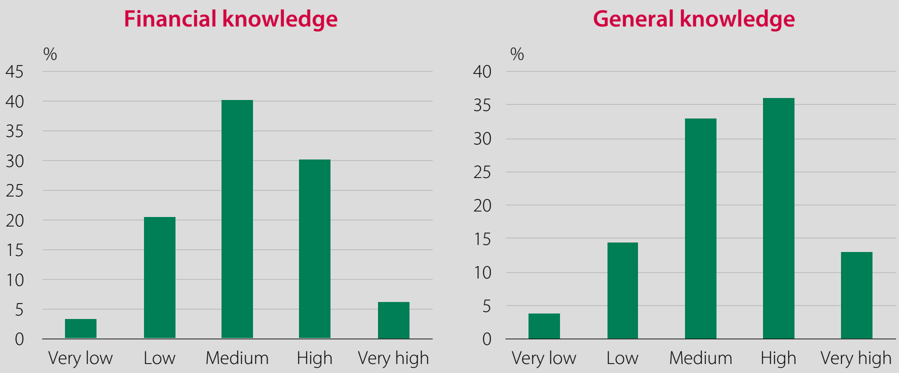
In these circumstances, the collaboration of all the actors involved in financial education was more necessary than ever. The financial industry, companies, research institutions, consumer associations and the educational system have played a key role in reaching different audiences by adapting their initiatives and communications channels. The cooperation of these bodies has been essential to meet the objectives of the plan and provide sufficient capillarity to reach all segments of the population in a bid to raise their levels of financial culture.

Financial education and savings and investment decisions: an analysis of the Survey of Financial Competences (SFC) EXHIBIT 17

As part of the financial education strategy, between 2016 and 2017, the CNMV and the Bank of Spain, with the collaboration of the National Institute of Statistics, carried out a Survey of Financial Competences (SFC). The main objective of this survey, which consisted of around 200 questions that were put to 8,554 individuals, was to measure the Spanish population's knowledge of economic and financial concepts, as well as their ability to save and their holdings of financial products. To analyse and exploit this information, the CNMV carried out a study which presents an evaluation of the level of financial knowledge of the individuals in the sample, in comparison with a series of available socio-demographic and economic variables. Secondly, it seeks to establish the influence of financial knowledge on the decision to save and/or invest in a specific financial product, such as an investment fund or pension scheme. This Exhibit is a summary of the main conclusions of this study.[1]

To evaluate the level of financial knowledge of individuals in the sample, both the survey questions related to their financial knowledge and some of those related to their cognitive skills were analysed. Each respondent was then given one score for financial knowledge and another for general knowledge. According to this analysis, the overall average score for financial knowledge was 6 out of 10, while the score for general knowledge was 6.3 out of 10. Figure E17.1 shows how 70% of the population have a medium or high level of financial knowledge and 25% have a low or very low level, while for general knowledge these percentages are 69% and 18%, respectively.

Breakdown of knowledge scores[1] FIGURE E17.1



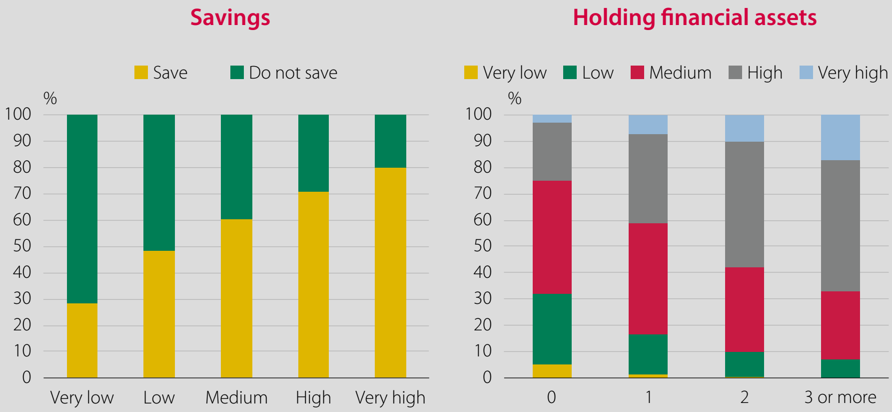
Source: SFC and CNMV. (1) The knowledge of individuals in the sample was classified into five groups according to the score obtained. These groups were "very low" (score of 0 to 2), "low" (3 to 4), "medium" (5 to 6), "high" (7 to 8) and "very high" (9 to 10).

An analysis of the relationship between the knowledge of the population and certain demographic and financial variables reveals that the oldest age groups have the lowest levels of general and financial knowledge. In addition, lower age groups have higher knowledge in general and the differences between them are small. A higher proportion of men (82% compared to 71% of women) show a medium or higher level of financial knowledge and the higher the educational level attained by the individual, the greater their financial (and general) knowledge. The data also appear to indicate the importance of acquiring the early stages of financial education in learning. Similarly, there appears to be a positive relationship between the individual's income level and their level of financial knowledge, although this relationship does not appear to be linear, in other words, the level of knowledge is relatively similar among lower-income groups and the same occurs for the higher-income groups. The greatest variation in knowledge is observed between the low-income and middle-income brackets.

Analysis of the individual's attitude towards saving shows that respondents generally give very high importance to saving, with only 22% of the population giving it low or moderate importance. However, the data obtained directly from the SFC show that almost 40% of individual have not saved in the past year. In regard to the relationship between financial knowledge and saving, the left-hand panel of Figure E17.2 shows a positive correlation between the two variables, that is, as the score obtained increases, the percentage of individuals who save goes up. A very similar pattern can be observed in the relationship between general knowledge and savings.

Among those who save, analysis was also made of the type and number of products used to channel these savings, since diversification is an important factor for an efficient portfolio. In general, people who save usually opt for a very small number of financial assets,[2] in very few cases more than two. Thus, for example, 32% of individuals who do not hold any financial assets belong to the group of people with low or very low financial knowledge, while this percentage is 10% and 7% for groups that hold two or three or more, respectively. Conversely, the right-hand panel of Figure E17.2 shows that the percentage of people with a high or very high financial knowledge score increases substantially as diversification among financial assets rises.

Savings and holding of assets according to financial knowledge FIGURE E17.2



Source: SFC and CNMV.

To assess the importance of financial skills for saving and investment decisions by individuals, probit models with instrumental variables were estimated. These estimates were analysed to show how financial knowledge determines attitudes to saving and the holding of different financial products (savings accounts, pension plans, investment funds, shares and fixed income) by individuals.

The main results of these estimates are shown in Table E17.1. The results show a positive impact of financial skills on the probability of participating in investment funds and of acquiring shares and fixed income assets, both public and corporate. However, they do not seem to influence the propensity to save, the holding of savings accounts or subscription to pension plans. The results achieved allow us to affirm that there is a causal relationship between financial knowledge and financial decisions and, furthermore, make it possible to establish the direction of this relationship: individuals with greater financial knowledge have a greater probability of participating in financial markets through holding shares and fixed income securities and being unitholders of investment funds. The analysis also identifies the relevance of certain demographic characteristics of individuals, such as age and income, in the financial decision-making process. Lastly, the findings indicate that the demographic characteristics of individuals influence their level of financial knowledge, and identify a gender gap in the financial literacy of the population.

Determinants of saving and holding financial products

TABLE E17.1

Variables	Saving	Savings account	Pension schemes	Investment funds	Shares	Fixed income
Financial knowledge	**0.436**	**0.557**	**-0.143**	**0.736****	**0.353*****	**0.844***
Age (Ref. 18-34)						
35-44	-0.362***	0.055	0.758***	0.341*	0.250***	0.141
45-54	-0.569***	-0.030	1.128***	0.512**	0.497***	0.134
55-64	-0.693***	0.040	1.273***	0.660***	0.600***	0.391
65-80	-0.541***	0.344***	0.645***	1.126***	1.129***	0.539**
Education (Ref. below primary)						
Primary and secondary education	-0.282	0.017	0.708	-0.030	0.199	3.182
Secondary school graduate and vocational training	-0.205	0.017	1.048	-0.033	0.550**	2.986
University	0.005	0.127	1.286*	0.023	0.752***	3.035
Gender						
Male	-0.122	-0.228*	0.141	-0.265*	--	-0.237
Family unit						
Living with a partner	-0.013	0.078	0.124**	-0.009	0.049	-0.194**
Living with children	-0.207***	-0.015	0.009	-0.070	0.020	-0.159*
Professional status						
Retired	-0.054	0.038	-0.116	-0.070	-0.112	0.021
Self-employed	-0.045	-0.028	0.294***	-0.027	0.277***	-0.035
Income (Ref. less than 9,000)						
14,501–26,000	0.337**	0.077	0.328***	-0.026	0.025	-0.316*
26,001–44,500	0.525***	0.229	0.591***	0.105	0.315**	-0.284
44,501–67,500	0.756***	0.205	0.857***	0.106	0.510***	-0.485
Over 67,500	0.903***	0.353	1.067***	0.301	0.846***	-0.319
Observations	8,553	8,553	8,553	8,553	8,553	8,553
Wald (i)	1,340***	685***	1,103***	735***	812***	122***
Wald (ii) (p value)	0.3548	0.3514	0.5345	0.2720	0.6630	0.1206

Source: CNMV. Probit models with instrumental variables. Instrumental variable: financial knowledge; instruments: education relating to economics/business; more than 100 books at age 10 and gender. Non-standardised coefficients are shown. Wald (i) is the test of the joint significance of the reported coefficients of the explanatory variables, asymptotically distributed as χ2 under the null hypothesis of non-significance of the explanatory variables. Wald (ii) is the exogeneity test of the instrumental variable, which is asymptotically distributed as χ2 under the null hypothesis of exogeneity of the instrumental variable. The models have been estimated with a constant; however, it is not shown in the table: * p <0.10; ** p <0.05; *** p <0.01.

1 See Ispierto, A., Martínez, I. and Ruiz, G. "Financial education and savings and investment decisions: an analysis of the Survey of Financial Competences (SCF)".

2 Savings accounts, pension plans, shares, investment fund units and public or private fixed income assets are considered financial assets.

In 2020, progress was made in the formalisation of new collaboration agreements. Specifically, the Institute of Credit and Finance of the Region of Murcia (ICREF), the Association of Financial Users (ASUFIN), the Red Cross and the Complutense University of Madrid (UCM) joined the Financial Education Plan. Likewise, the collaboration agreement with the Ministry of Education and Vocational Training was formalised to promote financial education in the different school stages under the new Organic Law of Education, as well as to develop educational materials for all stages of education and promote teacher training. In 2020, progress was also made on the agreement with the Ministry of Consumption, which was signed in early 2021, with the aim of improving the financial education of vulnerable groups.

Work began on the design and development of the new www.finanzasparatodos.es portal to change its content and architecture, which will be completed shortly.

The CNMV also continued promoting financial education in schools and, in particular, the Financial Education Programme for the 2019/2020 academic year, for which 517 schools were registered. In addition, during the year, the fourth edition of the Financial Knowledge Contest was held in a fully online format due to the COVID-19 pandemic, in which 433 centres participated.

For yet another year, Financial Education Day was celebrated on the first Monday of October. In the context of this celebration, more than 135 initiatives were carried out (blended seminars, publications, conferences, websites, etc.), with the active participation of the plan collaborators. The main event of the day was organised by the CNMV and took place online. It was attended by the Chairman of the CNMV, the Governor of the Bank of Spain, the Third Vice President of the Government and Minister of Economic Affairs and Digital Transformation and the Minister of Education and Vocational Training. The final round of the Financial Knowledge Contest was also held during the event, in which Santísima Trinidad school in Plasencia (Cáceres) was the winner and IES Río Cabe from Monforte de Lemos (Lugo) was runner-up. The Finance for All Awards were also presented to the Institute of Financial Studies (IEF) and the Barcelona City Council.

International forums on financial education

The CNMV took part in all the technical meetings of the International Network on Financial Education of the OECD – the leading financial education forum worldwide, of which it is a member – and actively collaborated in the work carried out therein. It was also a speaker at the OECD Technical Committee meeting in October, which discussed how to effectively impart financial education to vulnerable groups in the context of the current crisis.

The CNMV is a member of IOSCO's Committee on Retail Investors (C8), which works towards improving investors' financial literacy. In 2020, it played an active role in the experience sharing of financial education carried out during the pandemic by the different jurisdictions. The CNMV also participated in the work carried out on the internal processing of claims and complaints by financial service providers (published in early 2021) and on crypto-asset investor education initiatives, which concluded with the publication of a report at the end of 2020.

The CNMV has also actively promoted the participation of several Latin American countries (Colombia, Costa Rica, El Salvador, Panama, the Dominican Republic and

Uruguay) in World Investor Week (WIW), an initiative run by IOSCO in October and November 2020.

7.6.2 CNMV training activities

In addition to the educational activities performed in the framework of the Financial Education Plan, the CNMV performs training activities specifically aimed at investors.

Publications and resources for investors

In 2020, the Investor Section of the CNMV website was reformed and is now known as "Investors and financial education". This section offers news and information of interest to non-professional investors, educational guides and resources, and public warnings. Users of investment services can also make enquiries, claims and complaints through this section.

In 2020, a new manual was published, *El mercado de valores y los productos de inversión* [The stock market and investment products], aimed mainly at university students. The aim is to disseminate the fundamentals of investment and the securities markets in an entertaining and accessible manner. New materials and resources have also been included in this section such as videos, infographics and podcasts.

Information of interest for the investor was also published in the Investor Section in 2020, such as information on the new IT strategies of financial boiler rooms, which appropriate investors' data and subsequently try to operate through their securities accounts.

New training resources for investors EXHIBIT 18

The rapid development of the markets and new trends in education have led the CNMV to continue with activities aimed at improving the financial education of investors. Thus, new educational resources have been developed that are included in "Investors and financial education" section of the CNMV website and are periodically disseminated through social media and other communication channels.

The following resources have been developed.

- **New guides and quick guides for investors.** The previous guides and investor files have been re-published to include updated content and are presented with a new, more up-to-date graphic line. These publications seek to bring the investor closer to the main issues related to investment in a simple and didactic manner. The series consists of a total of 10 guides and 17 quick guides. The former are extensive publications that cover various subjects in detail, such as investor rights, investment funds and collective investment, or fixed income products. The second are shorter publications that provide summaries of topics such as sustainable finance, Fintech activity or investment funds, among others.

- **Podcasts.** Six podcasts have been released with the aim of bringing financial education material to new audiences that habitually use audio visual tools. The series, called "Accounts of life" reflects the ordinary life of a family and its relationship with financial matters and decisions that it takes on a daily basis. They address issues such as financial boiler rooms, how to know what your investor profile is, the differences between fixed income and equities, risk-return and behavioural economics.

The podcasts can be listened to or downloaded from the CNMV website on any mobile device through platforms such as iVoox, Spotify, Apple Podcasts and Google Podcasts.

- **Financial education videos.** The "Investors and financial education" section also includes educational videos and webinars that can be viewed in the multimedia area of this section and on the CNMV's YouTube channel.

- **Infographics.** A series of infographics, that provide a simplified visual explanation of different concepts and content of financial education. In 2020, infographics were created on MiFID II, Fintech, sustainable finance, financial advertising and financial boiler rooms.

- Dynamic **quizzes** or questionnaires, to assess knowledge about certain matters related to the securities markets. These quizzes are intended for the general public and are included in the "Investors and financial education" section. They are disseminated through the CNMV's social media platforms.

- **Newsletters.** With the aim of opening new communication channels to the public, a monthly newsletter has been published which includes all training and informative items for investors and the general public.

Training conferences and seminars

As in previous years, the CNMV participated in numerous conferences and seminars in 2020. Training talks were given on matters related to investor protection and financial education, in specialised forums such as the Spanish Banking Association (AEB), the General Council of Economists, the Democratic Union of Pensioners (UDP), the BME Institute, the Spanish Association of Financial Advisory Companies (ASEAFI) or the Association of Autonomous Centres for Private Education (ACADE).

Training talks were also given to young people at risk of social exclusion and in education centres.

The CNMV organised two webinars on investor psychology.

In addition, financial education topics were disseminated through other media, such as the radio (Onda Regional de Murcia and Capital Radio) or in the written press (articles in *Expansión* or *Fundspeople*).

The CNMV once again took part in the International Financial Education Congress "Financial Education in the face of a new economic and social order" held in Malaga by the Edufinet Project.

Guide on basic investor skills EXHIBIT 19

The *Guide on basic investor skills* aims to establish a framework of basic knowledge, skills and abilities for investors that facilitates investment decision-making in a more aware and informed manner.

This framework is based on the work prepared by the International Organization of Securities Commissions (IOSCO), which establishes a set of basic skills to define the knowledge, attitudes and desirable conduct among retail investors.

The framework comprises seven areas of content in which investors should develop their skills. These range from basic investment principles and key features of investment products to the basic aspects that investors must take into account in the process of buying and selling these products, monitoring investments or their rights and responsibilities as investors.

The skills for each area are divided into three categories:

i) Knowledge: the information received by an investor and related, for example, to fees and commissions, characteristics and risks of the main investment products.

ii) Behaviour and skills: these refer to actions or the ability to act to achieve positive results and financial well-being, such as assessing the real return on investments before choosing a product.

iii) Attitudes and motivation: the internal psychological mechanisms that could hinder or assist in making informed decisions and in achieving financial well-being, such as the investor's relationship with risk or uncertainty.

The Guide explains these issues and warns that in order to have a broader vision of this area and to access and gain more extensive knowledge, the other guides and didactic resources published by the CNMV should be used.

In addition, the development of the skills included in the Guide requires the acquisition of significant knowledge and its application in an effective and decisive manner. It is also necessary to combine knowledge and practical application with reflective capacity and self-knowledge in order to generate the discipline, motivation and sufficient confidence that the investment process requires.

8 Disciplinary action

8.1 Disciplinary proceedings

In 2020, the CNMV Executive Committee initiated seven new disciplinary proceedings, investigating a total of eight possible infringements (see Tables 8.1.1 and 8.1.2). The proceedings opened included one infringement for the incorrect communication of significant holdings in listed companies, one for non-compliance with reporting obligations by issuing companies, two for market abuse (market manipulation), one for operating without authorisation, two for breach of rules of conduct in relations with clients or investors and one for violations of the general regulations on collective investment schemes.

The initial agreements for these proceedings included proposed fines for a total amount of €2,840,000.

The decrease in the number of proceedings initiated this year compared to the previous year (7 in 2020 compared to 18 in 2019) was the direct result of the health crisis caused by COVID-19 and the subsequent declaration of the State of Alarm, which virtually halted administrative activity relating to new disciplinary proceedings from 14 March to 1 June 2020.

Proceedings initiated and concluded TABLE 8.1.1

	2019	2020
Number of proceedings initiated	**18**	**7**
Number of proceedings concluded	**17**	**13**
Of which:		
Initiated in 2006	1	–
Initiated in 2014	–	1
Initiated in 2017	1	–
Initiated in 2018	9	–
Initiated in 2019	6	9
Initiated in 2020	–	3

Source: CNMV.

Number of infringements of each type addressed in disciplinary proceedings

TABLE 8.1.2

	Open		Concluded	
	2019	2020	2019	2020
Very serious breaches	**17**	**7**	**9**	**13**
I. Failure to disclose/incorrect disclosure of significant holdings or treasury trading	6	1	4	2
II. Breach of disclosure requirements by issuers	1	1	1	–
III. Operating without authorisation	1	1	–	–
IV. Breach of rules of conduct	4	2	–	8
V. Breach of general investment firm regulations	3	–	1	2
VI. Breach of general crowdfunding platform regulations	1	–	2	–
VII. Breach of general CIS regulations	–	1	–	–
VIII. Breach of legislation on short-selling	–	–	–	–
IX. Resistance to CNMV inspections	1	–	–	1
X. Market manipulation	–	1	–	–
XI. Inside information	–	–	1	–
Serious breaches	**8**	**1**	**20**	**7**
I. Breach of annual reporting requirements of issuers	–	–	2	–
II. Breach relating to the audit committee of issuers	–	–	8	–
III. Market abuse breaches	–	–	1	–
IV. Breach of rules of conduct	1	–	–	1
V. Breach of general investment firm regulations	–	–	–	–
VI. Breach of general CIS regulations	1	–	2	–
VII. Breach of general crowdfunding platform regulations	–	–	1	–
VIII. Operating without authorisation	1	–	–	1
IX. Inside information	–	–	–	–
X. Market manipulation	5	1	6	5
Minor breaches	**1**	**–**	**1**	**–**

Source: CNMV.

In 2020, the CNMV issued 14 disciplinary rulings, which concluded 13 proceedings (one initiated and partly suspended – with respect to two infringements – in 2014, after the suspension was lifted as a final court ruling in the related criminal proceedings was issued in 2018, nine in 2019 and three in 2020). These resolutions included 20 infringements.

In four of these proceedings, the alleged offenders took advantage of early termination as provided for in Article 85 of Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Administrations, which allows termination of the proceedings as a result of voluntary recognition of liability by the alleged offender or as a result of voluntary payment, with application of reductions to the monetary fines provided for in the Law.

Notwithstanding, due to the suspension of the administrative deadlines established in the declaration of the State of Alarm, and given the differences in processing times for the proceedings based on their complexity, the average processing period increased to 11 months this year.

Table 8.1.2 shows the nature of the breaches addressed in the disciplinary proceedings concluded in 2020 and Statistical Annex III.2 shows a summary of the decisions adopted by the CNMV.

As shown in Table 8.1.3, 27 fines were imposed, for an amount of €9.03 million in addition to two dismissals with a total disqualification period of 10 years.

Penalties imposed TABLE 8.1.3

	2019			2020		
	Number	Amount[1]	Period[2]	Number	Amount[1]	Period[2]
I. Fine	39	3,931	–	27	9,030	–
II. Removal/general disqualification	–	–	–	2	–	10

Source: CNMV. (1) Thousands of euros. (2) Years.

Several disciplinary rulings relating to serious or very serious infringements were added to the **public register of penalties** in 2020, once they obtained legal finality, with fines for a total amount of €6,916,000, disclosed on the CNMV website. At the close of the year, fines for €4,990,000 were pending legal finality and inclusion in the register of penalties.

8.2 Litigation department: Judicial review of disciplinary proceedings and other actions

In 2020, seven appeals were filed with the Ministry of Economic Affairs and Digital Transformation against sanctioning resolutions, one of which was dismissed in the same year. In addition, the Ministry issued 13 dismissal resolutions and one partial resolution, which resulted in a reduction of the fine imposed by the CNMV, in two appeals filed in 2019, all against disciplinary rulings.

A total of 20 appeals were filed with the administrative courts in 2020, 11 of which contested disciplinary rulings. Of the remaining appeals, four related to the authorisation of a takeover bid, two were filed against the ruling to delist the shares of the entity subject to the contested takeover bid; one was filed against the agreement to revoke the authorisation of a crowdfunding platform and one against the agreement to archive a complaint. Lastly, a last resort appeal was filed against a ruling issued by the Ministry of Economic Affairs and Digital Transformation, which dismissed an asset liability claim as untimely.

Ten of the court rulings handed down in 2020 related to disciplinary proceedings and were all resolved in favour of the CNMV. Specifically, the National High Court dismissed seven appeals against administrative decisions that resulted in the confirmation of the disciplinary rulings challenged, although appeals have been filed against two of these, which have not yet been resolved. The Supreme Court issued two non-admission rulings and one dismissal that led to the ratification of the penalties imposed (see Table 8.2.1 and Statistical Annex III.3).

The three resolutions issued by the courts in appeals filed against non-disciplinary rulings all backed the action taken by the CNMV. The National High Court dismissed two appeals against administrative decisions: one challenging the announcement of a tender offer and the administrative clauses of a contract, and the second against an agreement to archive a complaint, against which an extraordinary appeal has been made. Likewise, the Supreme Court upheld the extraordinary appeal filed by the CNMV against a ruling issued by the National High Court in 2019, which upheld the appeal against the administrative decision challenging an agreement to authorise a takeover bid. The ruling issued by the National High Court was annulled and the Supreme Court upheld the resolution adopted by the CNMV.

Furthermore, in compliance with the general principle to provide collaboration to legal authorities, CNMV experts provided support to judges and courts of all types in the exercise of their functions. The number of requests for collaboration received in 2020 (125) decreased with regard to the total processed in the previous year (216). Although there was noteworthy collaboration with criminal courts – mainly relating to fraud or embezzlement –, most of the requests (81) were from the civil courts. These requests basically related to the following issues: asset securitisation; information on whether or not entities are authorised to provide investment services; identification of securities held by natural persons or legal entities (knowledge of which corresponds to the depositories of the securities); investigation procedures and disciplinary rulings in the framework of the proceedings handled by the CNMV; notices of attachment (which are the competency of governing bodies); and, in general, the attainment of evidence in proceedings of various types brought before the different courts, with requests for data or documentation.

Cases in which the CNMV participated in 2020 TABLE 8.2.1

	Presented	Resolved
Appeals against administrative decisions	**7**	**15**
Appeals to a higher court	7	15
Motions to set aside the decision	–	–
Appeals to the courts against administrative decisions/judicial review	**20**	**13**
		Requests received for collaboration
Collaboration with courts		125

Source: CNMV.

8.3 Claims

In 2020, a letter was presented to the CNMV that was classified as an administrative complaint regarding an alleged breach of market abuse regulations, particularly, the potentially unlawful transfer of inside information, together with possible manipulation of information involving a listed company.

At 31 December 2020, given the extent of documentation submitted, the complexity of the matter and the large number of people and entities involved, a final ruling is still pending.

9 International activities

For yet another year, international activity was intense and significant, which is to be expected given the significant cooperation between regulators and supervisors from across the world to establish harmonised standards or legislation to address common or very similar challenges and to supervise and prosecute inappropriate or prohibited conduct. This was particularly significant in the European Union and especially for the European Securities and Markets Authority (ESMA), to which the CNMV actively contributes. The CNMV's participation in the work of the International Organization of Securities Commissions (IOSCO), the Financial Stability Board (FSB) and the European Systemic Risk Board (ESRB), was also important, as well as with other cooperation organisations at a regional level.

This activity was even more relevant due to the COVID-19 pandemic, which spread across the world from the first quarter of the year onwards and has led to an unprecedented surge in the work of all these organisations, governments and multilateral cooperation bodies to coordinate and share views and strategies to address the challenges deriving from the impact of the pandemic on the real economy and, hence, the financial markets. The importance being given by all agencies and organisations to sustainability is also noteworthy in the industry and practice of financial institutions, as well as in terms of regulation and supervision activities. This aspect has definitively been included in the day-to-day practice of supervisors and therefore is a key factor for international activity.

Financial sustainability: ESMA, IOSCO and the role of the CNMV in both bodies EXHIBIT 20

In recent years, sustainable finance has gained considerable traction in the international arena, in which different initiatives have arisen that seek to establish a common generally accepted framework that establishes the bases for the information published by the different market players (issuers, asset managers, institutional investors, benchmark indices, sustainability rating agencies, sustainability data providers, etc). Thus, both the European Securities and Markets Authority (ESMA) and the International Organization of Securities Commissions (IOSCO) have contributed to this international development, in which the CNMV has actively collaborated.

Under the auspices of the ESMA Sustainability Coordination Committee, chaired by the vice chair of the CNMV, 2020 began with the implementation of the Sustainable Finance Strategy, the content of which focused on the following priorities: i) completing the regulatory framework for the transparency obligations established in Regulation (EU) 2019/2088 of the European Parliament and of the Council, of 27 November, on the disclosure of information related to sustainability in the financial services sector; ii) reporting on trends, risks and vulnerabilities in sustainable finance; iii) analysing financial risks caused by climate change; iv) promoting supervisory convergence among national supervisors to prevent bad practices such as greenwashing; v) promoting the transparency and quality of non-financial information; vi) participating in the European Union Platform for Sustainable Finance; vii) overseeing the adherence of credit rating agencies to the Guidelines on sustainability factors, and viii) approving any new mandates related to sustainability.

Throughout the year, ESMA took part in different public consultations held by the European Commission (EC), such as those carried out on the occasion of the Renewed Sustainable Finance Strategy, the review of Directive 2014/95/EU of the European Parliament and of the Council, of 22 October, disclosure of non-financial and diversity information by certain large undertakings and groups, and the creation of a European standard for the issuance of green bonds. In all these consultations, ESMA was in favour of progressing with the implementation of the action plan for financing sustainable growth in the EC to improve the transparency of non-financial information, facilitate access to that information and offer investor protection by addressing practices such as greenwashing.

ESMA also provided guidance to the markets ahead of the implementation of the level 2 standards of Regulation 2019/2089 of the European Parliament and of the Council, of 27 November, as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks, specifically, of the commission delegated acts tasked with implementing the different obligations contained in this Regulation. In April 2020, it published a no action letter (separately from the opinion sent to the EC) in which it warned of the difficulty of implementing and complying with the new level 1 obligations while the delegated acts had not been developed. For this reason, it recommended that the national competent authorities should not focus their supervisory work on compliance with these obligations.

In the international arena, ESMA assumed the leadership, together with the Financial Services Authority of Japan, of a working group within the IOSCO Sustainability Task Force (STF) dedicated to the analysis and improvement of the information on sustainability published by credit rating agencies, ESG (environmental, social and governance) rating agencies and other data providers.

At the end of the year, ESMA published its response to the public consultation of the International Financial Reporting Standards Foundation (hereinafter, the Foundation) on the creation of international sustainability standards and a parallel structure similar to that existing within the Foundation for international accounting standards. ESMA's response was positive, although the need to take into account the particularities of jurisdictions that already have specific legal frameworks for financial sustainability was highlighted. It also emphasised the principle of double materiality as a point to take into account when incorporating the principle of transparency and investor protection.

As a member of the Joint Committee of European Supervisory Authorities, ESMA has performed important regulatory work to comply with the mandates conferred by the Disclosure and Taxonomy Regulations, the purpose of which is to establish certain obligations for institutional investors to publish information on various aspects of sustainability. In February 2021, the Joint Committee submitted a report to the EC with the draft regulatory technical standards that develop the mandates of the Disclosure Regulation and part of the Taxonomy Regulation.

Another international body that stood out for its work in the field of sustainability in 2020 was IOSCO, in which the CNMV chairs one of the working groups of the Sustainable Finance Network (SFN), made up of 40 regulators and supervisors of financial markets, which in April 2020 published a report titled *Sustainable Finance and the Role of Securities Regulators and IOSCO*. This document reflects the study and analysis of the main national and international initiatives in the field of sustainable finance carried out by both the public and private sectors in 35 jurisdictions up to the time of its publication. The main conclusions of the report highlight: i) the existence of a wide variety of frameworks and standards for providing information on sustainability, which hampers the comparability of the information, ii) the lack of a common taxonomy or set of definitions for sustainable activities, and iii) the greenwashing phenomenon and other issues that affect investor protection.

To further explore these issues, IOSCO established the STF in the spring of 2020, which comprises three working groups whose function is to carry out a detailed analysis of the information on sustainability provided by: i) issuers, ii) asset managers, and iii) credit rating agencies, ESG rating agencies and other data providers.

The CNMV holds one of the vice chairs of the SFN and the STF and also co-chairs (with the UK regulator, the Financial Conduct Authority (FCA)), the group that is studying the information provided by issuers, which intends to encourage the adoption of sole standards that allow the published information to be comparable and respond to common criteria.

Additionally, in December 2020, IOSCO published its response to the Foundation's public consultation on the advisability of issuing international sustainability standards and on the creation of a board and a parallel structure to that the Foundation's board for international accounting standards. The response from IOSCO, which is part of the Foundation's governance structure through the Monitoring Board, was positive and it urged the Foundation to take into account various factors that could contribute to the success of the initiative, such as the consideration of due diligence processes, independent governance, adequate funding sources or specialised human resources. The Foundation was also urged to take into account the work carried out to date by the Alliance of Standard Setters, specifically, the prototype for the issuance of a standard for preparing climate-related financial information, published by the organisation in December 2020.

Given its importance, the statement published by IOSCO should be noted, which underlines the urgent need to have a single framework of sustainability standards in place to ensure that issuers publish comparable, standardised and high quality non-financial information. IOSCO has announced its intention to remain in close contact with the Foundation and the Alliance of Standard

Setters and the creation of an advisory committee to ensure coordination between more basic financial reporting standards on sustainability, which will operate as a common minimum based on the concept of value creation for the company, and other more elaborate ones, which go beyond the mere notion of value creation to accommodate ideas such as double materiality, which implies taking into account, in addition to financial materiality, the impact of the company itself on the environment and society.

Throughout 2021 and 2022, the STF is expected to publish several reports on the work carried out by its three working groups.

The following sections describe the activities and programmes carried out in Europe by ESMA and the ESRB, and by IOSCO and the FSB globally, in which the CNMV has been actively involved, contributing to the coordinated responses that have been provided and ensuring that the effects of the pandemic on financial stability did not have the devastating impact that it could have had if they had not existed.

First and foremost, emphasis is on ESMA's response (past and present), in which the CNMV plays a very significant role, with a notable increase in its analyses, supervisory cooperation and consideration of regulatory responses, and also on the more general response of the ESRB.

9.1 European Securities and Markets Authority (ESMA)

2020 has been a particularly busy year for ESMA as, in addition to its usual tasks – drafting a single regulatory code, risk assessment, promoting supervisory convergence and direct supervision of certain entities – its activity was marked by the crisis deriving from the pandemic caused by COVID-19, the United Kingdom's departure from the European Union, the new action plan for Capital Markets Union and its participation in the regulatory reviews that the European Commission has scheduled for securities markets.

The pandemic caused by **COVID-19** had a significant impact on capital markets, especially during the early months, and, hence, on ESMA's activity.

ESMA work programme for 2021

EXHIBIT 21

On 2 October 2020, ESMA published its **Work Programme for 2021**,[1] which addresses objectives such as the development of a broad base of retail investors supported by the Capital Markets Union (CMU), the development of sustainable finance and a long-term vision for markets, the risks and opportunities of digitisation, strengthening the role of the European Union (EU) in the global capital markets and ensuring a proportionate approach to regulation. The authority will also work to address the challenges posed by Brexit and carry out actions in response to the impact caused by the pandemic, which has also led to activities planned for 2020 being delayed to 2021. In 2021, ESMA will fully execute the new powers and tasks entrusted to it after the regulatory review process and will continue to assist the European Commission (EC) in the tasks related to the WBU action plan, the renewed sustainable finance strategy, the new digital finance strategy and the Fintech action plan.

In the area of **supervisory convergence**, in 2021 ESMA will focus on establishing a common supervisory culture based on risk identification and management, and focused on results. Actions will be prioritised through a more robust identification of supervisory risks and data collection in order to establish the areas of greatest risk or problems relating to investor protection, financial stability and the orderly functioning of the markets. Specifically, it will continue to drive convergence in the following areas: i) coordination of the actions carried out by the national competent authorities with respect to the two strategic supervisory priorities identified for the next three years (performance and costs of targeted investment products for retail customers and the quality of market data); ii) the liquidity risk of funds and the use of liquidity management tools as a continuation of the work carried out in 2020 in the context of COVID-19; iii) the performance and costs of retail investment products, particularly in the area of funds; iv) the quality and use of the information provided by the different disclosure regimes; and v) supervision of the obligations to disclose environmental, social and governance (ESG) data, as well as the use of this information by market participants. Additionally, the authority will contribute to ensuring the consistent application of the changes introduced by EMIR Refit and EMIR 2.2. Lastly, it will conduct peer reviews on the supervision of cross-border activities carried out by investment firms, assessing how national competent authorities have managed the relocation of companies from the United Kingdom to the EU27 in the context of Brexit, the supervision of central counterparties (CCPs) and central securities depositories, and the procedure for the approval of prospectuses.

In the area of **risk assessment**, in 2021, ESMA will focus on integrating financial innovation and ESG factors into its risk analysis, as well as the use of that data in supervision. It will also continue to monitor the impact of the pandemic on the markets and the end of the Brexit transition period.

In the area of **the single regulatory code**, ESMA will work on the review of MiFID II and AIFMD, while studying the regulatory modifications required to ensure a more integrated CMU, increase the attractiveness of the EU markets and promote sustainable finance and proportionality. Likewise, it will re-examine the relevant technical standards to adapt them to the amendments arising from the review of the EMIR Regulation.

In the scope of its **direct supervision activity**, in 2021, ESMA will focus on the supervision of CCPs of third countries that are considered critical market infrastructures under EMIR 2.2 and prepare to take on the mandates deriving from the Regulation on benchmark indices and providers of data supply services. In addition, it will continue to directly supervise credit rating agencies, trade repositories and securitisation repositories.

1 https://www.esma.europa.eu/sites/default/files/library/esma20-95-1273_2021_annual_work_programme.pdf

From the very beginning, its strategy has focused on monitoring the performance of the market to detect possible risks in supervision deriving from the new context, as well as reinforcing its coordination activity by encouraging more sharing of information between the national competent authorities (NCAs). ESMA held meetings of the Board of Supervisors on a weekly basis in March and April 2020.

Another important line of action adopted by the authority during the pandemic was to facilitate business continuity among companies in the sector in a very difficult context. ESMA published several statements in 2020 with the aim of coordinating the action of the NCAs in relation to possible delays in the delivery of certain reports by listed companies or entities in the sector. For example, within the framework of the Transparency Directive, the authority announced in March that it had agreed with NCAs not to prioritise supervisory action with respect to the date of publication of annual and half-yearly reports, provided that the issuers of the listed companies published them no later than two months or one month after the original scheduled date, respectively. In other statements, it ruled on information to be published by fund managers or on the need for better execution by trading venues and investment firms. Likewise, in line with other organisations and institutions, the authority postponed the date for submitting responses to its public consultations.

In the area of **asset management**, one of ESMA's main concerns, especially during the early months of the crisis, was the liquidity of funds. In order to be detect cross-border gaps ahead of time, the authority encouraged the regular exchange of information between NCAs. In addition, following a recommendation issued by the European Systemic Risk Board (ESRB) on liquidity risks for funds, in 2020 it coordinated a supervision exercise to assess the level of preparedness of funds with portfolios of less liquid assets, such as corporate debt and real estate assets, in the face of potential adverse market developments. One of the main conclusions to emerge from ESMA's final report on the ESRB recommendation, published in November, is the importance for management companies to improve the alignment of their fund investment strategies and redemption policies. Also, that NCAs need to be proactive in supervising funds in terms of the alignment of their strategy, liquidity profile and redemptions, assessment of liquidity risks or valuation processes in a context of uncertainty.

In the area of the **Regulation on short-selling,** the most notable measure adopted by ESMA was to temporarily reduce the threshold of the obligation to report net short positions to NCAs from 0.2% to 0.1% of capital, provided that they were shares admitted to trading on a regulated market. This decision was renewed on several occasions in 2020 due to the circumstances. The authority also issued favourable opinions on the measures adopted by the NCAs on restrictions on short-selling within the framework of COVID-19. Such measures were implemented by the Italian NCA (CONSOB), the French NCA (AMF), the Belgian NCA (FSMA), the Greek NCA (HCMC), the Austrian NCA (FMA-Austria) and the CNMV.

In the area of **MiFID II/MiFIR**, ESMA released statements clarifying the interpretation of some aspects of this standard in the new context caused by the pandemic. In one of these, it issued a recommendation to financial market participants on how to proceed if they are unable to comply with the obligation to record telephone conversations with clients about orders. In another statement, published in May, the authority alerted retail clients of the risks that trading could entail, given the volatility of the markets at that time, and reminded participants of the financial markets of their obligation to comply with the rules of conduct set out in MiFID II.

In the area of **financial reporting obligations** to which listed companies are subject, ESMA published several statements, including recommendations on how to reflect the effects of COVID-19 in half-yearly and interim financial reports, how to apply the accounting standard IFRS 9, on financial instruments, in the calculation of potential write-downs or how to adjust and include new alternative performance measures when taking into account the impact of COVID-19.

As part of the **risk mitigation techniques** for non-centrally cleared OTC derivatives, it is important to highlight the agreement adopted by the European supervisory authorities in May, in line with the agreement made by the International Organization of Securities Commissions (IOSCO) and the Basel Committee on Banking Supervision, to delay the date of application of the two remaining implementation phases for bilateral margin requirements for a further year.

Further, in regard to the **settlement discipline regime**, in August ESMA published a final report with the relevant technical standard, proposing the date of application of Commission Delegated Regulation (EU) 2018/1229, of 25 May 2018, which implements this matter, in particular, measures to prevent and identify incidents in settlement, for 1 February 2022, at the initiative of the European Commission.

Lastly, mention should be made of the analysis and monitoring work carried out by ESMA in 2020 on the impact of the crisis caused by the pandemic on credit ratings and, in general, how it has affected financial stability.

Regulatory reviews

The European Commission periodically reviews the regulations applicable to capital markets, first to assess whether the proposed objectives have been achieved through their application and second, to assess whether regulatory changes are needed to improve the functioning of markets, investor protection or financial stability.

Throughout 2020, ESMA has provided advice relating to different review initiatives being carried out by the Commission or which it plans to carry out in the near future. The main work in this area is mentioned below.

In the area of **MiFID II/MiFIR**, in 2020, ESMA continued to work on evaluating the impact of the application of certain provisions in compliance with various mandates contained in the two standards. It is important to note that some of the recommendations included in the final reports or advice that this authority has sent to the European Commission have already been taken into account in the recovery package that was rolled out recently by the co-legislators on the occasion of the crisis caused by the pandemic, the Quick-fix Recovery Package (see Exhibit 26). The other recommendations and observations will be used in the review of these standards that the Commission plans to conduct in 2021.

Thus, in the area of **markets,** the authority focused primarily on analysing whether, through the practical application of transparency obligations, the objectives pursued by the regulations have been achieved.

Specifically, in July, ESMA published two reports in which it recommended to the European Commission a simplification of the regime, while improving the level of transparency made available to market participants.

The first deals with the transparency regime applicable to shares and equity-like financial instruments, the double volume cap mechanism and the share trading obligation and its recommendations include the following: i) restrict the use of reference price exemptions to large orders; ii) increase the minimum listing obligations of systematic internalisers and review the methodology for calculating the standard size of the market that requires them to publish quotes; and iii) simplify the double volume cap mechanism, eliminating the rule establishing that the threshold for the reference price and negotiated trades does not exceed 4% of the total trading volume of the instrument in all EU trading venues in the previous 12 months.

The second deals with the pre-trade transparency obligations required for systematic internalisers in the case of financial instruments other than shares and equity-like financial instruments and its proposals include the following: i) maintain the obligation to publish the price in liquid instruments and eliminate it for illiquid instruments; and ii) harmonise the publication of the prices of shares and equity-like financial instruments.

In September, ESMA published the report submitted to the European Commission on the transparency regime applicable to financial instruments other than shares and equity-like financial instruments (structured products, derivatives, fixed income and emission rights), and the derivatives trading obligation, in which it concludes that the current regulation is excessively complex, which has limited its effectiveness. Consequently, to improve the existing regime, it suggests the following proposals: i) elimination of exemptions for the threshold relating to the specific size of the instrument and a possible lowering of the threshold for large-volume trades; ii) alternatives to increase the number of bonds subject to transparency; and iii) the review and simplification of the system of delays in the publication of transactions.

In addition, in April, ESMA published a report on its review of the regime for position limits and the management of positions in the commodity derivatives markets. In this report, the authority advised the Commission, among other points, to restrict the regulations on position limits to critical or more relevant commodity derivatives contracts, and to improve the controls of trading venues on the management of positions through specific level 2 changes.

In the area of **investor protection**, highlights include the technical advice addressed to the European Commission, published in April, on the practical impact of the application of the incentive regime, in addition to the disclosure obligations relating to costs and charges deriving from MiFID II. ESMA recommends that the institution should assess the repercussions of the incentive regime on the distribution of investment products for retail clients, in addition to the effect that a ban could have on existing distribution models in the European Union. It also suggests some specific changes to make it easier for clients to understand this concept, as well as reinforcing the obligation to report on incentives that respond to an increase in the quality of services provided. Regarding the disclosure obligations for costs and charges, ESMA proposes changes to the regulations to include an option that allows eligible counterparties to request not to receive this information both *ex ante* and *ex post*. It also proposes extending this option to professional investors (*per se* and on request) for services other than financial advice or discretionary portfolio management.

In the field of **asset management** and ahead of the review that the European Commission is scheduled to carry out shortly of the Directive on Alternative Investment Fund Managers (AIFMD), ESMA addressed a letter to this institution in August, in which it highlighted 19 areas that could be the subject of potential amendments or improvements. These were taken into account by the Commission in the consultation it launched in October on the review of this standard, which concluded in January this year.

One of its most controversial proposals for the sector related to the delegation of investment management functions, particularly when this takes place in entities established in third countries, which became even more significant after the United Kingdom left the European Union. Specifically, ESMA asked the European Commission to clarify the cases in which management companies are understood to comply with the requirement set forth in this regulation according to which, when they delegate investment management functions, the functions delegated do not substantially exceed those performed by the fund manager itself. To ensure greater coherence, ESMA also proposed that this matter be regulated in a similar way for UCITS.

It also requested an increase in the number of instruments eligible for liquidity management, as well as their harmonised use at a European level, not only within the scope of the AIFMD Directive but also the UCITS Directive. In addition, it proposed specifying the role that NCAs should play in relation to the suspension of redemptions when a situation arises that, due to its cross-border implications, may affect the financial stability of the European Union, giving ESMA a coordinating role in these cases, in line with ESRB recommendations.

Other outstanding aspects mentioned in the letter are: i) improve the reporting regime within the scope of AIFMD and establish a similar one for UCITS; ii) implement the necessary changes to include IOSCO's recommendations on leverage into these regulations; iii) clarify the responsibilities to be assumed by the NCAs in the supervision of cross-border entities; iv) adoption of a regime for the creation of loans within the framework of the AIFMD; and v) study the benefits and risks of a passport for depositories.

In the area of the **Market Abuse Regulation** (MAR), the authority published a report in September with its advice to the Commission on the future revision of this rule. In its opinion, the application is working correctly; therefore the proposals made only seek to improve its operation but are not substantial changes.

In this report, ESMA issued its opinion on cross-border practices related to dividend arbitrage (*cum/ex* and multiple withholding tax reclaim schemes), as while this is more of a tax issue, it has a clear impact on the integrity of the market. In this regard, it recommended that the Commission remove the legal limitations that prevent NCAs from exchanging information obtained from their counterparts with the tax authorities.

Other topics proposed in the report are streamlining reporting on buyback programmes or establishing a Union-wide framework for cross-border order book oversight.

Lastly, mention should also be made of ESMA's response, published in June, to the European Commission's public consultation on the review of the Directive on non-financial information. At the end of 2020, the authority also started work on its response to the query published by the Commission on the review of the regulations for central securities depositories, for which the deadline for responses expired on 2 February 2021.

Brexit

The United Kingdom's exit from the European Union on 1 January 2021, after the end of the transition period, is another great milestone that has had a clear impact on the stock market and consequently on ESMA's activity.

As explained in its *Annual Report* for previous years (2017, 2018 and 2019) the strategy of the authority when addressing Brexit has focused on trying to minimise the potential risks and impact of United Kingdom's departure, particularly if this were to occur with no agreement, to encourage UK market participants to take the decisions they deem appropriate in the event of the loss of passporting rights and to guarantee the continuity of the contracts.

In 2020, ESMA published additional statements to those already issued in previous years, in particular on the interpretation of certain provisions of securities market regulations after the end of the transition period.

The CNMV and Brexit

EXHIBIT 22

In recent year, the CNMV has been working in coordination with the Ministry of Economic Affairs and Digital Transformation and other national and European organisations to address the prospect of the United Kingdom leaving the European Union (Brexit), with the aim of preserving financial stability and protecting investors, while bearing in mind the need to safeguard the competitiveness of the Spanish market.

On 24 December 2020, the European Union and the United Kingdom reached a principle of commitment on the basis of the EU-UK Trade and Cooperation Agreement, which was approved by the Council of Europe on 30 December.

Prior to this Trade and Cooperation Agreement, the British Parliament approved the Withdrawal Agreement on 23 January 2020, which established a transition period from the entry into force of the law until 31 December 2020. During this time EU Law has continued to apply in and to the United Kingdom, with certain exceptions. The main purpose of this transition period was to offer a period of to prepare citizens, economic figures and governments for the new situation, as well as to provide a framework of stability for the negotiation of an agreement on the future relationship between the European Union and the United Kingdom.

At the end of 2020, once the commitment to the Trade and Cooperation Agreement had been achieved, Royal Decree-Law 38/2020, of 29 December, was approved in Spain, adopting measures to adapt to the status of the United Kingdom of Great Britain and Northern Ireland as a third country after the end of the transition period provided for in the agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community. The purpose of this Royal Decree-Law is the adoption of measures to adapt the Spanish legal system in order to deal with the consequences of the withdrawal of the European Union from the United Kingdom of Great Britain and Northern

Ireland, following the conclusion of the transition period established in the withdrawal agreement.

Throughout this process, the CNMV has maintained constant contact with the entities involved and has updated the "Brexit" section on its website with useful information for market participants and investors, such as a list of documents of interest and some interpretative criteria, in the form of a Q&A on the provisions relating to the securities markets and investment services.

The most salient point is that after the transition period, the third country regime contemplated in European and national regulations will apply to the United Kingdom. This regime includes the possibility of recognition of equivalence in certain financial subsectors.

In particular, with regard to the contracting of new financial services with British institutions, entities authorised by the United Kingdom will not be able to sign new contracts with Spanish clients, as they lack valid authorisation to provide financial services in Spain (although a transition period of six months has been established to allow institutions to unwind their positions and contracts in an orderly fashion). In order to provide these services, British institutions operating in Spain must request authorisation to set up a Spanish entity or adapt to third-country requirements. The Bank of Spain, the CNMV and the General Directorate of Insurance and Pension Funds will provide advice to entities in this process.

These include the trading obligation for shares and derivatives. For the former, ESMA has stated that with respect to its last statement published on this matter in 2019,[1] that all shares with an International Securities Identification Number (ISIN), even when they correspond to an EEA country, which are predominantly traded through UK trading venues in GBP will not be subject to the trading obligation. For the latter, ESMA maintains its position published in 2019, in which it trusts that market participants will be able to comply with this obligation after 31 December 2020, especially considering that many UK derivatives trading venues have been set up in the European Union. In fact, these expectations seem to have been met, since a large portion of the trading that took place in the United Kingdom, in both shares and derivatives, has been transferred to the EU27 since 1 January 2021.

It should also be noted that, in September, the European Commission adopted a decision recognising the equivalence of the legal and supervisory regime applicable to UK central counterparties for a limited period of 18 months, and in November another statement was released on the regime applicable to central securities depositories in the United Kingdom for a limited period of six months. ESMA then implemented the recognition decision for the three CCPs that had previously requested it

1 The share trading obligation implies that when investment firms wish to trade with shares admitted to trading on a regulated market or traded on a trading venue, they may only use trading venues of third countries if they have previously been recognised as equivalent, unless the transaction is unsystematic, i.e. *ad hoc*, irregular or infrequent. In May 2019, ESMA published a statement in which it explained that only shares with an ISIN from a country of the EU27 or Iceland, Liechtenstein and Norway would be subject to the trading obligation.

– LME Clear Limited, ICE Clear Limited and LCH Limited – as well as the recognition decision of Euroclear UK & Ireland Limited (EUI), which allows them to continue providing services in the European Union until the expiry of the corresponding statements of equivalence.

It should also be mentioned that the cooperation agreements signed between the NCAs and the FCA have been published, as well as those signed by ESMA with the significant UK financial authorities.

Lastly, in January 2021 ESMA published a statement reiterating the applicable regulations for doubtful practices detected in relation to "reverse solicitation" after the end of the transition period, such as the inclusion in contracts of a general clause that indicates that any transaction will be understood as carried out exclusively at the client's initiative. In accordance with Article 42 of MiFID II, when a retail or professional client in the European Union requests the provision of an investment service or activity from an entity of a third country on its own initiative, it is understood that this request it is not subject to MiFID II. Although ESMA has specified the cases in which this exemption may be applied in a Q&A document, it reiterated in this statement that whenever an entity from a third country, even through an intermediary, requests, offers or advertises services or activities, using any communication channel, these will not be considered to have been provided at the exclusive initiative of the client.

Capital Markets Union

In September, the European Commission published a communication on its new action plan to complete the Capital Markets Union (see Exhibit 23), in continuation of the initial plan published in 2015. In this plan, it clearly states that it considers this union to be key to the progression of some of the main strategic lines in its mandate. For example, it maintains that recovery from the crisis caused by the pandemic or the transition to a decarbonised economy model, within the framework of the European Green Deal, will require alternative sources of financing from both the public and private sectors, to which the Capital Markets Union must contribute.

ESMA's activity will clearly be affected by the measures envisaged in these plans. In particular, this authority considers that in order to be able to achieve true Capital Markets Union, it will be key to encourage retail investors to participate more in these markets, and for this to happen it will be essential to improve their financial literacy and their trust in distributors.

Among the initiatives included in the new plan that will significantly affect ESMA's activity are the creation of a database as a single access point that allows investors to access companies' financial and sustainability information at the same time, as well as the creation of a consolidated data provider.

New European Commission Plan for Capital Markets Union

EXHIBIT 23

On 24 September 2020 the European Commission (EC) published a Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions in which it informed them of a new Action Plan to complete the Capital Markets Union (CMU) for people and businesses.

This proposal is a continuation of the first Action Plan published in 2015, in which the Commission aimed to achieve a CMU by 2019. It contemplated 33 measures to encourage a greater degree of financial integration at European level, facilitate access to financing for European companies in the different phases of their growth, broaden the spectrum of safe investments which investors can access and improve the stability of the European financial system (some of which were modified and others added in a mid-term review in 2017).

Although the measures adopted have laid the foundations of the Union, the EC considers that additional measures should be implemented to provide greater depth to the internal market in the area of capital markets and to support some of the Commission's main strategic lines, such as the economic recovery after the pandemic caused by COVID-19 or facilitating the financing required for the European Green Deal and the transition to the digital age.

Specifically, the new plan contains 16 actions centred on three key objectives:

i) **Support a green, digital, inclusive and resilient economic recovery by making financing more accessible to European companies.**

Action 1: Making companies more visible for cross-border investors. The EC proposes to adopt a regulatory initiative to create an EU-wide platform to provide a single point for investors to access the financial and non-financial and sustainability information of companies (third quarter of 2021). The deadline for responding to a public consultation on this proposal expired on 3 March 2021.

Action 2: Supporting access to public markets. The EC proposes to carry out an evaluation on the feasibility of simplifying the regulations on the requirements for admissions to trading on public markets (fourth quarter of 2021). A group of experts will publish recommendations on this topic in the spring of 2021.

Action 3: Supporting long-term investment vehicles. The EC proposes a review of the Regulation on European long-term investment funds (third quarter of 2021). The deadline for responding to a public consultation on this proposal expired on 19 January 2021.

Action 4: Encouraging more long-term and equity financing from institutional investors. The EC proposes: i) a review of Solvency II, in order to make it easier for insurance companies to invest in the long term (third quarter of 2021), and ii) a review of the Regulation and Directive on capital requirements to ensure that banks invest long-term in the capital of SMEs (first quarter 2021).

Action 5: Directing SMEs to alternative financing providers. The EC proposes to evaluate the feasibility of requiring banks to direct small and medium enterprises whose funding application they have turned down to providers of alternative funding (fourth quarter 2021).

Action 6: Helping banks lend more to the real economy. The EC proposes: i) a review of the securitisation framework for both simple transparent and standardised (STS) and non-STS securitisation (fourth quarter of 2021), and ii) the introduction of the European guaranteed promissory note.

ii) **Making the EU an even safer place for individuals to save and invest long-term.**

Action 7: Empowering citizens through financial literacy. The EC proposes: i) a feasibility assessment on the development of a financial competence framework in the EU (second quarter of 2021), and ii) an assessment of whether the adoption of horizontal legislation that obliges Member States to promote training measures in this area is appropriate (first quarter of 2022). In April 2021, the EC published a report on the feasibility of a European financial competence framework and launched a joint project with the Organization for Economic Cooperation and Development (OECD).

Action 8: Building retail investors' trust in capital markets. The EC proposes: i) the evaluation and review of the applicable regulations regarding incentives and information obligations (first quarter of 2022); ii) a legislative proposal to reduce the administrative burden and reporting requirements for a subset of retail investors, including the revision of the current classification between retail and professional investors or even the creation of a new category of qualified investors (fourth quarter of 2021 or first quarter of 2022); and iii) an assessment of the requirement for financial advisers to certify their qualifications and continuing education (fourth quarter of 2021), as well as the possibility of requiring pan-European certification for the provision of financial advisory services (first quarter of 2022). The EC, in addition to contracting a company to study the regimes applicable to incentives, information obligations and suitability assessments, in May 2021 opened a public consultation to seek the views of stakeholders on all the points mentioned as part of the Retail Investment Strategy that it plans to launch in the first half of 2022.

Action 9: Supporting people in their retirement. The EC plans to: i) develop tables of pension indicators with detailed information on professional retirement regimes (fourth quarter of 2021); ii) identify best practices for the creation of national systems to monitor individual pensions for citizens (fourth quarter 2021); and iii) study the best auto-enrolment practices of Member States as well as professional retirement schemes that supplement citizens' public pensions (third quarter of 2020).

iii) **Integrating national capital markets into a genuine single market.**

Action 10: Alleviating the tax burden associated with cross-border investment. The EC proposes: i) a legislative initiative to lower tax-related costs for cross-border investors and prevent tax fraud; and ii) the adoption a common, standardised, EU-wide system for withholding tax relief at source (fourth quarter of 2022).

Action 11: Making the outcome of cross-border investment more predictable with regard to insolvency proceedings. The EC proposes: i) a legislative or non-legislative initiative for increased convergence in targeted areas of non-bank insolvency regulations (second quarter of 2022); and ii) the EC and the European Banking Authority will also analyse the possibility of improving the exchange of information among Member States on the periodic evaluation of the effectiveness of their national loan enforcement systems (study in the first quarter of 2021 and regulatory proposal in the fourth quarter of 2022). The deadline for responding to a public consultation on this proposal expired on 26 March 2021.

Action 12: Facilitate shareholders engagement. The EC proposes: i) to coin an EU-wide, harmonised definition of the term "shareholder"; ii) further clarify and harmonise the rules governing the interaction between investors, intermediaries and issuers in relation to voting rights and corporate transactions (specifically, in the third quarter of 2023 the Commission plans to review the second Directive on shareholders' rights); and iii) investigate whether there are national barriers to the use of new digital technologies in this area (fourth quarter of 2021).

Action 13: Developing cross-border settlement services. The EC is considering a review of the Regulation on central securities depositories (fourth quarter of 2021). The deadline for responding to a public consultation on this topic expired on 2 February 2021.

Action 14: Consolidated tape. The EC proposes a legislative amendment to the establishment of a consolidated tape, at EU level, providing consolidated post-trade data (fourth quarter of 2021).

Action 15: Investment protection and facilitation. The EC proposes to update and strengthen the framework for the protection and facilitation of cross-border investments in the EU by adopting measures such as improving dispute resolution mechanisms at national and EU level and collecting information on investors' legal rights and opportunities in a single access point (second quarter of 2021).

Action 16: Supervision. The EC proposes: i) working on a single reinforced regulatory code for capital markets, while monitoring the level of convergence in supervision; ii) carrying out a study on these aspects and, depending on the result, assess the appropriateness or otherwise of adopting measures to strengthen the coordination of supervision or the direct supervision entrusted to the ESAs (fourth quarter of 2021); and iii) considering different regulatory amendments to address the deficiencies detected in the Wirecard case, particularly in the area of corporate governance, auditing and the supervision of financial reporting. The EC has launched a public consultation on this topic with a deadline of 21 May 2021.

The Commission has also announced its intention to complete the periodic reports that it has been publishing on the evolution of the CMU by means of a series of specific indicators that measure the level of integration achieved.

Lastly, the Council, at its meeting on 3 December 2020, supported all the actions proposed in this new Plan, while at the same time declared itself in favour of polycentric CMU, since it considers it beneficial for the European Union to have more than one financial centre.

New competences

In 2020, ESMA also started to exercise some of the new powers conferred to the authority under Regulation (EU) 2019/2175 of the European Parliament and of the Council, of 18 December, on the review of the European System of Financial Supervision, particularly in matters of supervisory convergence. Thus, in November ESMA announced the two strategic priorities for Union supervision, with respect to which NCAs will carry out a series of supervisory actions coordinated by this European authority over the next three years. These refer to the performance and costs of investment products targeting retail clients and the quality of market data. In 2021, the actions relating to the first priority will focus on the costs and fees and commissions charged by investment fund managers and, for the second, on improving the quality of transparency data reported pursuant to MiFIR.

During the year, ESMA prepared to undertake the new competences it will have to take on from 2022: direct supervision of EU critical benchmark administrators and those of third country indices, and the supervision of providers of data supply services.

The authority also started to exercise new functions in the area of technological innovation, financial sustainability and consumer protection in 2020, while at the same time increasing its international scope.

Specifically, it set up two new committees in accordance with Regulation (EU) 2019/2175: the Consumer Protection and Financial Innovation Committee, designed to bring together two existing committees on a regular basis: namely, IPISC (Investors Protection and Intermediaries Standing Committee) and FISC (Financial Innovation Standing Committee), to deal with matters of common interest in this area, and the Proportionality Committee, the purpose of which is to advise ESMA on the suitability of its measures and actions based on criteria of proportionality criteria.

Ordinary activity

In 2020, ESMA also carried out the actions scheduled for that year based on the objectives established for investor protection, the orderly functioning of the markets and financial stability. Some of the most outstanding work conducted by the authority in the year are described below.

Asset management

In April 2020, ESMA published its second annual statistical report on the performance and costs of EU retail investment products, which continues to show the high impact of costs on the final returns received by retail investors for their investments in UCITS. Furthermore, the costs paid by retail clients were found to be significantly higher than the costs paid by institutional investors. The report also reveals that in the period analysed (2009-2018), because of the higher costs the net returns of actively managed funds were lower, on average, than those of passively managed funds.

It should be noted that the first annual statistical report on this subject published in January 2019 already mentioned the significant impact of costs on the final returns received by investors. The first report prompted ESMA to start to work on a supervisory briefing on costs in UCITS and alternative investment funds (AIFs), which was published in June, in response to the need to improve convergence in the NCAs' approach to undue costs, among other issues.

In 2020, the NCAs also carried out a common supervisory action on the liquidity of UCITS, the final report for which is pending publication. In July, ESMA published translations of its guidelines on liquidity stress tests for UCITS and AIFs, the purpose of which is to increase the rigour, consistency and frequency of the liquidity stress tests that are already being performed, and to encourage convergence in the oversight of these tests by NCAs. The guidelines entered into force on 30 September and they make fund managers responsible for carrying out liquidity stress tests at least once a year (although the recommendation is for the tests to be performed at least quarterly), and depositories are tasked with verifying that fund managers have proper procedures in place to perform these tests.

In 2020, ESMA also published two consultation documents containing its proposals for technical standards within the framework of the regulation on the cross-border distribution of funds, the information that NCAs must publish on their websites relating to national regulations on the requirements for distributing funds and the corresponding fees, as well as on the fees and commissions applied for the supervision of cross-border activities.

Lastly, in January, ESMA published its second statistical report on EU alternative investment funds, which revealed that in 2018 the AIF industry accounted for 40% of the total investment fund industry in the European Union and that 16% of AIFs are distributed among retail investors. The categories that attract the highest percentage of retail investors are funds of funds and real estate funds, both of which are potentially vulnerable to liquidity risks.

Protection of investors and financial intermediaries

One of the latest tools used by ESMA to encourage supervisory convergence is the common supervisory action. As explained in the previous edition of this Report, in the second half of 2019 the authority launched a common supervisory action to analyse the application of appropriateness assessment requirements under MiFID II. As a result of this exercise, in 2020 ESMA worked on developing a set of guidelines for certain aspects of the requirements for this assessment and the MiFID II execution-only regime, the draft of which was submitted to public consultation in January

2021. A common supervisory action was initiated last year on the application of the requirements for suitability assessments under MiFID II. The purpose is to help assess whether entities take into account the costs of investment products when making their recommendations to clients. Lastly, ESMA will carry out a common supervisory action on product governance in 2021.

It should also be noted that in February the authority published its technical advice to the European Commission on the effects of product intervention measures in relation to binary options and financial contracts for differences (CFDs). This was initially adopted by ESMA on a temporary basis in 2018 and by practically all the NCAs, including the CNMV, from 2019 onwards. The following recommendations stand out: i) manage arbitrage risk between entities subject to MiFID II and management companies, ii) expand ESMA's powers to allow it to adopt temporary bans for a period of 18 months, and iii) provide greater clarity on the application of product intervention measures to entities that carry out cross-border operations.

Secondary markets and market integrity

In addition to the reports and advice already submitted to the European Commission about the review of MiFID II/MiFIR in the area of secondary markets, in 2020 ESMA also prepared other reports on additional related aspects that have yet to be sent to the Commission.

Specifically, in September, the authority published a consultation document on the review of the regime for organised trading facilities (OTFs) in the European Union, which analyses the definition of an OTF and includes considerations on discretion in the execution of orders and the current practice of matched principal trading. It also raises the issue of what the perimeter of these trading venues should be with respect to others such as multilateral trading facilities.

In December, a consultation was published on the impact of MiFID II/MiFIR requirements on algorithmic trading, including high frequency trading. The document contains a general approach to this activity, in particular the authorisation regime, and a review of some of the provisions applicable to market operators who carry out algorithmic trading, as well as the provisions applicable to trading venues that have them. Issues such as volatility management mechanisms ("circuit breakers") and other issues affecting algorithmic trading, such as speedbumps, were also addressed.

Lastly, in the area of secondary markets, in November, ESMA submitted for public consultation its draft guidelines on market data as a continuation of the final report published in December 2019 on price changes in pre- and post-trade transparency data and consolidated tape providers.

In the area of market integrity, the work carried out in 2020 on the draft technical standards to promote the use of SME growth markets within the framework of the Market Abuse Regulation stands out. The final report develops the requirements for liquidity contracts, including a contractual model. The obligation to open a liquidity account linked to the contract and caps on resources was also established, as well as the conditions to be met by the liquidity provider in its trading activity. Further, new templates for insider lists are included for the use of SMEs in the relevant jurisdictions, with a series of minimum fields for supervisory purposes.

Financial disclosures/disclosure obligations

In the area of financial disclosures, ESMA has performed its first fast-track peer review, in response to a request from the European Commission, received in June, to look into the events relating to the collapse of Wirecard. The approach agreed upon for this exercise consisted in examining whether the German supervisory system for financial reporting, based on two levels – BaFin (Germany's NCA) and the FREP (Financial Reporting Enforcement Panel), a panel of 15 representatives from professional and industry associations whose role is to uncover and investigate potential breaches of financial reporting requirements by listed entities, including IFRS compliance issues, without authority to impose sanctions –, had correctly applied the most significant Guidelines on the Enforcement of Financial Information (GLEFI) in this case. The report identified a series of deficiencies and included a set of recommendations to help review the system.

This case had a great deal of impact at different levels in the European Union, mainly due to the loss of investor confidence. As one of the main objectives of the Commission, within the framework of the new Plan for Capital Markets Union, to encourage greater participation of retail investors in these markets, it is essential to guarantee the quality and transparency of the financial reports of listed issuers, and that they meet the obligations that correspond to them. Consequently, in March 2021, ESMA published a letter addressed to the Commission, in which it proposes a series of improvements to the Transparency Directive. These include improving cooperation between the different EU authorities, improving coordination and governance at a national level, reinforcing the independence of NCAs and reinforcing a more harmonised monitoring of this information at EU level.

Post-trade

In the exercise of its new powers, in relation to central counterparties of third countries (TC-CCPs), in July, ESMA published a letter that it had sent to the European Commission as a contribution to the consultation carried out by this institution on the delegated acts on the classification, comparable compliance and fees of TC-CCPs within the framework of EMIR 2.2. Although the letter acknowledges that the advice provided on these issues has been taken into account, it raises questions about key technical factors that would warrant a review of the proposed wording of the delegated acts in order to provide ESMA with the means to properly perform the functions set out in them, as well as improving the robustness of the framework for TC-CCPs.

Within the scope of EMIR REFIT, this rule broadens the scope of the exemption from the obligation to offset standard OTC derivatives for pension scheme arrangements until June 2021, given their potential difficulties in meeting demands for cash in the settlement of derivatives transactions, in particular variation margin calls. Following the publication of a first report in April, ESMA has produced a second report, in cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the ESRB, addressed to the Commission, which will have to decide whether the exemption is to be extended.

Lastly, in December, ESMA published a final report as part of its work on level 2 measures under EMIR REFIT. One of the main objectives of this proposal is to align the information on OTC derivatives that must be reported to trade repositories with international standards, specifically with CPMI-IOSCO guidelines. It also addresses the requirements and formats for presenting data to trade repositories, the reconciliation and validation procedures for this data and the standard processes for accessing this data by the authorities.

In the area of data service providers, ESMA launched two public consultations in November: one on the criteria under which the supervision of information systems and approved publications arrangements correspond to NCAs, and another related to the fees that this European authority will charge when it is responsible for the supervision of these providers. The technical advice is expected to be submitted to the Commission in the first quarter of 2021.

Likewise, in 2020, ESMA published its third statistical report on the EU derivatives market, which reveals and outstanding total notional amount of €681 billion in the fourth quarter of 2019, which represents a decrease of 5% compared to 2018. This year's report, which reflects an improvement in the quality of the data available under EMIR, indicates a reduction in the trading of derivatives on shares and currencies, as well as a decrease in derivatives traded in trading venues with respect to the over-the-counter trades.

Fintech

In June, ESMA published its response to the European Commission's public consultation on a new digital finance strategy for Europe, which was finally published alongside an innovative set of legislative proposals in September. The following recommendations are included, among others: i) the need to develop digital financial identities; ii) the need for a regulatory framework for financial services in the European Union that is technologically neutral to promote innovation; iii) the improvement of cooperation at EU level to eliminate fragmentation in the single market for digital financial services; and iv) the need for the proper processing of data standardisation, security and privacy, which should be user friendly and accessible. One area of special interest for ESMA is the potential of monitoring tools based on artificial intelligence.

In addition, as a continuation of the advice published in 2019 addressed to the institutions of the European Union (European Commission, Council and Parliament) on Initial Coin Offerings (ICO) and crypto-assets, in August, it sent a joint letter with the EBA to the Commission on crypto-assets, including stablecoins, addressing the need to move towards a future regulation of this segment.

In regard to actions relating to Fintech activity, in July, ESMA published a report on current authorisation and licensing approaches for innovative Fintech business models in Europe. This report finds that crypto-assets, ICOs and distributed ledger technology do not sufficiently fit into existing legislation, and greater clarity is needed in the governance and risk management of cybersecurity and cloud computing.

As a conclusion to this section on ESMA's activity, it should be noted that the institution's main strategic lines for 2021 are, in addition to supporting economic recovery, facilitating green transformation through the promotion of sustainable finance and long-term financing, to contribute to the formation of a broader retail investor base within the framework of the Capital Markets Union and address the risks and opportunities of digitisation. In 2021, the posts of chair and executive director of

ESMA, which have been held by Steven Maijoor and Verena Ross since its constitution, will be renewed.

9.2 International Organization of Securities Commissions (IOSCO)

At the beginning of 2020, IOSCO, like other international organisations, published its **work plan**, in which five priorities were identified: i) structural resilience of capital markets, ii) gaps in data and information sharing, iii) new knowledge about investor protection, iv) the role of securities markets in capital formation, and v) financial innovation.

Likewise, the IOSCO Board agreed that, given the relevance of the 2019 priorities, it would continue to carry out specific work on: i) crypto-assets, ii) artificial intelligence and machine learning, iii) passive investment and index providers, iv) retail distribution and digitisation, and v) market fragmentation. Additionally, the Board identified another priority area of action related to the increase in corporate debt levels and the possible risks resulting for the capital markets.

As a consequence of the **pandemic**, due to the need to allocate a significant amount of available human resources to the adoption of measures to deal with the turbulence that arose in the securities markets, and in order to support the participants of these markets and facilitate their continuity, the IOSCO Council discussed, together with the chairs of the working groups, the agreed work plan in order to prioritise, in a detailed manner, some jobs over others and extend their completion deadlines, where necessary. It was also resolved to create a repository in which the measures established and published by members on liquidity, volatility, business continuity, collective investment, extension of deadlines and forms of presentation of mandatory information and other actions, will be housed, that could serve as guidance for other members when adopting similar measures in their respective jurisdictions.

One significant development for IOSCO was the creation of a **high-level working group on financial stability (Financial Stability Engagement Group, FSEG)**, that had been started at the end of 2019 and was formally completed in 2020 by the countries with the most significant securities markets as members of its Board. The Group was set up to provide a follow-up and increased commitment and interaction of IOSCO with the activities of the Financial Stability Board (FSB), in order to put forward the views of the securities markets supervisors.

The initial objective of the FSEG with respect to the market turbulence caused by the COVID-19 pandemic in March 2020 was to contribute to the vulnerability assessment being carried out by an FSB working group, highlighting the point of view of securities market supervisors on the impact of the crisis on various significant areas of the financial system. In this context, the FSEG published three papers (thematic notes) on:

i) **The impact of COVID-19 in the area of asset management** in relation to fund redemptions and, in particular, to money market funds.

ii) **The impact of volatility on margin calls** and the resilience of CCPs.

iii) **The risks deriving from the procyclicality of credit ratings**, in particular with respect to the rebalancing of portfolios as a consequence of rating downgrades for certain issuers, known as fallen angels (issuers whose ratings fall from the IG category to the HY category), issuers of Credit Loan Obligations (CLOs) and leveraged financing, and the mechanical dependence of institutional investors on credit ratings in their decision-making.

Since it was set up, through the creation of a data workstream, the FSEG periodically collected information on initial margins and variations required by clearing houses in March and April 2020 and biweekly thereafter. Subsequently, it submitted these data to the FSB on a regular basis, along with other important data on investment fund liquidity and redemptions in the same months, when there were the greatest number of incidents, and later on the use of liquidity management tools for asset management which were passed on to the FSB so that it could complete its work on the impact of the pandemic.

In addition, the FSEG created a specialised working group of experts from jurisdictions with the largest volume of money market funds (MMFs) to study: i) how MMFs have weathered recent commercial paper market stresses in the short term; ii) the nature and impact of the economic conditions that created the pressure; iii) the relevance of the policies related to management tools, such as fees and commissions and delays in disbursements or the reassessment of prices outside a limited volatility band, when this occurred; and iv) the nature and the impact of central bank interventions on money markets. The results of this work were published on the IOSCO website in the form of a thematic note. However, this study was part of a broader analysis (holistic review) carried out by the FSB on non-bank financial intermediation (NBFI), in which a full assessment was made of the events that took place in the March turmoil and the impacts on different market participants, within the context of NBFI.

In relation to MMFs, IOSCO also prepared a thematic analysis to evaluate consistency in the application of these funds by the main jurisdictions (which account for 94% of money market funds worldwide) of 7 of the 15 strategic recommendations relating to liquidity valuation and management established for these funds in 2012, whose objective was to strengthen their resilience and reduce their predisposition to make redemptions, focusing on MMFs with a constant net asset value (CNAV).

Lastly, the FSEG carried out additional work to analyse the **support measures implemented by governments as a consequence of COVID-19**, and their impact on the rating methodology of the credit rating agencies.

The review, published by IOSCO, indicates that government support measures have played an important role in easing downward pressure on credit ratings. Overall, the report states that these measures have had a positive impact; however, their long-term efficiency cannot be fully assessed or measured at this time. Thus, credit rating agencies highlight the existing uncertainty and possible downside risks, especially with regard to the timing and pace of withdrawal of these support measures by governments, the roll out of the vaccination programmes and their effectiveness, the possibility of a resurgence of coronavirus cases and the potential need for further government action.

In the field of crypto-assets, IOSCO published a report, the first to be published on stablecoins, which contributes to the public debate in the international financial community on the global proposals related to these assets. This initiative promotes a global coordinated intersectorial response programme to address the international regulatory challenges posed by the proposals on stablecoins, since, depending on their structure, they may have characteristics that are typical of securities or other regulated financial instruments or services. The possible consequences that the proposals for the issuance of stablecoins on a global scale could have for securities markets regulators and supervisors are also identified.

Also in the area of crypto-assets, IOSCO prepared a report on investor education, aimed at small investors, which highlights the risks that crypto-assets entail and the losses that investing in products that are not well understood could lead to. Hence, the importance of financial education. The report identifies relevant methods to provide educational material on crypto-assets to retail investors and includes communication channels and methods, examples of significant experiences and material that could be used by members.

On the use of **artificial intelligence (AI) and machine learning (ML)**, as a continuation of the study carried out in 2019, IOSCO submitted the report to public consultation, with some delay as a consequence of the priority given to work mentioned above and the fact that the consultation period was longer than usual, with the aim of receiving a greater number of responses. This work is expected to be completed in the first half of 2021. The 2019 analysis of AI and ML covers aspects such as governance, controls and supervision, transparency and dissemination of information, decision-making and liability risk, and other ethical concerns.

Another significant piece of work was the report presenting the *First conclusions and observations on the impact of COVID-19 on conduct in the* ***retail market***.

The immediate objective of this report is to help members address the challenges posed by certain conducts in the retail market. The report focuses specifically on cases that occurred during the pandemic, although it also refers to cases in previous crises, to spark a debate on behavioural problems during times of stress and the approaches that authorities can take to address these problems. It also aims to identify differences in the implications of misconduct that can affect retail investors in times of stress compared to normal times and to provide helpful information.

Some of the types of conduct identified were the improper sale of products, disclosure of misleading information, poor investment advice and others that are still frequent, relating to the sale of complex products. A significant increase in remote equity trading and a greater interest of retail investors in the equity market were detected during the pandemic. Teleworking has also affected and tested the risk management units in the supervision and surveillance functions of entities and regulators. The report summarises the findings in a series of observations on practical and adaptable policy approaches and tools, as guidance for regulators when dealing with these types of conduct, with a second, medium-term and more general objective of balancing the regulatory approaches used by members and developing of a set of tools that address this conduct in the retail market.

In regard to the **fragmentation of the markets**, IOSCO drew up a new report to provide a more in-depth analysis of the concept of "deference" (related to the term "equivalence" commonly used in the legal framework of the European Union). Eleven good practices are established in this report to be taken into account in potential equivalence processes. The good practices apply to all phases of deference assessments and are primarily aimed at authorities assessing other jurisdictions, as they generally exercise greater control over deference processes. Assessed jurisdictions also play a key role in ensuring that the process for achieving deference runs smoothly. They can therefore consider what steps should be taken to facilitate the evaluation by the assessing jurisdiction's authorities. Good practices are divided into three phases: i) the initial stages of the assessment, ii) during the assessment, and iii) in the post-assessment period, when monitoring, adjustment and, where appropriate, withdrawal procedures are carried out.

In the area of **accounting, auditing and dissemination of information,** IOSCO published two statements as a result of the pandemic:

i) The first, of 3 April 2020, on the application of accounting standards, which states, in light of the current uncertainty, a commitment to the development, consistent application and compliance with accounting standards, and that this should result in issuers providing clear, reliable, transparent and useful information that enables investors to make investment decisions based on truthful information.

ii) The second, of 29 May, on the importance of the dissemination of information on the impact of COVID-19 in which issuers and audit firms are urged, in light of the current uncertainty, to apply the regulations on transparency for the proper functioning of capital markets in addition to the dissemination of high quality financial information and audit reports. It also highlights the importance of informing investors and participants about any factors that concern the issuer as a result of the measures adopted on the extension of the deadlines for submitting financial information.

Regarding the work carried out on **sustainable finance**, the publication, in April 2020, of the report on sustainable finance and the role of securities regulators and IOSCO stands out, which emphasises several key aspects: i) the existence of multiple, diverse frameworks and rules on sustainability, and ii) the lack of common definitions for sustainable activities and greenwashing, in addition to other concerns relating to investor protection and market transparency. The report indicates that many issuers and asset managers that operate cross-border may be subject to different regulatory regimes. This wide variety of regulatory regimes and initiatives, often with divergent objectives and requirements, can prevent market participants from fully understanding the risks and opportunities of sustainable economic activities. To develop its work, the Sustainable Finance Network (SFN) based its study on initiatives planned or undertaken by securities regulators and market participants to address the opportunities and challenges posed by sustainable finance. The IOSCO Board agreed, based on the conclusions and proposals of the SFN, to establish a working group on sustainability (STF) as part of the Board, and to focus on three lines of work: i) the dissemination of sustainability-related non-financial information by issuers, ii) sustainability-related information disseminated by asset managers (of collective investments) addressing the concept of greenwashing and other issues involving investor protection, and iii) an analysis of ESG factors in rating agencies and a study of ESG data providers.

Lastly, the Emerging Risks Committee (CER) will prepare, on resolution of the Board, a biannual work plan to identify the most important emerging risks and the lines of action to propose to the Board to address them. This plan will be reviewed towards the end of each year, coinciding with the last meeting of the IOSCO Board, in order to update the priorities set and, where appropriate, establish or add new proposals. The plan includes the following work areas: i) financial stability and systemic risks associated with NBFIs, particularly with regard to **money market funds** and liquidity risks and management in open investment funds; ii) heightened risks during the COVID-19 pandemic related to misconduct, operational resilience and potential fraud; iii) other areas of work unrelated to the pandemic, involving passive investment and index providers; and iv) other areas identified as priorities in which work has already been carried out: market fragmentation, global crypto-assets, AIML language, distribution to retail investors and digitisation.

9.3 Financial Stability Board (FSB)

In 2020, the FSB had to redirect the activities of its work plan following the outbreak of the pandemic caused by COVID-19 in mid-March. This led to the prioritisation of work to address the immediate consequences of the pandemic and the development of the "FSB COVID-19 Principles" in April, which were validated by the G20. These principles indicate, among others, the need to coordinate – through the FSB and standard-setting bodies (SSBs) – the future withdrawal of temporary support measures, the return to financial conditions prior to the pandemic and maintaining long-term financial stability.

The three main lines of action that the FSB carried out in 2020 in the context of the COVID-19 pandemic and G20 recommendations are as follows.

Assessment of financial reforms and the effects of COVID-19

In 2020, the FSB concluded its assessment of the reforms adopted after the global financial crisis of 2008 to address the problems of credit institutions deemed to be "too big to fail". The findings suggest that the reforms have reduced systemic risk and have reinforced the credibility and functioning of resolution mechanisms, as well as market discipline. The reforms adopted are of particular importance in the COVID-19 environment, in which increases in corporate debt added to the impairment of the credit quality of non-financial companies may lead to an increase in bad loans and eventual losses for credit institutions.

Also in 2020, in an exercise that will continue in 2021, the FSB (in the context of the consequences of the pandemic for non-financial companies) will evaluate the implementation by member jurisdictions of out-of-court agreements with creditors prior to bankruptcy proceedings. The aim of this exercise is establish common standards that should be applied prior to corporate insolvency that guarantee the continuity of viable companies and help reduce the risk to financial stability of a high volume of bad loans.

Non-bank financial intermediation

For many years, the G20 and the FSB have been highlighting the growing importance and activity of non-bank financial institutions, recognising that the significant risks for the financial sector are not limited to credit institutions but also to this varied sector and threats to financial stability are increased, among other factors, by the significant interconnection between activities and entities.

The turbulence that occurred at the beginning of the pandemic (March 2020) flagged the importance of addressing potential vulnerabilities in the NBFI sector, which has also seen significant growth since the global financial crisis.

The FSB examined vulnerabilities in this sector in detail in its holistic review of November 2020 and will continue to implement its roadmap for this sector in 2021, initially focusing on proposals to strengthen the resilience of money market funds and addressing and considering measures and mechanisms to strengthen the liquidity of investment funds.

Financial risks associated with climate change

In 2020, the G20 and the FSB highlighted the priority of issues related to climate change and its link to a sustainable recovery from the COVID-19 pandemic.

In 2020, the FSB analysed the implications of climate change for financial stability and launched a roadmap to coordinate the work carried out by international organisations and SSBs. Additionally, it created three working groups on data, the dissemination of climate information, and regulation and supervisory practices.

The work of the FSB – following on from the recommendations of the G20 – will also promote global reporting standards that are consistent with the recommendations of the Task Force for Climate Related Financial Disclosures (TCFD). On this issue, in 2021, the FSB will coordinate its work with the work currently being carried out by IOSCO and the trustees of the IFRS Foundation[2] for the development of these global standards, which initially focus on climate.

New European Regulation and FSB guidance on CCP recovery and resolution

EXHIBIT 24

The key role of central counterparties (CCPs) in the financial system and their growing systemic importance have made these infrastructures "too big to fail". Therefore, despite the strict risk management system and lines of defence that they apply in the course of their usual activity, a recovery and resolution regime has been developed for these infrastructures to address the possibility, albeit remote, that they could become non-viable, ensuring the continuity of their essential functions, preserving financial stability and without exposing taxpayers to loss.

European Regulation on the recovery and resolution of CCPs

In the European Union, the publication in December 2020 of the CCP R&R Regulation[1] provides the appropriate legal framework to manage situations involving the non-viability of a CCP. The European rules are based on the Key Attributes of Effective Resolution Regimes for Financial Institutions[2] and on the same principles as the recovery and resolution framework that applies to banks. However, given that the business carried out by CCPs is very different from that of banks, the tools contained in the Regulation are better aligned with the risk and business profile of these entities, while at the same time

2 **The International Financial Reporting Standards Foundation** is a private organisation whose main objectives include developing and promoting the use and application of international financial reporting standards (IFRS) through the International Accounting Standards Board (IASB).

taking account of the high degree of interdependence between banks and CCPs, given the key role of banks as clearing members and providers of other services to CCPs and the principle of mutualising losses among clearing members in the event of default.

The main aspects of the new Regulation are as follows:

– CCPs and resolution authorities are required to develop recovery and resolution plans setting out how to manage any form of financial difficulty that depletes the CCP's existing resources. If the resolution authorities identify any obstacles to resolution in the course of the planning process, they may require the CCP to take appropriate action to remove them.

– The supervisory authorities have early intervention powers that allow them to act before the situation deteriorates irreparably, requiring the CCP to take specific actions that are included in its recovery plan or to make changes to its business strategy or legal or operational structure.

– To strengthen the incentives to properly manage risk and ensure that losses are distributed fairly, CCPs must hold a second tranche of resources (known as "second skin in the game") to absorb default losses and non-default losses, as a recovery measure, prior to implementing other measures that may require a financial contribution from the clearing members.

– In the unlikely event of the failure of a CCP, the national authorities may use resolution tools to restore the matched book and absorb losses. Such tools include the cancellation of contracts, the write-down of financial instruments held by the CCP, cash calls on clearing members, variation margin gains haircutting, sale of the CCP or parts of its business, or the creation of a bridge CCP.

– In exceptional circumstances, as a last resort, extraordinary public support on a temporary basis may be sought, provided that there is a solid and credible plan in place for the recovery of the assistance.

– The use of resolution tools is governed by certain safeguards to ensure that all affected parties are treated fairly. The "no creditor worse off" principle (NCWO) ensures that no creditor should be worse off in the event of a resolution than it would have been if the CCP had gone into liquidation. The Regulation also provides for a compensation mechanism, at the discretion of the resolution authority, whereby the CCP is required to compensate non-defaulting members entitled to a NCWO claim with shares of the CCP, debt instruments or rights to future earnings.

– Each state must appoint least one resolution authority, which must have operational and functional independence to prevent any conflict of interest with the supervisor, but they must act in a coordinated manner.

– Taking into account the global and systemic nature of CCPs, the Regulation establishes close coordination between national authorities and those of other jurisdictions in which the CCP is significant within the framework of resolution colleges.

– ESMA plays a key role as the European reference authority for CCPs. It must create a CCP Resolution Committee, with coordination and regulatory development functions that are similar to those of the European Banking Authority (EBA), on which the CCP resolution authorities will sit, with the bank resolution and supervisory authorities (including the EBA) as observers.

The Regulation enters into force with immediate effect (it was published on 16 December 2020), with staggered application over a period of up to two years, so that during that period the second-level regulation can be developed and approved for practical implementation, the corresponding resolution authorities can be appointed and the resources necessary for the exercise of their functions can be provided.

FSB Guidance on Financial Resources to Support CCP Resolution and on the Treatment of CCP Equity in Resolution

One of the key aspects that the resolution authority must assess when drawing up its resolution plan is the sufficiency and appropriateness of the financial resources available to a CCP to address potential defaults, avoid bankruptcy and ensure the continuity of its critical functions. In contrast with the banking sector, this is largely unexplored territory, since there have been very few cases in which the losses incurred have exceeded the resources held to cover such events, and even fewer cases of bankruptcy of a CCP.

The latest development in this area is the publication in November 2020 of the FSB's *Guidance on Financial Resources to Support CCP Resolution and on the Treatment of CCP Equity in Resolution*. The Guidance was drawn up by the FSB Cross-border Crisis Management Group for Financial Market Infrastructures (fmiCBCM), co-chaired by a representative from the CNMV, in close collaboration with the CPMI and IOSCO.

It offers guidance to the resolution authorities on planning the resolution of a CCP with a view to ensuring that appropriate resources and tools are available, and that they understand the potential adverse effect that the use of certain resources and tools could have on financial stability in a resolution scenario.

A five-step process is proposed to assess the appropriateness of the financial resources and tools to achieve the resolution objectives in different scenarios:

– **Step 1**: Identifying hypothetical default loss and non-default loss scenarios that could lead to resolution.

– **Step 2**: Conducting a qualitative and quantitative evaluation of existing resources and tools available in resolution.

– **Step 3**: Assessing potential resolution costs.

– **Step 4**: Comparing existing resources and tools with resolution costs and identifying any potential gaps.

– **Step 5**: Evaluating the availability, costs and benefits of potential means of addressing any gaps identified.

The Guidance will be reviewed within five years, taking into account the performance of the market and the experience of resolution authorities in its application, in coordination with the other authorities involved through crisis management groups.

The recent approval of the European Regulation on CCP recovery and resolution will allow a specific, harmonised recovery and resolution framework to be established for all CCPs in the European Union, the application of which will benefit from the new FSB Guidance.

The Regulation itself recognises that the European Commission must review its content to incorporate international developments in regard to the treatment of capital in resolution as and when they come about and, within the same period of five years, in regard to the financial resources available to the resolution authorities to cover non-default losses and the CCP's own resources to be used in recovery and resolution.

1 Regulation (EU) 2021/23 of the European Parliament and of the Council, of 16 December 2020, on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No. 1095/2010, (EU) No. 648/2012, (EU) No. 600/2014, (EU) No. 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/CE, 2007/36/CE, 2014/59/EU and (EU) 2017/1132.

2 *Key Attributes of Effective Resolution Regimes for Financial Institutions,* approved by the FSB in 2011, and updated in 2014, in response to the global financial crisis and to strengthen the soundness and resilience of the financial system.

9.4 European Systemic Risk Board (ESRB)

In 2020, the ESRB continued its supervisory work in the macro-prudential area in order to assess, prevent and mitigate the impact of systemic risk. Unlike sector regulators, the ESRB's scope of action covers the entire financial system of the European Union, including banks, insurers and pension funds, asset managers and all other activities and entities related to NBFI.

The CNMV is a member of the ESRB and participates both in the Technical Advisory Committee and in the expert groups that analyse the formation of systemic risk in areas related to the securities markets and non-bank financing, in addition to attending the ESRB General Meeting as a member with voice but without vote.

In the context of the crisis, the different committees and working groups of the ESRB stepped up their work and meetings in order to analyse the impact and identify the most significant vulnerabilities in the financial system. Four work streams were created to assess: i) the implications for the financial system of the fiscal measures and guarantee systems adopted to protect the real economy, ii) the illiquidity of the market and its potential implications in the field of asset management and insurance companies, iii) the procyclical impact of the downgrades of the credit ratings of debt assets on the markets and on the financial system in general, and iv) restrictions on the distribution of dividends by financial entities. The work on the potential consequences of the context of low interest rates was also updated.

In addition to the risk analysis and identification, the ESRB issued seven recommendations throughout the year, some of which directly affected the CNMV. These recommendations were as follows:

– Recommendation ESRB/2020/7, of 27 May, on restriction of distributions in the COVID-19 pandemic. This recommendation was subsequently amended by Recommendation ESRB/2020/15, of 15 December.

– Recommendation ESRB/2020/6, of 25 May, on liquidity risks arising from margin calls.

– Recommendation ESRB/2020/8, of 27 May, on monitoring the financial stability implications of debt moratoria, and public guarantee schemes and other measures of a fiscal nature taken to protect the real economy in response to the COVID-19 pandemic.

– Recommendation ESRB/2020/12, of 24 September, on the identification of legal entities.

In addition to its contribution to the Technical Advisory Committee, the CNMV actively participated in the NBFI expert group. The work of this group focused on analysing the evolution, risks and vulnerabilities of the activities and entities that form part of the NBFI. As a result, the *EU Non-Bank Financial Intermediation Risk Monitor* report was published in October 2020, incorporating the impact of market events generated by COVID-19. Likewise, the ESRB's response to the revision of the AIFM Directive was prepared and an investigation was initiated that seeks to identify the possible systemic risks derived from exchange-traded investment funds (ETFs) and uses the available empirical evidence to assess the importance of each one of these risks.

9.5 Other international forums

The **Ibero-American Securities Market Institute (IIMV),** whose board of trustees is chaired by the CNMV, offers a programme of training activities agreed on by the board of authorities (made up of the presidents and superintendents of the IIMV members). As a consequence of the pandemic, the 2020 training programme was adjusted, while the IIMV reinforced its activity as a cooperation platform for the measures adopted by the different authorities to safeguard the markets and their participants. Thus, the IIMV published 13 bulletins on the regulatory impact of COVID-19 in the Latin American capital markets, which were accompanied by a specific section of the IIMV website containing the measures implemented by the supervisory authorities of the Ibero-American securities markets grouped by country.

The IIMV organises an average of 11 annual face-to-face meetings in different Ibero-American countries, but in 2020 only one face-to-face training course was held on the markets, entities and other participants in the second week of March. To make up for the lack of face-to-face meetings and to support the securities markets supervisors in their adaptation to the situation created by the pandemic, since May 2020, the IIMV has been holding a series of conferences entitled "Challenges of financial regulation in times of COVID-19", in which the presidents and superintendents of the IIMV member institutions have shared experiences and opinions on the measures implemented to mitigate the impact of the pandemic on markets, participants and supervisors.

In addition, the IIMV held four remote training events to carry out the agenda of activities agreed by the board of authorities on the following topics: cybersecurity, crowdfunding platforms, fixed income markets and sustainable finance. The IIMV has postponed three of its training activities scheduled for 2020 (financing mechanisms through capital markets, Fintech activity: challenges for supervisors, and investor protection in Latin America), but has also included seven activities related to cooperation and information sharing due to the pandemic.

Since 2016, the IIMV has taught two online courses on IFRS and corporate governance. In 2020, it extended this type of course to investor protection and XBRL. Lastly, in 2020, a cooperation initiative was held that brought together different technology experts from among its members. The IIMV held a total of 13 meetings, 12 of them remote, drawing the attendance of 1,607 people. A distinction must be made between talks and conferences – where the average attendance was close to 200 people per event – and courses, which, as they require the speakers to assess the attendees, are aimed at small groups with an average of 30 people. In 2020, the IIMV was unable to hold its board of authorities meeting, in which the training agenda for the following year is established. Therefore, the agenda has been extended from 2020 to 2021.

The Association of Mediterranean Regulators has not held any further meetings since the annual meeting of chairpersons in Cairo in January 2020. Members of the association, which include the supervisory authorities of the securities markets of Portugal, Spain, Italy, Greece, Cyprus, Turkey, Egypt, Algeria, Tunisia and Morocco, have shared their experiences in the pandemic through IOSCO. In 2021, they are expected to be able to hold meetings on the topics agreed at the meeting of chairpersons held in January 2020: sustainable finance, promoting the IPOs of small and medium-sized companies, venture capital, crowdfunding, protection of retail investors, data protection in financial markets and in information exchanges between supervisors, the digitisation and tokenisation of assets, and cybersecurity.

9.6 Cooperation and information sharing with foreign authorities

In 2020, there was a slight decrease in the number of requests for collaboration and information sharing with foreign authorities (-13%), despite the pandemic, mainly due to the drop in reports of suspicious transactions received from foreign regulators in the Union European. The number of requests related to investigations on market abuse and assessments of suitability and good repute ("fit & proper"), remained in line with those seen in 2019.

The CNMV handled 198 requests for support from supervisors from other countries and issued 193 requests for support from its securities market supervision counterparts abroad. Most of this cooperation involved, on the one hand, the submission of information relating to investigations and cross-border supervision (57 requests received and 106 sent) and, on the other, the sharing of information aimed at verifying the suitability and good repute of supervised entities and individuals in authorisation processes (47 requests received and 33 sent).

The figures on these acts of cooperation over the last five years are set out below.

Acts of cooperation

TABLE 9.6.1

Requests for support	2020 Requests	2020 Annual increase (%)	2019 Requests	2019 Annual increase (%)	2018 Requests	2018 Annual increase (%)	2017 Requests	2017 Annual increase (%)	2016 Requests
Sent	193	-3	199	114	93	3	90	43	63
Received	198	-22	253	60	158	49	106	-4	110
Total	**391**	**-13**	**452**	**80**	**251**	**28**	**196**	**13**	**173**

Source: CNMV.

III Report by the Internal Control Body

Audit Report Pursuant to Article 17.4 of the Recast Text of the Securities Market Act - 2020

INTERNAL CONTROL DEPARTMENT
17 May 2021

1.- INTRODUCTION

The CNMV's Internal Control Department has performed the audit relating to the compliance of the decisions adopted by the governing bodies with the procedural regulations applicable in each case, in implementation of the Audit Plan and Internal Control Actions approved by the Commission's Board in its meeting of 25 March 2021, thus complying with Article 17.4 of the Recast Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October.

The work has been performed in accordance with the International Standards for the Professional Practice of Internal Auditing of the IIA (the Institute of Internal Auditors), as established by the Internal Audit Rules for the CNMV approved by a Resolution of the Board on 27 July 2016.

2.- OBJECTIVES AND SCOPE

The objective of the work is to verify compliance of the adoption of supervisory decisions by the CNMV's governing bodies in 2020 with the applicable procedural regulations.

The basic legislation applicable to CNMV procedures is as follows:

- Recast text of the Securities Market Act.
- Law 39/2015 of 1 October on the Common Administrative Procedure of Public Administrations.
- Law 40/2015 of 1 October on the Legal Regime of the Public Sector.
- The CNMV's Internal Regulations.

In addition, the Agreements on the delegation of powers of the CNMV in force during 2020.[1]

No scope limitations arose during the course of the work.

1 Board delegation agreement of 27 September 2018 (BOE 9/10/2018).

3.- OPINION

In our opinion, having completed the audit work, it can be concluded that in 2020 the decisions adopted by the CNMV's governing bodies in the area of the supervision entrusted to it by the Recast Text of the Securities Market Act and other legislation met the requirements established in current legislation relating to the procedure and authority applicable in each case.

Manager of the Internal Control Department
Margarita García Muñoz

IV CNMV: Organisational, financial and institutional aspects

10 CNMV Strategy

10.1 Strategic lines for 2021-2022 and 2021 Activity Plan

On 17 March 2021, the CNMV presented its Activity Plan for the year. The Plan, previously submitted to the CNMV's Advisory Committee for consideration, includes 52 targets for 2021 and a review of the level of compliance with the commitments made in the plan for the previous year, which was reviewed in May 2020 due to the situation created by the COVID-19 pandemic.

As a result of this review, 33 of the 44 of the targets initially proposed were maintained and two additional actions were incorporated. However, the institution's general strategy for the 2019-2020 period was not changed although the CNMV confirmed its objectives, especially the importance of supervisory activity and the need to pay attention to technological developments with an impact in financial markets and investment services, as well as in the importance of the regulator's activity in relation to financial stability, which has been significant in recent years but became even more important in the situation created by the pandemic.

Specifically, the 2021 Plan indicates that 86% of the targets set for 2020 have been completed (in the revised version in May), in line with previous years (84% in 2019, 78% in 2018, 86% in 2017 and 82% in 2016) and the degree to which each of the targets of the 2020 Plan has been developed is detailed.

Some of the key targets of the 2020 Plan that were met include the creation of technical guide on the designation of unregistered consultants in CISs, the amendment of Technical Guide 4/2017 to include an assessment of the knowledge and competence of staff giving information and advice, the publication of criteria on the dissemination of inside information or information of interest to investors through social media and the review and update of the FAQ section of the CNMV's website on the primary securities market system. Several recommendations of the Code of Good Governance were also reviewed.

In 2020, progress was made in the design of a CNMV digital transformation plan and various regulatory impact studies were carried out, such as an evaluation of the effects of certain European provisions under review, a study on the alignment of tax provisions with the objectives of financial regulations and an analysis of the scope of macroprudential tools available to the CNMV. An analysis was made of the information on the leverage of alternative investment funds in relation to systemic risk.

Objectives pending completion amount to 14% of all objectives set for 2020, although most are at a very advanced stage and are expected to be completed in 2021.

In addition, most of the objectives that were postponed in the review of the Plan from the previous year, as a consequence of the pandemic, have been included in the 2021 Activity Plan.

When **formulating the 2021 Activity Plan**, after considering whether to maintain or amend its strategy for 2019-2020, the CNMV confirmed the strategic areas established for the period 2021-2022.

However, these lines do not represent a break with the previous line, but a move in the same direction, adapting to the particularities of the new environment and to the new phenomena and concerns that have emerged in recent times. The strategic lines for 2021-2022 are summarised below.

Rigorous supervision based on investor protection and an increased use of data

The CNMV's main function is to protect investors and their interests, and the integrity of the market.

To ensure investor confidence in the proper functioning of the securities markets and investment services, it is essential to monitor good marketing practices, while ensuring that investors have access to a sufficiently wide range of solid, stable investment options to cover their future needs on the basis of transparency and a good knowledge of the risks involved.

To this end, the CNMV will continue to give priority to close supervision, based on the prevention of inappropriate conduct, while continuing to reinforce its disciplinary activity wherever necessary. This supervisory approach will also benefit from the use of IT tools, such as big data, which focus on areas with the highest risk, or those that make it possible to improve process efficiency. In addition, the CNMV will increase transparency, making an additional effort to ensure that its actions are consistent, predictable and easily understood.

Further, financial education is a basic element in investor protection, as investors, in addition to receiving proper information about the vehicles they are considering, must be able to understand the characteristics and risks of their investments. In a context marked by the provision of new digital services and the offering of innovative financial products, the CNMV considers it essential to continue working to give a renewed boost to financial education for citizens.

Likewise, the institution will work to improve its understanding of market trends to enrich its supervisory function and pay special attention to ensuring financial stability, continuing its efforts to detect and mitigate systemic risk.

Lastly, the CNMV will continue to modernise, to establish itself as a flexible, agile institution that is open to dialogue.

Boosting the capital markets as a source of funding for economic recovery

In the current pandemic, it is vital to develop the European Union's capital markets and ensure that companies have access to funding, promoting transparency, financial stability, accountability and the protection of consumers and investors.

In this sense, it is especially important that companies, especially SMEs, can access various sources of financing and have a variety of complementary alternatives to financing through bank credit. Measures must be adopted to encourage equity issues, looking at new emerging methods for raising capital, while at the same time creating an environment that facilitates the activity of the different forms of collective channelling of savings. To boost this access to the market it is necessary to promote the development of capital markets and local and regional financial ecosystems.

However, this must all be done without neglecting the risks arising from the situation generated by the pandemic and the risks of intensive market access at times of essential transformation of the economic structure, as well as those arising from the context of low interest rates.

This unprecedented situation has led the European Union to prioritise economic recovery by promoting sustainable, digital, inclusive and resilient growth, setting up a regulatory framework to make it as competitive, efficient, consistent and predictable as possible, to which the Spanish market will have to adapt. The changes deriving from the review of the Capital Markets Union project will also need to be addressed, as well as the reviews of other significant regulations such as MiFID II/MiFIR.

The foregoing adaptation should be carried out in close collaboration with other supervisors and international organisations in order to standardise supervisory practices, using tools such as peer reviews, and avoid unjustified fluctuations in the securities markets. The CNMV will continue to advise the government in the area of the securities market, for which it is legally responsible, collaborating in the adaptation of the Spanish legal system to the new European regulations and putting forward proposals to ensure the proper functioning of the securities markets and investor protection.

Work should also be carried out to develop an efficient European financial system that guarantees the financing of the economy and creates a solid and balanced framework for its relations with third countries, mainly the United Kingdom.

Enhancing financial sustainability to ease the transition to a more sustainable and inclusive economy, ensuring the reliability of the information disclosed to the investor

Securities markets have a very important role to play in the transition to more sustainable and inclusive economic growth.

To achieve this, first and foremost, it is necessary to reorient capital flows into sustainable investments. Thus, the CNMV will facilitate the development of green issues and other sustainable investment products and instruments. This will not mean that issues or products that do not have this label will not continue to be supervised or monitored within the current legal framework, with no discrimination against any sector or participant.

It is also necessary to boost the transparency and reliability of information in the area of sustainability. A clear, standardised framework should be created that allows non-financial information for investors to be compared and prevents potential greenwashing practices by establishing verification mechanisms. Thus, to help institutions implement the new information requirements in accordance with the Disclosure and Taxonomy Regulations, the CNMV will provide continuous dialogue with the industry and issuers and strengthen communication with investors to make them easier to understand, while ensuring that transparency requirements for the new categories of climate indices are met.

Some institutions must also include environmental, social and good governance (ESG) factors into their organisational requirements. The CNMV will assess the adaptation of the guidelines and recommendations needed for their implementation. The authority will work on integrating climate risk monitoring into its prudential, conduct and macroprudential supervision functions.

Lastly, it is necessary to move towards a sustainable and inclusive governance for a long-term vision, incorporating ESG factors into decision-making processes such as diversity. The CNMV will also include a sustainability dimension in its activity.

Promoting technological advances applied to the securities markets to mitigate their risks

The last few years have seen the large scale inclusion of technology into investment activities and services, which has caused significant change for institutions and the financial industry with the appearance of new business lines, products and operators.

This has contributed to broadening the range of investment options but it has also thrown up new risks that must be monitored, and a proper balance must be found between fostering innovation and maintaining the integrity of the securities markets. Crypto-assets and robotisation or the storage and processing of data in the cloud are also causing significant change in our sector that requires the attention of the supervisor, which should, in this context, also pay special attention to cybersecurity.

Furthermore, as a measure to boost economic recovery, the European Commission has published a digital finance package to develop a competitive European financial sector that gives investors access to innovative financial products, while ensuring their protection and financial stability.

Along these lines, financial innovation must be encouraged. In Spain, the creation of a regulatory sandbox or controlled testing area for technology-based financial innovations was approved in November 2020, in which supervisors and sponsors will work together to promote innovative projects to improve financial services.

In short, the CNMV, as the supervisory body, will continue to promote the use of new technologies in the securities markets without neglecting the supervision of the inherent risks.

Lastly, the authority will make progress in the digitisation of its internal processes with the aim of making the most of its potential and provide a better service for market participants

10.2 Key Performance Indicators of the CNMV

In 2018, in accordance with its Activity Plan for that year, the CNMV began to develop a series of Key Performance Indicators (KPIs), to which a series of activity indicators were added.

In continuation of this exercise, the CNMV has published these performance and activity indicators for the third time. The publication aims to increase transparency regarding the activities carried out by the Commission, to provide a means of assessing its performance and to serve as a basis for improving the efficiency of the processes.

The key performance indicators of the CNMV for 2020 are shown below. 2019 data are presented for purposes of comparison.

Performance indicators

TABLE 10.2.1

Areas	Indicator	
	2019	**2020**
Authorisation and registration of IFs	**123 proceedings**	**93 proceedings**
Total average time[1]	1.1 months[2]	1.3 months[2]
Authorisation of service providers (CISMCs, closed-ended investment scheme MCs, IFs and CPs)	**45 proceedings**	**52 proceedings**
Average time from last documentation[3]	0.4 months[4]	0.5 months[4]
Total average time from initial application[5]	7.8 months	7.0 months
Corresponding:		
To the sponsor	2.5 months	2.4 months
To the CNMV	2.9 months	2.5 months
To report procedures of other authorities	2.4 months	2.2 months
Fixed income issues for wholesale investors	**263 proceedings**	**197 proceedings**
Percentage processed in the agreed period[6]	90.5	98.5
Investor complaints	**1,077**	**1,242**
Percentage of complaints concluded in the year with regard to those filed that year and outstanding from the previous year	81.0	81.9
Average time to resolve complaints	81 days	76 days
Investor enquiries	**7,560**	**11,150**
Average time for responding to enquiries	22 days	22 days
Disciplinary proceedings		
Average time to process disciplinary proceedings	179 calendar days	260 calendar days
Average time for processing requests for cooperation with the courts:		
Submission to competent D.G.	4 calendar days	5 calendar days
Final submission to the court	8 calendar days	13 calendar days
Requests for international cooperation		
Average response time	32 days	33 days
Excluding suspicious transaction and order reports	49 days	50 days
Average response time received	36 days	37 days
Average response time sent	58 days	60 days
Suspicious transaction and order reports	14 days	6 days
Average processing time received	3 days	1 day
Average processing time sent	43 days	14 days

Source: CNMV. (1) The maximum legal period is two months following receipt of the application or from the time when the required documentation is completed. (2) The figure shown is the total period from the initial application, although in the vast majority of cases additional documentation to that initially provided is required. (3) Depending on the type of entity, the maximum legal period is three or six months from the request or from the time when the required documentation is completed. (4) The figure shown is the period elapsed from the time when the documentation is completed to the date the proceedings are resolved. (5) The breakdown reflects the time periods taken by the sponsor to complete the documentation required by the CNMV for its analysis and for obtaining the mandatory reports (from other supervisors or SEPBLAC). (6) Essentially includes three stages: Three days from receipt of the application in order to submit the first comments, two days for sending comments relating to the modifications resulting from the first comments, where appropriate, and three days for admission of the securities from when the information is complete. In any event, given the usual nature of the operations, most of them do not require comments and hence they are fully completed in three days or less.

Activity indicators

TABLE 10.2.2

Areas	Indicator	
	2019	2020
Collective investment schemes/Venture capital firms		
Number of deficiency letters		
For late filing of information	538	365
Requests for information	151	116
Corrective measures or recommendations	622	369
Other notifications	153	122
Number of actions (including inspections)	223 (of which 11 inspections)	257 (of which 18 inspections)
Investment firms/credit institutions		
Number of deficiency letters		
For late filing of information	146	126
Requests for information	411	425
Corrective measures or recommendations	204	155
Other notifications	137	175
Number of actions (including inspections)	364 (of which 16 inspections)	314 (of which 15 inspections)
Markets		
Number of deficiency letters		
Equity	107	84
Compliance and development	42	53
Derivatives	4	12
Fixed income	0	3
Post-trade	36	29
Other	0	2
Number of reports	175	281
Financial and accounting information		
Corrective actions (additional breakdowns, correction in future years, restatements or reformulations) as a percentage of the number of annual financial reports subject to substantive review (overall)	40.5	55.0
Percentage of communications from directors, treasury stock and significant shareholders received late	15.6	6.8
Infringements		
Number of notifications of possible infringements (notifications that may be anonymous)	464	653
Including factual elements that may constitute possible infringements	305	361
Without sufficient factual elements	159	292
Disciplinary proceedings		
Number of disciplinary proceedings:		
Open	18	7
Concluded	17	13
Fines	39	29
Periodic publications	**14**	**14**
Annual Report	1	1
Quarterly Bulletin	4	4
Financial Stability Note	4	4
Annual report on complaints and enquiries	1	1
Annual Corporate Governance Report (ACGR)	1	1
Annual accounts supervision report	1	1
Annual Directors' Remuneration Report	1	1
Non-bank financial intermediation in Spain	2	2
Activity Plan	1	1

Activity indicators (*continuation*)

TABLE 10.2.2

Areas	Indicator	
	2019	**2020**
Descriptive or research articles on matters of interest to the CNMV	**13**	**15**
Contained in the Quarterly Bulletin	11	12
Working documents	2	3
Seminars	**11**	**7**
Internal	1	0
Open	10	7
Statistical publications		
Primary securities market statistics	4	4
Statistics on commercial paper placements registered with the CNMV	4	4
Statistics on economic and financial information relating to securitisation funds	1	1
Statistics on asset securitisation funds	12	4
Statistics on collective investment schemes	4	4
Statistics on investment firms	12	12
Statistics on corporate governance of listed companies	1	1
Statistics on remuneration of directors of listed companies	1	1
Statistical annex of the Quarterly Bulletin	4	4
Statistical annex of the Annual Report	1	1
Updated public series	31,217	38,944
Institutional relations		
Number of requests from the Ministry of Economic Affairs and Digital Transformation processed: parliamentary initiatives and questions, internal approvals, other reports	71	127
Number of regulatory proposals on which advice has been given	14	19
Number of public interventions or appearances	82	45
Chair	42	28
Vice-Chair	38	13
Directors	2	4
Number of enquiries received through the Fintech Portal	82	95
Number of reports submitted to the Advisory Committee for assessment	16	22
Financial education		
Financial Education Programme in schools		
Number of centres	472	517
Number of teachers	660	586
Number of students	22,939	17,001
Financial Education Programme Partner Network: number of partnership agreements entered into	40	44
Financial Education Day: number of events and activities performed and coordinated for that day	125	138
Publications on the website and on social networks (news, infographics, etc.)		
Posts	79	78
Facebook	215	142
Twitter	325	391
Investor Section	11	62
Number of emails	77,600	86,500
General Register		
Incoming	137,774	137,594
Register of incoming paper documents	12,045	6,981
Register of incoming electronic documents	125,729	130,613
Electronic registration received by the SIR registered exchange system	1,076	470

Activity indicators (*continuation*)

TABLE 10.2.2

Areas	Indicator	
	2019	**2020**
Outgoing	160,584	164,495
Register of outgoing paper documents	21,756	18,888
Register of outgoing electronic documents	138,828	145,607
Enquiries received and responses issued regarding official records	1,195	1,533
Certificates of registration in the various official registers	563	587
Finances		
Number of fee settlements issued	20,681	18,680
Number of supplier invoices	2,134	1,642
International activity		
Requests for international cooperation	452	391
Received	253	198
Sent	199	193
Number of actions carried out	2,159	1,928
Received	1,064	877
Sent	1,095	1,051
International collaboration requests (excluding suspicious transaction and order reports)	237	242
Number of actions carried out	1,455	1,594
Received	95	103
Number of actions carried out	537	634
Sent	142	139
Number of actions carried out	918	960
Suspicious transaction and order reports	215	149
Number of actions carried out	704	409
Received	158	95
Number of actions carried out	527	281
Sent	57	54
Number of actions carried out	177	128
Number of technical staff attending international meetings	96	97
Attendance at international meetings	470	849
ESMA	225	410
IOSCO	65	209
European Union	81	120
Colleges	9	6
Other forums	90	104
Staff attending courses	25	30
Systems		
Computers in workstations	532	532
Number of laptops	350	527
Software products purchased with licences	75	77
End user applications developed and in production	257	271
Files received by electronic registration and automatically processed	108,683	121,265
Procedures available at the electronic office	69	70
Users of the CIFRADOC service (for supervised entities) of the electronic office	1,716	1,709

Source: CNMV.

Survey on the CNMV carried out among market participants

EXHIBIT 25

In collaboration with the specialised company, Sigma Dos, the CNMV conducted a survey among market participants to seek the opinion of the entities and professionals that interact with the institution on how it operates.

This study has made it possible to deepen our understanding of the perception of market players of the institution's strengths and weaknesses and the results obtained will serve to guide the CNMV's actions so that it can provide the best possible service. Thus, the CNMV has already included in its strategy for 2021-2022 some points that are based on this information, as well as certain targets of its 2021 Activity Plan. The survey was given to 819 entities between October and November 2020 and responses were received from 350 professionals from institutions that issue securities, management companies of collective investment schemes, investment firms, credit institutions, market infrastructures, crowdfunding platforms, management companies of closed-ended collective investment undertakings and management companies of securitisation funds, as well as professionals from the different sector associations and the leading law firms and consulting and audit firms.

The survey contained 65 questions divided into different categories and assessed 67 attributes.

The main results of the survey are summarised below.

General overview

The study shows that the CNMV has a good institutional image, positioning itself as a transparent and credible institution, with sufficient knowledge and experience to carry out its functions, and with international prestige.

Also noteworthy is the assessment of the work carried out by the institution in fulfilling the functions that correspond to it by law (that is, ensuring transparency in the stock market, the correct formation of prices and the protection of investors).

However, in the opinion of the survey respondents there are some aspects that can be improved, such as openness to dialogue; consistency in its responses, criteria and actions; the predictability of the institution's actions; its modernisation and, in particular, its application of the principle of proportionality and its speed, as well as the resources it has to carry out its functions.

To respond to these issues, the CNMV has included some guidelines and considerations in its Strategic Lines for 2021-2022.

Specifically, the authority will try to adapt more quickly to changes in an environment that is in constant transformation, in addition to working towards its modernisation and encourage a cultural transformation process to make it a flexible, agile institution that is open to dialogue.

The authority will also apply the principle of proportionality in its supervisory activities to demand the most appropriate solution for the context, time and risk associated with the supervised activity or entity.

Regarding the consistency of the CNMV's criteria and predictability of its actions, further effort will be made to ensure that its actions are consistent, predictable and easily understood by market participants. The CNMV will maintain its policy of publishing technical guides and guidelines or criteria in order to increase transparency, assess the potential implementation of additional steps in its level of transparency and encourage dialogue with the sector with the aim of ensuring that its actions are understood by the market.

Alongside the inclusion of these factors in its strategy, several targets were set in the 2021 Activity Plan.

Communication with the CNMV and technology

Other aspects related to the personnel employed by the CNMV, the technology used and the processes to contact and communicate with the authority were also rated positively by a large number of respondents.

Specifically, it is considered that the CNMV staff have sufficient knowledge and experience to carry out their functions and that they carry out their work efficiently and with an open and friendly demeanour.

Regarding the tools made available to market participants to contact and communicate with the CNMV, the positive opinion of the CIFRADOC system and the website stands out, although it could be more intuitive.

In this respect, the CNMV will continue to develop its website content. Thus, in 2021 improvements will be made to the Sustainable Finance Portal and the content of the Investor Section, in addition to offering better accessibility to publications and statistics.

In the communication process, the survey respondents valued very positively aspects such as the reliability of the information received from the CNMV, the quality of the service provided on contact, the consistency of the information provided with the actions that the CNMV carries out subsequently, the speed with which it responds and the level of explanation it provides.

Supervisory activity

In relation to supervisory activity, the CNMV complies with deadlines and in regard to the amounts of information that supervised persons must make available to the institution, and its usefulness, so that it can carry out its functions properly, protect investors and respond to different risks.

In this area, aspects such as proportionality in relation to the size of the entity when requesting information for supervisory purposes, or the comparability of its requirements with other European counterparts are more negatively perceived.

For the last issue, the CNMV considers it essential (and this is reflected in its strategic lines) to work to eliminate local particularities in both regulations and supervisory actions that are not duly justified.

The authority will also continue to work in close collaboration with other supervisors and international organisations in order to standardise supervisory practices, using tools such as peer reviews, and avoid unjustified fluctuations in the securities markets.

The survey highlights the advisability of continuing the analysis of the CNMV's fees and of improving the understanding of the amounts charged through informative work, so that they are seen as appropriate and in line with the quality of the service provided.

In this sense, the 2021 Activity Plan includes a proposal to update the Law on CNMV fees, the review of which will also take into account the objective of ensuring that its fee system contributes to strengthening the competitiveness of the Spanish markets.

Regulation and relationship with the sector

The results of the survey also highlight that although the CNMV is considered to have a good knowledge of the sector it regulates (both in terms of what happens within it and of the effects of regulation on supervised entities) there are some aspects of its relationship with the sector which warrant more attention.

The authority is not seen as having much ability to anticipate and react to changes that take place, or for boosting the growth of the Spanish financial sector at an international level through its actions.

Furthermore, the CNMV is not perceived to actively listen to the interests and opinions of the sector in regard to regulatory processes.

For this reason, as a sign of its commitment in this area, several measures have been included in the 2021 Activity Plan that aim to improve public consultations in regulatory processes, expanding communication channels and promoting transparency in contacts with stakeholders and other parties.

To improve, insofar as possible, its policy on public consultations, the CNMV will extend the deadlines for consultations on non-urgent matters, continue to publish the responses received and offer an *a posteriori* explanation of how they have been carried out taking into account the comments received. It will assess the call for open hearings for particularly significant matters. Likewise, it will reinforce the role of the CNMV Advisory Committee.

To expand and improve its communication channels, the CNMV, among other issues, will arrange meetings with the industry to convey messages and obtain its opinion of the institution's actions and the market situation. The available communication channels will also be reviewed to ensure that market participants are able to efficiently raise any concerns or proposals they may have.

Lastly, to boost transparency in contacts with stakeholders, measures will be adopted such as the periodic publication of the acts and meetings of members of the CNMV Executive Committee (including the chair and vice-chair). The public events in which the CNMV management staff have participated as speakers will be published and the activity of the Advisory Committee will be made more transparent by updating the section on the website for this purpose and the publication of the reports issued in the exercise of its functions, among other issues.

Recent phenomena

In relation to the most recent phenomena, to which the CNMV has paid special attention in recent years, the survey revealed a lack of knowledge of the authority's activity in this area.

Thus, respondents did not know much about the actions carried out by the CNMV to include Fintech companies into the financial fabric, attract companies to the Spanish market after Brexit or encourage sustainability in investment activities.

For this reason, it is necessary to strengthen communication in these areas, following the line of actions carried out to publicise the CNMV's activity in the generated by COVID-19, which was rated as satisfactory by respondents. Specifically, in relation to this area, respondents highlighted the capacity shown by the CNMV in response to this situation, continuing its activity while also dealing with new needs deriving from the pandemic, implementing sufficient measures to guarantee the continuity of the markets and providing proper information to its participants.

In the coming years, the CNMV will give an additional boost to its communication and training actions for the sector and investors, especially in new areas such as sustainability.

General conclusion

As a general conclusion, the survey has provided a better understanding of the sector's perception of the CNMV's actions and will make it easier for the institution to adopt the necessary measures to overcome perceived weaknesses.

In fact, the CNMV has taken into account the results of the survey to prepare its Strategic Lines for 2021-2022 and its 2021 Activity Plan and plans to continue implementing actions that both allow it to resolve the weaknesses detected and continue to seek the opinion of all entities and participants related to the institution.

Therefore, continuing the exercises carried out by the CNMV in 2018 (benchmarking exercises) and 2019 (survey among market participants on the operation of the CNMV, this survey discussed in this Exhibit) to improve its operations, in 2021, new actions will be taken to seek the opinion and proposals for improvement of other stakeholders such as investors, the media and other entities that it does not directly supervise but which have an interest in its activities (e.g. academics or analysts).

The CNMV will also consider repeating this exercise in the future and on a regular basis in order to analyse the evolution of the perception of entities and professionals and assess whether the measures implemented have been successful.

11 Other activities and work areas of the CNMV

11.1 Actions by the CNMV with regard to Fintech activity and cybersecurity

As indicated in the previous chapter, the CNMV considers it a priority to boost the application of technological innovations to the provision of financial services, while at the same time properly monitoring the risks that this may entail and specifically establishing sufficient measures and controls to address technological risk in infrastructures and entities that provide services to the securities markets. This was reflected in the strategic lines for 2019-2020 and in the 2020 Activity Plan, which included key targets in these areas.

The main lines of action that were worked on in 2020 are the following.

Fintech Portal

Through this portal (innovation hub), created in 2016, regulatory information is provided to sponsors of innovative projects who, due to their business model, carry out activities related to the securities markets. It is an informal space visited by both small companies (start-ups) and the innovation departments of established financial sector entities.

Based on the enquiries received since the portal was created, an FAQ section was prepared and published, compiling the most common enquiries, which mostly relate to crowdfunding platforms, robo advice and management, and crypto-assets.

Through this space, the CNMV also learns about new services and products based on new technologies that are available and innovation in the financial sector.

The number of enquiries received up to 31 December 2020 is detailed below, broken down according to the type of project (vertical), compared to the enquiries received up to 31 December 2019.

Enquiries received on the Fintech Portal TABLE 11.1.1

Verticals	Up to 31 December 2020	2019	2020
Crowdfunding platforms	98	13	10
Crypto-assets and blockchain	129	34	32
Token sales	65	18	16
Marketplaces	33	8	13
Other	31	8	3
Robo advice and management	69	8	20
Customer relations	14	2	9
Technology provider	20	4	41
Other	105	21	32
Total	**435**	**82**	**95**

Source: CNMV.

In 2020, there was a slight increase in the number of enquiries received through the portal, among which those related to blockchain technology continue to stand out and especially those referring to projects based on the issuance or trading of crypto-assets. The lack of a specific regulation on crypto-assets[1] causes regulatory uncertainty in this type of project. Specifically, in 2020 16 white papers were received[2] for projects that requested a clarification of the nature of the crypto-assets to be issued and, specifically, whether or not they were negotiable securities in accordance with CNMV criteria. 13 enquiries were also received about different crypto-asset marketplaces.

In 2020, enquiries relating to crowdfunding platforms and the application of Law 5/2015, of 27 April, on the promotion of business financing decreased. The entry into force of the new European regulation on crowdfunding, scheduled for the end of 2021, is likely to lead to an increase in the number of enquiries received about these vehicles.

Enquiries about robo advice and management increased substantially, with a total of 20 received through the portal. This increase is mainly due to the emergence of new models of services and platforms, some of which are known as "social trading", which offer the investor new experiences and channels in the investment process. A significant number of enquiries were also received in which the sponsor provides technology for financial service providers (B2B).

European regulations under development

In September 2020, the European Commission presented its digital finance package, which includes various regulatory initiatives that aim to adapt the current legislative

1 Royal Decree-Law 5/2021, of 12 March, on extraordinary measures to support business solvency in response to the COVID-19 pandemic includes a new Article 204 *bis* in the Securities Market Act (LMV) that grants powers to the CNMV to subject to administrative control the advertising of crypto-assets and other assets and instruments that are not regulated by the LMV and that are offered as investment proposals. The CNMV is also empowered to develop the objective and subjective scope of application, as well as the control mechanisms and procedures that will be applied, through a Circular.

2 Document prepared by the issuer prior to issuance detailing the functionality and rights of crypto-assets, the project underlying the issuance and how it will be carried out.

approach to the application of new technologies in financial systems and the consequent emergence of new business models. These proposals include a regulation on crypto-asset markets, known as MiCA, which establishes a regulatory framework for crypto-assets that are not considered financial instruments. Likewise, a draft regulation is included that establishes a cross-cutting operational resilience framework (cybersecurity) applicable to the entire financial sector that would cover both infrastructures and entities that offer services in the securities markets.

The capital markets recovery package EXHIBIT 26

In July 2020, with the aim of boosting economic recovery after the crisis caused by COVID-19, the European Union (EU) resolved to set up a capital markets recovery package. This initiative aims to make it easier for European companies, in particular small and medium-sized companies, to access funding by eliminating bureaucratic procedures and introducing carefully calibrated measures to alleviate economic turbulence. The negotiation of these measures has been a priority for the EU and the agreement between the Council and the European Parliament was reached in just five months after the presentation of the legislative proposal by the European Commission.

The package encompasses a limited series of proposals to adjust European capital markets regulations. Specifically, the Financial Instruments Markets Directive (MiFID II), the Prospectus Regulation and the European securitisation framework have been amended. In addition, although it was not initially envisaged, it includes an amendment of the Transparency Directive to allow Member States to opt to delay by one year the obligation for issuers with securities that have been admitted to trading on regulated markets in the European Union to submit their financial statements in the European single electronic format (ESEF).

The main changes to **MiFID II** are the following:

i) Product governance requirements will no longer apply to bonds with make-whole clauses (designed to protect the investor by ensuring that, in the event of an early redemption of a bond, the issuer is obliged to pay its holder an amount equal to the sum of the net present value of the remaining coupon payments expected to maturity and the principal amount of the bond to be repaid).

   In addition, since eligible counterparties are considered to have sufficient knowledge of financial instruments, financial instruments traded or distributed exclusively to these counterparties are also exempt from product governance requirements.

ii) For services provided to professional clients and eligible counterparties, cost and expenses disclosure requirements are waived, except for investment advisory and portfolio management services. However, professional clients may still opt to receive this information.

iii) Investment firms (IFs) are permitted to pay jointly for the provision of research and execution services, provided that certain conditions are met: i) that before the research and execution services are provided, an agreement has been arranged between the IF and the research service provider indicating how much of the combined expenses or joint payments for research and execution services corresponds to the research; ii) the IF informs its client of the joint payments for the research and execution services made to third-party providers of research services; and iii) the research is carried out on issuers whose market capitalisation for the three previous calendar years (or otherwise from the start of trading or the creation of the company), based on year-end quoted prices (or on the basis of own funds for the years in which they were not listed) is not been more than €1 billion.

iv) The publication of best execution reports introduced by Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, is temporarily suspended.

v) Investment information should no longer be sent out on paper but should be provided, by default, in electronic format. However, retail clients should have the option to request the information on paper.

vi) As a substitute for the current system, which applies to all types of commodities contracts, the new regime of position limits will apply only to contracts with an agricultural underlying and to critical or significant contracts. Thus, contracts with an open position of more than 300,000 lots are considered to be significant. Securitised derivatives, i.e. warrants and certificates, with commodities underlyings, are excluded from the position limits regime and from the daily position reports.

New exemptions to the application of the position limit regime have also been introduced.

Additionally, the main amendment to the **Prospectus Regulation** is the introduction of the new EU recovery prospectus. The basic features of this prospectus are as follows:

i) It may be used by companies whose shares have been admitted to trading on a regulated market or an SME growth market continuously for at least 18 months prior to the share offering or admission to trading.

ii) This prospectus should focus only on the key information that investors need to make informed investment decisions and should not allow issuers to move from an SME growth market to a regulated market.

iii) A single document will be prepared with a maximum length of 30 pages which will include a summary with a maximum length of two pages. Issuers may decide the order in which the information is presented.

iv) The key data should include information that specifically covers any economic and business consequences of the COVID-19 pandemic, as well as any expected future impact.

v) This prospectus may be used for offers that do not exceed 150% of working capital.

vi) The new regime will apply until 31 December 2022, to allow issuers to raise the additional capital they need to address the COVID-19 crisis.

vii) Likewise, a short period (seven business days) is provided for the competent authority to notify the issuer of its decision on the approval of the prospectus, and the issuer must inform the competent authority at least five business days before the scheduled date to submit a request for approval.

As part of this package, the threshold below which credit institutions are not obliged to publish a prospectus for offers or admissions to trading on a regulated market of certain non-equity securities has been raised for a limited time (until 31 December 2022). The threshold has been increased from €75 to €150 million to allow credit institutions to raise funds and give them scope to support their clients in the real economy.

Lastly, some adjustments have been made to the requirement for financial intermediaries to inform investors of the possibility of a supplement being published.

In terms of **adjustments to facilitate securitisation**, the existing framework for simple, transparent and standardised (STS) securitisation will be extended to include synthetic securitisations. The new rules also remove obstacles to the securitisation of non-performing exposures.

The aim of this reform is to allow bank capital to be more easily released and to allow a larger number of investors to finance the economic recovery.

Europe's digital transformation: the digital finance package presented by the European Commission

EXHIBIT 27

The European Union is aware that digital finance will contribute to the global transformation of the economy and society, and bring significant benefits to both consumers and businesses. For this reason, work is being carried out along three lines:

– Technology at the service of the people: digital education, cybersecurity and ethics in the use of artificial intelligence.

– A fair and competitive digital economy: supply and access to financing for small and medium-sized companies, responsible digital platforms, regulations to boost development in a context of fair competition and high-quality data and adequate personal data protection.

– An open, democratic and sustainable society: technology is essential for reducing carbon emissions and to ensure that Europe is climate neutral by 2050, so that citizens have control over their data and in the fight against disinformation.

Some of the most significant objectives are:

– Innovation and digital finance will create opportunities to develop better financial products and services, with particular benefit for those who cannot easily access them. This will be accompanied by a robust regulation that factors in the specific risks for the consumer that the new business models and products and services offered entail.

– New ways of channelling financing to small and medium-sized companies.

– Improving the integration of financial markets in the Banking Union and the Capital Markets Union.

In regard to the promotion of innovation and new technologies that put investor protection first, in September 2020, the European Commission published a package of digital finance measures that include:

– A draft regulation on crypto-asset markets, known as MiCA, which establishes a regulatory framework for crypto-assets that are not considered financial instruments. This regulation identifies three types of crypto-asset: e-money-tokens that are backed by a single fiat currency, those that are backed by a basket of assets (currencies, commodities or other crypto-assets) and other crypto-assets. Specific requirements and procedures are established for their issuance and their marketing, trading and, in general, the provision of services related to them are regulated, which includes an approval regime for suppliers that provide services related to all crypto-assets.

– A draft regulation that will allow a pilot regime to be set up for market infrastructures that use distributed ledger technologies. Market operators or companies that provide investment services that can carry out this activity, as well as central securities depositories that use this technology, would be able request admission to this space. After five years and depending on the results obtained in the pilot scheme, regulatory actions may be carried out to eliminate existing obstacles to the full use of these technologies in market infrastructures.

– A draft regulation is also included that establishes a cross-cutting operational resilience framework (cybersecurity) for the entire financial sector that would cover both infrastructures and entities that offer services in the securities markets. Among other issues, the regulation addresses risk management, incident reporting, system testing and third-party management. It also addresses the risk of concentration of cloud service providers in Europe and provides an advanced testing framework for significant institutions.

– A proposed directive whose objective is to amend other directives to allow the implementation of the previous regulations.

International activity

The CNMV has played an active role in the international working groups that have been set up to discuss innovation and cybersecurity. Specifically, it should be noted that at the European level, the ESMA Financial Innovation Standing Committee (FISC) and its specific subgroups, and the European Forum for Innovation Facilitators (EFIF) contribute to the tools that can be used by the authorities in this area. The International Organization of Securities Commissions (IOSCO) collaborates in working groups related to aspects that have a global impact, such as crypto-assets.

Cybersecurity

In compliance with Activity Plan targets for recent years, since 2019 the CNMV has been carrying out actions aimed at discovering the measures investment firms (IFs) and CIS management companies (CISMCs) have adopted in the area of technological risk management and cybersecurity.

Specifically, in the first quarter of 2020, a questionnaire was sent out, in collaboration with the National Cryptological Centre (CCN), to collect information on cybersecurity from the institutions supervised by the CNMV, in order to assess their level of maturity in this area.

Through this questionnaire, information was collected on six main topics:

– **Resources available** to entities to properly manage technological risk. The survey seeks to measure the effort made in this area from an economic standpoint, as well as in regard to some complementary actions.

– **Organisational aspects** implemented and procedures developed and known by the members of the organisation. Information was requested on the degree of involvement of senior management and how vulnerabilities are documented and resolved at a global level by the entity.

– **Operational aspects** that include the measures implemented to protect system operations and how risk analysis is carried out in order to validate them.

– Aspects relating to the **external services** contracted, since it is common for certain tasks not to be carried out directly by entities or that certain resources they need for their activities are not their own. In this case, entities must properly manage the outsourcing of these services, agreeing on a level of service and ensuring that providers comply with a series of requirements to guarantee the security of the information and the proper provision of the services.

– **Protection measures** focused on protecting specific assets, according to their nature, with the level required for each security dimension. These measures are aimed at protecting facilities and infrastructures, personnel management, the protection of equipment and communications, information media and computer applications.

– Aspects relating to the **personal data** protection and the rules on the free circulation of these data.

In general, and considering all the aspects addressed in the questionnaire, a global view was obtained of how the respondents approach the management of technological risk and it can be concluded that they show **a high level of maturity in this area.** However, certain points were detected where there is room for improvement, especially taking into account the new regulatory framework on the matter in process:

– The draft European Digital Operational Resilience Act (DORA), which covers all actors in the financial system and broadly addresses aspects related to technological risk management.

– ESMA guidelines on cloud service providers.

– The new Directive on measures to ensure a high common level of cybersecurity in the Union (NIS Directive).

In-house training

In 2020, specific training sessions were held for all CNMV staff on new technologies relating to cloud services (three courses). These sessions focus on learning about cloud services, which are increasingly being used by entities under the supervision of the CNMV, and are framed within a training strategy that aims to cover the different technologies and innovative business models that are being used in the financial sector.

11.2 Advisory activity on draft legislation and other requests for information

As provided for in Article 17.3 of the Securities Market Act, the CNMV advises the government and the Ministry of Economic Affairs and Digital Transformation and where appropriate, the equivalent bodies of the autonomous communities, on matters relating to securities markets.

Within this advisory work, in 2020, the CNMV analysed and submitted observations in relation to various pieces of draft legislation. These include the legislation relating to the **establishment of a regulatory sandbox** to boost innovation in financial services, a law that was finally published in November,[3] and the reactivation of the work on a **new Securities Market Act and its corresponding implementing regulations**. Likewise, significant work was carried out on projects relating to the transposition of European Union regulations: the **Directive on shareholders' rights,**[4] the **Directive on the prudential supervision of investment firms,**[5] the **Directive on the cross-border distribution of collective investment schemes,**[6] the

3 Law 7/2020, of 13 November, for the digital transformation of the financial system.

4 Directive (EU) 2017/828 of the European Parliament and of the Council, of 17 May, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

5 Directive (EU) 2019/2034 of the European Parliament and of the Council, of 27 November, on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

6 Directive (EU) 2019/1160 of the European Parliament and of the Council, of 20 June, amending Directives 2009/65/EC and 2011/61/EU with regard to the cross-border distribution of collective investment schemes.

Directive on Restructuring and Resolution of Entities (BRRD II)[7] and the **Capital Resources Directive (CRD V).**[8]

The CNMV is collaborating with the government in the negotiations of these regulations in Europe and as part of the ESMA working groups.

Controlled test space: the Spanish sandbox

EXHIBIT 28

On 14 November 2020, Law 7/2020, of 13 November, for the digital transformation of the financial system[1] (the Sandbox Law) was published in the Spanish Official State Gazette (*BOE*), opening the door to the regulatory sandbox in Spain. This Law aims to promote innovation by eliminating regulatory obstacles, establishing collaboration channels between entities and authorities through a single point of contact, using transparent and agile processes. At the same time, it aims to ensure that the transition to a digital financial system does not negatively affect consumer protection, financial stability or the integrity of the financial markets. On 15 December 2020, the call for applications for access to the sandbox was published. The period for the submission of applications by sponsors began on 13 January 2021 and ended on 23 February 2021.

The sandbox is part of a special regulatory regime under which regulated and non-regulated companies can test and experiment with innovative technology-based projects applicable to the financial system. This can give rise to new business models, applications, processes, products or other types of financial services. The tests are carried out in a controlled and safe environment, which is monitored by the supervisors. In addition, parameters are usually established between the competent authorities and the sponsors in advance, to set the limitations, scope and safeguards for users taking part in the tests. All these aspects are set down in an agreement or protocol.

The controlled test space has three key elements to understand its operation: it is a safe controlled environment for participants, it serves as a regulatory instrument that allows identifying regulatory amendments and improving the control of regulatory compliance with current legislation, and it is governed by a law-protocol scheme. In addition, it is important to note that the sponsors do not undertake regulated activities, as they are not carried out in a regular and professional manner, and therefore they would not be subject to authorisation, although they are obliged to comply with the provisions of the Sandbox Law and the corresponding protocol.

The Sandbox Law establishes the following **eligibility criteria for a favourable assessment** in order to enter the controlled environment. These requirements are as follows:

7 Directive (EU) 2019/879 of the European Parliament and of the Council, of 20 May, amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, and Directive 98/26/EC.

8 Directive (EU) 2019/878 of the European Parliament and of the Council, of 20 May, amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

i) Projects must provide technology-based innovation applicable to the financial system.

ii) The innovation must be sufficiently advanced to be tested, in other words, projects must have a prototype that offers minimal functionality to prove its usefulness and ensure its future viability.

iii) Projects must offer added value or potential usefulness in at least one of the following areas:

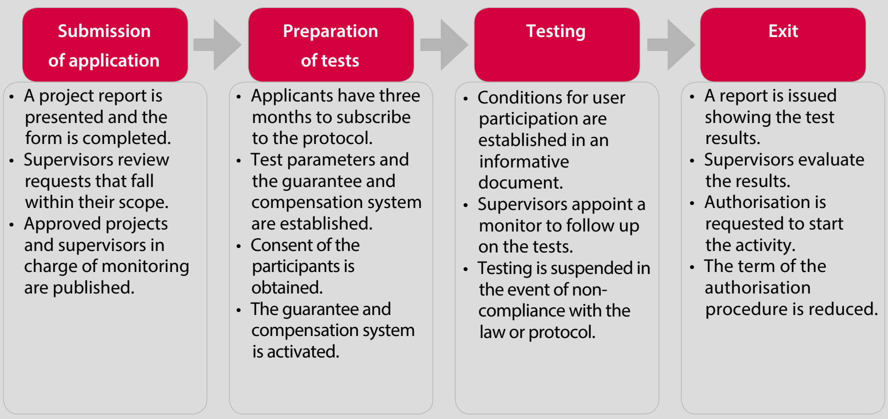
- Facilitate regulatory compliance by improving or standardising processes or other tools.
- Provide some benefit for users of financial services in terms of cost reduction, improvement of quality or access conditions and availability of the provision of financial services, or increased consumer protection.
- Increase the efficiency of entities or markets.
- Provide mechanisms to improve regulation or financial supervision work.

iv) The impact of the pilot project on the Spanish financial system will be taken into account.

v) In no case will projects that are similar to others, in other words, those of an analogous nature and aimed at the same recipients, be able to access the sandbox.

The Sandbox Law establishes different phases in the process, which are summarised in the following figure.

Phase diagram of the controlled testing environment FIGURE E28.1



Source: CNMV.

The Spanish sandbox is one of the most comprehensive and far-reaching, as all three financial supervisors are involved (the Bank of Spain, CNMV and General Directorate of Insurance and Pension Funds) and authorities such as SEPBLAC or the Spanish Agency for the Protection of Data are also available to participate in the projects that require their input. Therefore, the scope of the projects that may be admitted covers a wide range of financial products and services, and will need close cooperation and coordination by the authorities to provide a joint response to all the projects that require it. Likewise, the test results obtained will be taken into consideration for future amendments and simplifications of the current legislation (for example, eliminating obstacles and unnecessary duplications, establishing more agile procedures and relaxing burdensome administrative procedures) in order to promote an efficient regulatory framework that encourages innovation.

The first call for the sandbox, with an application period that ran from 13 January to 23 February 2021, received 67 applications, of which 18 received a favourable assessment.

Of the projects admitted in this first call, ten correspond to the Bank of Spain, four to the General Directorate of Insurance and Pension Funds and four to the Spanish National Securities Market Commission.

The objectives of the projects accepted include facilitating companies' access to financing, reducing costs by improving management efficiency and improving regulatory compliance by companies in the financial sector.

In the coming months, talks will take place between the competent financial supervisor and the sponsor of the project on the protocol that will govern the trial period.

Some guidelines are expected to be published to facilitate the presentation of new projects in subsequent sandbox calls, based on the lessons learned in this first experience.

1 https://www.boe.es/eli/es/l/2020/11/13/7.

At the level of European regulations, the authority has collaborated with the General Secretariat of the Treasury and International Financing in the European negotiations on the **Capital Market Recovery Package** put forward by the European Union to boost economic recovery after the crisis caused by COVID-19, providing access to finance for European companies and, in particular, for small and medium-sized enterprises. This package includes a series of limited amendments to European capital markets regulations: the Markets in Financial Instruments Directive (MiFID II), the Prospectus Regulation and the European securitisation framework.

Additionally, in 2020, the CNMV received more than thirty requests for information from the Ministry of Economic Affairs and Digital Transformation, of which thirty or so corresponded to parliamentary initiatives and questions on various issues.

11.3 Financial stability

The macroprudential policy aims to preserve the stability of the financial system as a whole by strengthening its resilience and mitigating systemic risk. Traditionally, the focus of financial stability policies has been oriented towards the banking system, paying particular attention to the size and solvency of individual entities. However, the global financial crisis revealed that other actors and activities carried out outside the banking business could constitute a source of systemic risk in certain circumstances. In this context, work related to the identification of risks and financial stability in the non-banking sphere has advanced significantly in recent years.

The CNMV, like other supervisory authorities of the securities markets, and in accordance with the Securities Market Act, did not originally have a specific mandate for monitoring systemic risk and maintaining financial stability, but it had been explicitly assigned certain functions related to this matter.[9] The functions and tasks falling to the CNMV in the area of financial stability were included in its Internal Regulations in 2016. Subsequently, the 2017 Activity Plan included the analysis and monitoring of financial stability in matters related to capital markets as one of its four strategic lines, which has remained significant in subsequent years.

The most important work carried out by the CNMV in this area in 2020 is described below. The tasks are of very different nature and include the continuous development of research and tools aimed at identifying risks, the publication of reports describing the main vulnerabilities and sources of risk in matters specific to the institution, assessment of the suitability of macroprudential tools and their implementation, resolution plans for investment firms and market infrastructures and participation in different national and international groups dedicated to this matter.

Risk identification analyses are carried out on a continuous basis but were stepped up during the crisis. In this way, special attention was paid to the risks taken on by investment funds to address certain surges in redemptions, as well as the risks borne by the financial market infrastructures. In both cases, cooperation between the institution and the entities involved was key to ensuring their resilience in the context of the crisis (see Exhibit 3).

In the field of investment funds, work continued on the two most significant aspects of these institutions regarding the potential creation or spread of systemic risk: liquidity and leverage. From the perspective of liquidity, in addition to influencing the calculation of different metrics that allow the part of the fund portfolio considered to be liquid to be assessed, the development of a fairly complex methodology was completed that allows the resilience of these institutions to be calculated in a context of stress in which redemptions of made by unitholders increase substantially. These exercises, known as stress tests, show that, in general, the Spanish investment fund industry is highly resilient, with only a few funds identified that would experience difficulties in very extreme scenarios. In regard to the leverage of alternative funds,[10] the analyses carried out so far reveal that the level of leverage shown by these institutions (including leverage through the use of derivatives) is neither high nor generalised. Only a few small institutions have been identified that use leverage more intensively.

9 For more information on the CNMV's participation in macroprudential policy, see the report published in 2019: CNMV-Other documents of interest.

10 Article 25 of the Alternative Investment Fund Managers Directive (AIFMD) establishes the obligation for national competent authorities (NCAs) to periodically monitor the levels of leverage used by alternative investment funds (AIFs) to assess its possible effect on financial stability; in other words, its relevance as a potential source of systemic risk.

Part of the financial stability analysis carried out by the authority is made public in two reports: the *Financial Stability Note* and the *Non-banking Financial Intermediation Monitor*. The quarterly *Financial Stability Note* describes the main sources of risk related to financial markets and the assessment of the most important risk categories. In 2020, the sources of risk that were addressed most often these reports related to the deterioration of the macroeconomic environment with the onset of the crisis, the ultra-low interest rate environment, some political uncertainties and the challenges raised by the increase in non-face-to-face activities. In regard to the valuation of financial risk categories, the relevance of market and liquidity risks in certain segments of the fixed income market was emphasised. The *Non-Banking Financial Intermediation* (NBFI) *Monitor* refers to the entities and assets that are part of this area in Spain (6.6% of the financial system in the strictest sense as measured by the FSB) and describes the most important risks. It should be noted that in Spain more than 85% of the NBFI assets correspond to investment funds.

The analysis of the suitability and use of macroprudential tools is part of a dynamic process in which the identification of a new need can lead to the adoption of a new tool. This happened in 2020, in the early stages of the crisis, when a new liquidity management tool was approved in the area of investment funds, which consists of the possibility of establishing notice periods for redemptions regardless of the indications in fund's management regulations. This tool, regulated by Royal Decree-Law 11/2020, of 31 March, adopting urgent complementary measures in the social and economic sphere to deal with COVID-19, came alongside two others that were also approved relatively recently,[11] pursuant to which the CNMV may: i) request a reinforcement of the liquidity of the portfolios of one or more CISs on a temporary basis and for reasons of financial stability, and ii) impose limits and conditions on the activities of the entities supervised by the CNMV to avoid excessive indebtedness in the private sector that could affect financial stability.

As part of the management of macroprudential tools, it is also important to note the CNMV's decision to restrict short trading on securities listed on stock markets, which took place in mid-March 2020 for one month (which was extended to two), given the exceptional situation and market uncertainty, which could have been encouraging investors to sell and leading to a downward spiral. Similar decisions were taken by supervisory authorities equivalent to the CNMV in France, Italy, Belgium, Austria and Greece. The subsequent analysis carried out at the end of the restriction period determined that its impact on the market had been minor, with a slight loss of liquidity in the securities affected by it (see Exhibit 4).

Lastly, the CNMV participates in different national and international forums and groups to share and exchange information on this topic and to contribute to specific work. In Spain, it is most active in the Spanish macroprudential authority, the Macroprudential Authority Financial Stability Board (AMCESFI), established in 2019 and chaired by the Second Vice President of the Government and Minister of Economic Affairs and Digital Transformation, in which representatives of the Ministry, the Bank of Spain, the CNMV and the General Directorate of Insurance and Pension Funds participate. There is a technical committee and the board is the highest-level body. In 2020, the frequency of the meetings of these groups increased significantly to monitor the crisis. In addition, the pertinent contribution was made to the *Annual Report* published by this institution on the securities markets and NBFI matters

11 Royal Decree-Law 22/2018, of 14 December, establishing macroprudential tools.

and it took part in two working groups whose objective was to evaluate the level of interconnection between the different parts of the financial system and identify the consequences in terms of financial stability of the fiscal measures adopted by the government.

At the international level, the CNMV participates in special groups tasked with identifying risks or threats to financial stability, some of which have been mentioned in the chapter on international activity (the FSB, IOSCO, ESMA and ESRB). In 2020, the activity of these groups was stepped up due to the crisis and in some cases, subgroups were set up to assess weaknesses revealed during the crisis. Thus, the CNMV took part in various initiatives aimed at evaluating liquidity conditions in the financial markets and, in particular, in investment funds, as well as the use of liquidity management tools in this context.

At European level, the extensive work carried out in 2020 by the ESRB, in which the CNMV participates through the technical committee, the board committee and several expert groups such as the NBEG (Non-Bank Financial Intermediation expert group), giving rise to a series of recommendations, some of which affect the CNMV or entities under the supervision of the securities authorities. Some of these recommendations relate to restrictions on the distribution of dividends by financial institutions, liquidity risks of investment funds, risks deriving from margin calls at CCPs from clearing members or from counterparties of contracts not cleared by the CCP, and the assessment of the fiscal measures adopted by governments in the context of the crisis and their potential impact on financial stability.

11.4 Monitoring, analysis and actions on tax matters that may affect the securities markets

Tax regulations have a significant influence on the structure of the market in different European countries and, in particular, on the way in which investment products are marketed in each of them. The tax element is an additional aspect to take into account to prevent the unwanted effects of the relocation of the activity and the loss of competitiveness of the Spanish market.

In view of the relevance of these matters, at the end of 2019 a unit was appointed, within the Department of Strategy and Innovation, in charge of monitoring tax matters that may have an impact on the stock market and, specifically, to monitor potential conflicts with the objectives of financial regulation (transparency, investor protection and efficiency of the capital market as a source of financing for companies and an alternative for long-term savings) to, where appropriate, formulate proposals aimed at avoiding or anticipating any unwanted effects.

In 2020, this unit put forward various actions focusing mainly on monitoring regulatory developments and responses to queries issued by the General Directorate of Taxes, and on preparing internal reports on tax matters to help establish the institution's positions strategies.

Specifically, in accordance with the CNMV's Activity Plan, in 2020 a study was made analyse the extent to which the tax provisions are aligned with the objectives of the regulations relating to the distribution of financial products and, in general, to the provision of investment services. This report addresses, among other issues, the issues that have arisen in recent years that relate to fiscal and financial aspects, such as the tax effects deriving from the implementation of the MiFID II Directive (basically related to financial services, independent advice and discretionary portfolio management, the return of rebates, financial research services and the administration and custody fees of CIS units and shares), the tax on financial transactions or the concern of the venture capital sector about the potential effect of the clarification of the criteria established for the consideration of foreign entities in the income attribution regime on funds of funds of venture capital entities.

Although the conclusions and any concrete proposals are being analysed internally, the report affirms that it is necessary to progress in three complementary areas: tax harmonisation at national and European level, coordination between financial and tax regulation from the initial phases and the introduction of basic concepts of taxation in financial education.

The CNMV will continue to pay special attention to monitoring tax matters that may have an impact on the stock market, encouraging interaction with financial regulators and supervisors and with tax authorities, while stepping up dialogue with the sector.

12 Organisation

12.1 Human resources and organisation

Changes in workforce and staff selection processes

At the end of 2020, the CNMV had 435 employees. There were 9 new hires and 15 departures during the year.

Tables 12.1.1 and 12.1.2 show the distribution of CNMV staff by professional category and by department.

CNMV staff: composition by professional category TABLE 12.1.1

Number of employees at the end of each year

	2019			2020		
	Total	Men	Women	Total	Men	Women
Services	8	8	–	8	8	–
Clerical staff/Computer operators	54	10	44	53	10	43
Technical staff	354	164	190	351	159	192
Management	25	17	8	23	16	7
Total	**441**	**199**	**242**	**435**	**193**	**242**

Source: CNMV.

In 2020, several selection processes were carried out as provided for in the corresponding Public Employment Offer. These processes were suspended following the declaration of the State of Alarm during the pandemic creating a significant delay. The real effect of this on the workforce, in terms of net growth, will become apparent in 2021. This is the main reason for the 1.36% decrease in the workforce, in addition to the various staff departures.

Following the 2017 Public Employment Offer, in January 2020, two candidates selected in a call for technicians joined the workforce. In regard to the 2018 and 2019 Public Employment Offers, to cover 15 and 9 positions respectively, the selection processes were carried out and completed for 13 positions in 2020 and the new hires will join the workforce in the first quarter of 2021. Different phases of the selection process have been carried out to fill the remaining 11 positions, which are expected to be completed in the first half of 2021.

Lastly, two mobility selection processes between government offices were performed in 2020 – one of which has not been filled and the second is expected to be completed in the first quarter of 2021.

With the aim of encouraging and facilitating internal mobility, eight internal selection calls were made during the year for a total of 24 vacancies, to cover deputy manager (2), technician (15) and secretary (6) positions in different departments.

Distribution of staff by CNMV departments TABLE 12.1.2

Number of employees at the end of each year

	2019			2020		
	Total	Men	Women	Total	Men	Women
Directorates-General	346	153	193	340	147	193
Entities	128	56	72	126	54	72
Markets	121	56	65	118	54	64
Legal Affairs	44	19	25	43	18	25
Strategic Policy and International Affairs	53	22	31	53	21	32
Departments	84	43	41	85	42	43
Chair, Vice-Chair and Board	11	3	8	10	4	6
Total	**441**	**199**	**242**	**435**	**193**	**242**

Source: CNMV.

Training

The initiatives implemented by the CNMV in 2020 in the context of its training programme included the following:

– Training actions developed and given in cooperation with different specialised schools and training centres. A total of 1,879 training hours were given (73% of total training given), which were attended by 64% of the staff.

– Training delivered internally, with participation by 10% of the workforce. A total of 43 hours were taught.

– Individual training actions, with a total of 654 hours taught, in which 3% of the workforce participated.

In 2020, the training programme comprised a total of 28 training actions and 2,576 training hours. 67% of the workforce participated in one or more of the planned training actions.

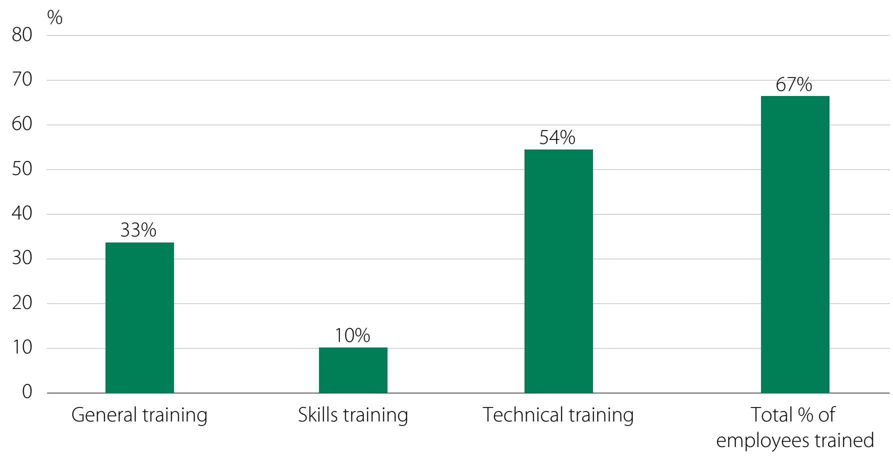
Breakdown of training by training area TABLE 12.1.3

	No. of participants	Trained employees (% on staff)	Training hours
General training	132	33	365
Skills training	43	10	43
Technical training	355	54	2,168
Total	**530**	**67**	**2,756**

Source: CNMV.

Employees trained by type of training

FIGURE 12.1.1



Source: CNMV.

As in previous years, a new edition of the language programme was implemented, with the participation of 47% of the workforce. The participants received a total of 8,753 hours of training, an average of 43 hours per student. As part of this programme and with the aim of perfecting the corresponding language (English, French or German), the possibility of attending a summer course abroad was offered, both in Spain and in a native environment. Exceptionally, due to the situation created by COVID-19, language training in the form of intensive language courses abroad was not considered. In total, 7% of staff took part in the summer programme, with 930 hours of training carried out.

Breakdown of the language programme. 2020

TABLE 12.1.4

	No. of participants	% of staff taking part[1]	Training hours taught
Language programme, 2019-2020	**252**	**47**	**8,753**
Annual English programme	187	43	6,917
Annual programme for other languages	31	7	905
Summer language programme	29	7	930

Source: CNMV. (1) Employees trained as a % of staff.

Other significant HR initiatives

As a consequence of the situation caused by the pandemic, for much of the second quarter of 2020 the entire workforce worked from home. A phased reincorporation process began from June according to the health situation. A return to the workplace plan was drawn up that includes basic hygiene, distancing and organisational measures to ensure the process can be performed safely, as well as the corresponding action protocols aimed at preventing contagion.

In the second half of the year, a project was launched to develop a new intranet adapted to the current needs of the CNMV, with a modern interface that is available for different types of electronic devices to improve internal communication with employees. It is expected to be operational in the first half of 2021.

In 2020, negotiation of the CNMV's 1st Collective Agreement continued and it is expected to be completed and approved in 2021.

New organisational developments

On 15 December 2020, following the expiry their mandates, Sebastián Albella Amigo and Ana María Martínez-Pina García stepped down as chair and vice-chair of the CNMV.

On the same date, and effective from 16 December 2020, Rodrigo Buenaventura and Montserrat Martínez Parera were appointed the new chair and vice-chair.

12.2 Information systems

Introduction

To perform the functions entrusted to it by the CNMV's Internal Regulation (Article 33.2), the Information Systems Department is structured in two areas: Development and Infrastructure.

The functions of the Development area are:

– Planning, designing, programming, implementing and maintaining the computer applications used by the CNMV.

– Managing the electronic office.

– Supervising securities market information systems.

– Directing and managing international IT projects.

The functions of the Infrastructure area are:

– Planning, testing, installing and maintaining the physical, logical and voice and data communications equipment of the IT infrastructures.

– Ensuring the security of the CNMV's computer systems.

– Requesting bids, evaluating and proposing selections in acquisition procedures for IT items.

– Managing fixed and mobile voice and data communications.

Impact of the health situation

In March, the entire CNMV staff started teleworking following the indications of the health authorities.

The situation on 1 March regarding teleworking was as follows:

– 90 members of staff in the teleworking programme had the necessary means to work remotely and teleworked for one day a week.

– Almost all of the managers also had the necessary means to telework.

– At that date, the 119 people working in critical positions who did not have the necessary means to telework were being set up.

– The system was prepared for 130 users to telework at the same time.

– Teleworkers accessed their virtual workstations through VPN services.

To prepare for the situation that occurred a few days later, from the end of February work was carried out to expand the number of virtual positions and their processing capacity in order to provide service to all users of the system in teleworking mode.

In March, all available laptops were configured for teleworking and 87 new ones were acquired through the emergency procedure covered in Article 16 of Royal Decree-Law 7/2020, of 12 March, implementing additional urgent social and economic measures to deal with COVID-19. A further 30 laptops were purchased in June.

The effort made in March to provide equipment and configure and adjust the systems, and to set up and distribute laptops, meant that after a few days of general problems in the communications networks, virtually all CNMV staff members were able to work satisfactorily from their home in early April.

Despite all the technical and human resources that were dispatched to address this complicated situation, it should be noted that it would not have been possible without the high level of digitisation that is a traditional feature of the processes that allow the CNMV to fulfil the functions with which it has been entrusted. The fact that all incoming documents received in the register are distributed internally in digital format (the few that are submitted on paper are scanned) and that the use of the electronic office is mandatory for submitting almost all information that supervised entities must present, together with the use of the applications available in the different departments, made it possible for the CNMV to continue to carry out its work effectively.

Looking forward, the conclusions that can be drawn for the CNMV's information systems can be summarised in the following points:

– The system hardware and software must always be designed for situations in which all personnel have to work from home.

– The IT resources used in the workplace must be redefined.

– The use of collaborative tools must be encouraged.

– The current digital transformation should increase the digitisation of internal processes.

– The elimination of paper and the use of electronic signatures in procedures should be made more widespread.

Information received

The CNMV receives information from the various securities market participants:

- Issuers of securities: prospectuses, voting rights, periodic economic disclosures, price-sensitive information, annual financial statements, audits, etc.
- Investment firms: registry data, financial statements, transactions carried out, audits, etc.
- Collective investment schemes: registry data, financial statements, prospectuses, regulations, by-laws, etc.
- Other supervised entities.
- Financial markets.
- Settlement systems.
- Other regulators.

Transactions carried out in the different electronic markets from Bolsas y Mercados Españoles (BME) are received in real time.

As discussed below, more than 95% of this information is received through the electronic register.

The largest information received relates to transactions made by financial intermediaries.

Investment firms and credit institutions that trade with financial instruments must report full and accurate data corresponding to these transactions to the competent authority (in Spain, the CNMV) as swiftly as possible, in accordance with Article 26 of Regulation (EU) 600/2014 of the European Parliament and of the Council, of 15 May, on markets in financial instruments (MiFIR). This MiFIR article is implemented by Commission Delegated Regulation (EU) 2017/590, of 28 July 2016, with regard to regulatory technical standards for the reporting of transactions to competent authorities. In turn, ESMA published reporting instructions (*MiFIR transaction reporting instructions*) that include the file formats for reporting, in addition to their validation rules, to facilitate the development of the systems to be implemented and reporting procedures.

To report transactions correctly to the CNMV, entities use the CIFRADOC service available at the electronic office. If the report is not made directly by the entity but through a market management company or an information system authorised by the CNMV or another competent authority, the systems established for this purpose are used. In all cases, the information must be received in the electronic format defined by ESMA and with the corresponding digital signature.

All the information received from supervised entities, together with that generated internally, form the basis of the computer applications used by the CNMV to perform its functions:

- Monitoring of official files and records (entities, prospectuses, voting rights, audits, etc.).

- Real time market monitoring and warnings.

- Market and entity supervision activities.

- Different types of economic and financial analysis.

- Inspection.

- Dissemination of information to investors and other institutions and entities.

- Preparation of research and statistics.

- Management of investor enquiries and complaints.

- Calculation of fees, etc.

Electronic office

The electronic headquarters of the Spanish public administration offices is defined in Law 11/2007, of 22 June, on the electronic access of citizens to Public Services: "The electronic office is the electronic address made available to citizens through telecommunications networks whose ownership, management and administration corresponds to a Public Administration, body or administrative entity in the exercise of its powers".

The CNMV's electronic office (https://sede.cnmv.gob.es/SedeCNMV/SedeElectronica.aspx?lang=en) was created by the Resolution of 16 February 2010: https://sede.cnmv.gob.es/sedecnmv/documentos/Resolucion_16022010_sede_electronica.pdf.

Electronic registration and the procedures that can be carried out through the electronic office are regulated in the Resolution of 16 November 2011 (https://sede.cnmv.gob.es/sedecnmv/documentos/Resolucion_16112011_sede_electronica.pdf).

Previously, the CNMV received a lot of the (electronically signed) information that supervised entities must present in its registry through its website.

The electronic office offers various different services:

- CIFRADOC area: 70 procedures are available for supervised entities and communications from the CNMV can be disseminated through the office. Prior registration and a certificate of representation of a legal entity are required. To sign the information, which can be done in the electronic office, a certificate of representation, an individual certificate or electronic DNI (ID) can be used.

- Open area: 11 procedures are available for individuals to interact with the CNMV. An individual certificate or electronic DNI (ID) is required.

- Investor area: specifically for investors. The processes available are: claims, enquiries, complaints and requests for official registers. Different means of identification are permitted: individual certificate, electronic DNI (ID), @Clave or username/password.

– Communications and special notifications: procedures for which the use of certificates or @Clave is not necessary. On registering, a username and password are provided to access the area.

It should be noted that in September 2020 the CNMV started to disseminate is fees electronically through the electronic office.

Dissemination of information

The main channel for dissemination of information by the CNMV is its website: www.cnmv.es. Its sections are:

– About CNMV. Institutional information.

– Press room. Press releases and other information for the sector.

– Public statements.

– Inside information. Official registry of inside information.

– Price-sensitive information of collective investment scheme (CISs) and other authorised entities.

– Official registries.

– Prospectuses. Registered prospectuses.

– Investors and financial information. Investors' website.

– Legislation, publications and other content.

– Brexit.

– Fintech.

– Sustainable finance.

– Electronic office.

– National Securities Numbering Agency.

– Reporting of infringements.

– Warnings about unauthorised entities and other institutions.

– Macroprudential Authority Financial Stability Board.

– Transparency.

Other established channels for the dissemination of information are:

– FTP (File Transfer Protocol) service for professional entities. The information disseminated is:

  • Interim financial disclosures, voting rights and audits of issuers.

  • Real time price-sensitive information.

  • ISIN codes of securities registered with the National Securities Numbering Agency (ANCV).

– FTP service available to CIS management companies with information necessary to carry out the transfers.

– FTP service for the Bank of Spain with highly varied information, in terms of both content and frequency, on CNMV-supervised entities.

– Various online services with information on ISIN codes, price-sensitive information, etc.

Annual activity

In 2020, the global information systems strategic plan was developed through an external provider, which is scheduled for delivery in the first two months of 2021.

The purpose of the plan is to optimise and modernise the technological environment so that it meets the CNMV's present needs and its expected needs in the next three years.

It must also define lines of action to:

– Identify the most appropriate hardware and software for carrying out the various functions to be performed by the CNMV's information systems.

– Establish the procedures for using these tools.

– Optimise technological resources to guarantee the quality, availability and continuity of the services provided by information technologies.

– Identify the actions and projects to undertake to carry out the defined plan, with the estimated costs, time and resources required.

The CNMV continues to renew obsolete applications and develop new applications and systems to support the published rules and processes necessary to comply with the functions entrusted to it.

The **systems** and **applications** developed during the year include the following:

i) First systems for the FARO project, which will increase the mechanisation of the global supervision of securities markets, taking into account the new framework established by Spanish and European legislation.

ii) New version of the fee management application, which will now include electronic notifications through the electronic office, thus eliminating the use of paper in the issuance, communication and collection in almost all CNMV fees.

iii) Submission of prospectuses to ESMA in electronic format within the framework of the harmonisation of the requirements for drafting, approving and distributing the prospectus to be published when the securities are offered to the public or admitted to trading on a regulated market in a Member State of the European Union.

The harmonisation of these requirements is designed to strengthen investor protection by ensuring that all prospectuses, anywhere in the European Union, provide clear and complete information while making it easier for companies to raise capital across the Union with the approval of a competent body.

iv) Submission to ESMA of data related to money market funds in application of Regulation (EU) 2017/1131 of the European Parliament and of the Council, of 14 June, on money market funds.

v) System for receiving notarial documents in electronic format.

vi) ESEF document reception and validation system. The European Single Electronic Format (ESEF) is the new channel through which the annual financial reports of issuers in the European Union whose securities have been admitted to trading in regulated EU markets must be presented (in Spain, this includes all listed companies).

For this purpose, ESMA has developed the ESEF taxonomy that issuers must comply with to submit their annual financial reports in xHTML (markup language interpretable by web browsers). They must also label the consolidated financial statements under international financial reporting standards (IFRS) contained in these reports using XBRL labels and iXBRL technology (InLine XBRL: an extension of XBRL that allows the direct visualisation and layout on web pages).

In March 2020, the entire CNMV staff began to telework following the indications of the health authorities. Given that the systems had capacity for 100 teleworkers, this required the servers to be re-dimensioned in a very short period of time, and the equipment needed to address the new situation had to be acquired. Despite the urgency, there were no significant incidents.

Due to the health situation throughout much of the year, the electronic channel for sending and receiving information was used even more widely. As shown in Table 12.2.1, the electronic channel was used for 95% of the documents received and 88% of the documents sent. A significant volume of the incoming and outgoing documents on paper correspond to claims, complaints and enquiries submitted by natural persons, who are not required to submit or receive them electronically.

Incoming and outgoing documents at the CNMV

TABLE 12.2.1

	2019		2019	
	Number	**%**	**Number**	**%**
Incoming				
Total	**137,774**	**100**	**137,594**	**100**
Electronic channel	125,729	91	130,492	95
On paper	12,045	9	7,102	5
Outgoing				
Total	**160,584**	**100**	**164,495**	**100**
Electronic channel	138,828	86	145,543	88
On paper	21,756	14	18,952	12

Source: CNMV.

13 Finances

The bulk of the funding of the CNMV comes from the fees collected from supervised entities in accordance with the items and tariffs established in Law 16/2014, of 30 September, regulating CNMV fees. In 2020, tax collection increased by 2.4%. At the same time ordinary expenses decreased by 0.5% compared with the previous year.

The health crisis caused by COVID-19 significantly affected the activity of the CNMV and had an impact on its annual financial statements this year.

13.1 Revenue and expenses

In 2020, the CNMV obtained €65 million in revenue and incurred €48.9 million in expenses. Therefore, the surplus for the year amounted to €16.1 million, an increase of 9.9% compared with the previous year.

This surplus was shaped by the pandemic, which caused it to be higher than it would have been otherwise.

The surplus for ordinary activities amounted to €15.4 million. Ordinary income, which comes mostly from the collection of fees, reached €62.6 million, 2% more than in 2019, mainly due to rise in market supervision fees deriving from the larger volume of transactions in 2020 (an unusual year).

Ordinary expenses were €47.2 million, 0.5% down on the previous year. Personnel expenses, which accounted for 70.4% of total ordinary expenses, increased by 0.2%, due to the wage increase provided for in Royal Decree-Law 2/2020, of 21 January, approving urgent measures on public sector remuneration, offset by a slight decrease in the average workforce.

Other ordinary expenses fell by 2.2% on 2019.

In 2020, due to the health crisis caused by COVID-19 and the declaration of the state of alarm, various measures were adopted that have led to a reduction in some operating expenses of the CNMV.

However, this reduction was partially offset by the increase in expenses for independent professional services, as work towards the institution's technological modernisation objective continued.

Profit from financial transactions amounted to €0.8 million.

On 8 September 2020, the government, at the proposal of the CNMV, resolved to allocate the entire profit obtained in 2019 to the Public Treasury, in the amount of €14,660,212.57.

13.2 Fee structure

As shown in Table 13.2.1, which depicts the different types of fees established for the services provided by the CNMV, fee income increased by 2.4% in 2020 relative to the previous year.

This increase was mainly due to the increase in transactions carried out by members of the Stock Exchange and MTF in the pandemic, in addition to the recurrent increase in the rates applicable to foreign UCITS.

CNMV fee income

TABLE 13.2.1

Activity or service	2019	2020	% change 20/19
Registration of prospectuses and entities	**9,520.2**	**8,139.3**	**-14.5**
Registration of prospectuses	3,773.3	3,559.9	-5.7
Issue prospectuses	363.4	158.9	-56.3
Listing prospectuses	3,409.9	3,401.0	-0.3
Securitisation funds and bank asset funds	75.3	83.0	10.3
Authorisation and registration of entities	4,957.1	4,333.1	-12.6
Authorisation of takeover bids	714.5	163.2	-77.2
Market supervision	**18,451.0**	**20,554.0**	**11.4**
Activity of stock market and MTF members	6,027.0	8,199.9	36.1
Activity of MEFF members	155.8	157.1	0.8
Activity of Sociedad de Sistemas members	4,786.8	4,704.7	-1.7
Activity of CCP clearing members	525.9	819.2	55.8
Activity of market management companies	1,173.1	1,224.1	4.3
Activity of listed issuers	5,782.4	5,448.9	-5.8
Supervision of entities	**32,276.1**	**32,982.9**	**2.2**
CIS solvency supervision	12,998.4	12,549.6	-3.5
Solvency supervision of CIS and securitisation fund management companies	166.4	172.7	3.8
CIS management companies	151.4	157.3	3.9
Securitisation fund management companies	15.0	15.5	2.9
IF solvency supervision	500.3	610.8	22.1
Venture capital solvency supervision	549.3	686.1	24.9
Management companies of closed-ended collective investment schemes	98.9	113.2	14.4
Closed-ended collective investment schemes	450.4	572.9	27.2
Supervision of CIS and venture capital firm depositories	3,130.1	3,135.0	0.2
Supervision of rules of conduct of IFs, credit institutions and CISMCs	9,012.3	8,914.4	-1.1
Marketing of foreign CISs	5,919.1	6,914.2	16.8
Issue of certificates	**16.4**	**18.0**	**9.9**
Total	**60,263.7**	**61,694.2**	**2.4**

Source: CNMV.

14 National Securities Numbering Agency

The CNMV discharges the functions of the Spanish National Securities Numbering Agency (ANCV), the main purpose of which is to assign and administer International Securities Identification Numbers (ISIN)[1] and Classification of Financial Instruments (CFI)[2] codes to facilitate their dissemination and use among users. It also assigns the Financial Instrument Short Name (FISN).[3] In Spain, the ISIN code is used as the primary identifier in securities trading, clearing and settlement. In its role as ANCV, the CNMV is a founder and full member of the Association of National Numbering Agencies (ANNA), which at 2020 year-end had a total of 98 full member countries and 18 associates.

As part of its international activity, the ANCV actively participates in various international working groups and management bodies relating to its activity, such as WG2: ISIN Quality and Guidelines, which belongs to ANNA. This group comprises representatives from several national agencies and is responsible for drawing up uniform rules and criteria for ISIN allocation worldwide, as well as for CFI and FISN codes.

As a consequence of the ISIN-LEI project, which is being performed under an agreement between ANNA and the Global Legal Entity Identifier Foundation (GLEIF), the ANCV also participated in the WG6, which has been entrusted with the task of establishing criteria and resolving any incidents that might arise in the linking of an issuer's ISIN with its LEI code.

The ANCV also contributes to the preparation and review of the ISO standards mentioned above, through its Technical Subcommittee 8 (SC8).[4]

With regard to the figures of the ANCV's activities, the number of securities and financial instruments assigned an ISIN in 2020 totalled 48,852, a slight decrease on 2019 (see Table 14.1.1).

The number of equity issues fell by 7.79%. Numbers assigned to fixed income issuances rose by 17.76% due to the increase in private fixed income issues. The number of new medium-term corporate bond issues decreased by 31.58%, while the number of codes assigned to long-term bond issues grew by 6.25%. The issuance of covered bonds showed an increase of 34.62%, as well as the coding of securitisation bonds, which rose by 25%. In the public debt section, numbers assigned to issues were very similar to the previous year. However, there was a decrease in rights issues (25.53%), while warrants and structured products issues suffered a substantial reduction (75.67%).

1 International Securities Identification Number: ISO standard 6166.

2 Classification of Financial Instruments: ISO standard 10962.

3 Financial Instrument Short Name: ISO standard 18774.

4 SC8 is responsible for the standards on baseline data for financial instruments and is a subcommittee of the ISO Technical Committee 68.

Numbers assigned to issues by the ANCV in 2019 and 2020

TABLE 14.1.1

	2018	2019	% change 20/19
Equity	**655**	**604**	**-7.79**
Shares	126	115	-8.73
CISs and venture capital firms	529	489	-7.56
Fixed income	**811**	**955**	**17.76**
Public sector debt	50	49	-2.00
Treasury bills and commercial paper	12	12	0.00
Bonds	38	37	-2.63
Private fixed income	761	906	19.05
Commercial paper	648	776	19.75
Medium-term bonds	19	13	-31.58
Long-term bonds	16	17	6.25
Covered bonds	26	35	34.62
Securitisation bonds	52	65	25.00
Additional Tier 1 financing securities	**2**	**3**	**50.00**
Structured products	**187**	**140**	**-25.13**
Rights	**47**	**35**	**-25.53**
Warrants and certificates	**1,817**	**442**	**-75.67**
Options	**46,583**	**45,540**	**-2.24**
Futures	**1,117**	**886**	**-20.68**
Swaps	**290**	**247**	**-14.83**
Total	**51,509**	**48,852**	**-5.16**

Source: CNMV.

At the end of the year, the number of active securities and other financial instruments with an ISIN code in the ANCV database totalled 35,121. Listed securities and financial instruments accounted for 78% of the total.

The total number of enquiries submitted to the ANCV stood at 318, 9% down on 2019. Enquiries regarding Spanish codes, which accounted for 87% of the total, decreased by 12% compared with the previous year. The number of enquiries regarding foreign codes was 10% higher than in the previous year.

Enquiries handled by the ANCV

TABLE 14.1.2

	2019	2020	% change 20/19
Enquiries about Spanish codes	314	276	-12
Enquiries about foreign codes	38	42	10
Total enquiries	**352**	**318**	**9**

Source: CNMV.

15 CNMV Advisory Committee

The Advisory Committee is the body which provides advice to the CNMV's Board. Its functions and composition are provided for in Articles 30 and 31 of the recast text of the Securities Market Act (TRLMV) and its implementing legislation – Royal Decree 303/2012, of 3 February, regulating the CNMV Advisory Committee. The Committee is chaired by the CNMV's Vice-Chair and includes representatives of market infrastructures, issuers, investors, credit institutions and insurance companies, professional groups designated by the CNMV, the Investment Guarantee Fund and each of the autonomous regions with authority with regard to securities markets and in which there is an official secondary market. The Advisory Committee must meet at least once every three months, but in practice it holds a meeting every month.

In 2020, the members of the Committee were renewed. The appointment of these members was approved by the Resolution of 3 March 2020 of the Spanish National Securities Market Commission.

As a body providing advice to the CNMV's Board, the Advisory Committee informs on such issues as may be referred to it by the Board. In particular, its report is mandatory in regard to: i) the CNMV provisions referred to in Article 21 of the TRLMV (circulars and technical guides); ii) authorisations, revocations, mergers and takeovers of investment firms, and iii) authorisations and revocations of branches of investment firms from non-EU countries and other participants in securities markets when required by regulations, having due regard to the economic and legal significance of such participants. In addition, the Advisory Committee provides advice on draft regulations relating in general to the securities market which are referred to it by both the government and the Ministry of Economy and Digital Transformation.

As a consequence of the intense process of international integration affecting the CNMV's activity, the Committee's agenda also includes voluntary consultations from international bodies, such as IOSCO, ESMA, the ECB or the European Commission, in addition to other initiatives of the CNMV or the Committee itself. In addition, since 2012, the Committee has been analysing many of the recommendations and standards issued by ESMA prior to their application in Spain. This allows greater participation by the sector, in line with international recommendations on analysing the impact of regulations.

Actions of the Advisory Committee in 2020

Table 15.1.1 shows a statistical summary of the cases processed by the Advisory Committee in 2020, which reveals that despite the situation caused by the pandemic, the number of mandatory reports increased as a result of the rise in activity related to the transposition of significant regulations of European Union law and the number of circulars and technical guides issued by the CNMV during this period. In addition, work continued to collect, through the Advisory Committee, the opinion of the sector as regularly as possible, beyond what is legally required.

Type of issues referred to the Advisory Committee TABLE 15.1.1

	No. of issues	
	2019	**2020**
Mandatory reports on regulations	2	7
Voluntary consultations (IOSCO, ESMA and others)	14	15
Total	**16**	**22**

Source: CNMV.

Table 15.1.2 provides a breakdown of the issues addressed.

List of CNMV Advisory Committee actions in 2020 TABLE 15.1.2

Mandatory reports on regulations:

- Transposition of Directive (EU) 2019/879 of the European Parliament and of the Council, of 20 May 2019, amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, and Directive 98/26/EC (session of 16 March).
- Transposition of Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (session of 16 March).
- CNMV Draft Circular on advertising investment products and services (session of 7 September).
- CNMV Draft Circular on the amendment of ACGR and IARC models following the review of the Code of Good Governance (session of 7 September).
- Technical guide on currency derivatives used as means of payment that are not considered a financial instrument (session of 7 September).
- Draft bill and draft of the Royal Decree transposing Directive (EU) 2019/878 of the European Parliament and of the Council, of 20 May 2019, amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (session of 21 September).
- Draft bill and draft of the Royal Decree transposing Directive (EU) 2019/879 of the European Parliament and of the Council, of 20 May 2019, amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, and Directive 98/26/EC (session of 21 September).

Voluntary consultations (IOSCO, ESMA and others):

European Securities and Markets Authority (ESMA)

- Consultation on MiFID II/MiFIR review report on the transparency regime for equity and equity-like instruments, the double volume cap mechanism and the trading obligations for shares (session of 16 March).
- Consultation on MiFIR report SI (session of 16 March).
- Joint ESA consultation on ESG disclosures (session of 13 July).
- On the functioning of the regime for SME Growth Markets under the Markets in Financial Instruments Directive and on the amendments to the Market Abuse Regulation for the promotion of the use of SME Growth Markets (session of 13 July).

European Central Bank (ECB)

- Public consultation on the publication by the ECB of compounded term rates using the €STR (session 21 September).
- Public consultation by the working group on euro risk-free rates on EURIBOR fallback trigger events (session of 13 October).
- Public consultation by the working group on euro risk-free rates on € STR-based EURIBOR fallback rates (session of 13 October).

Financial Stability Board (FSB)

- Consultative document on the guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution (session of 13 July).

Spanish National Securities Market Commission (CNMV)

- CNMV strategic lines 2019-2020. 2020 Activity Plan (session of 20 January).
- Amendments to certain recommendations of the Code of Good Governance (session of 20 January).
- The situation created by COVID-19. Implications for the markets, supervised entities and issuers and investors, and actions and measures adopted by the CNMV (session of 20 April).

European Commission (EC)

- Consultation document. Digital Operational Resilience Framework for financial services: Making the EU financial sector more secure (session of 17 February).
- Consultation Document on an EU framework for markets in crypto-assets (session of 16 March).
- Public consultation on the review of the Alternative Investment Fund Managers Directive (AIFMD) (session of 13 October).
- Public consultation on the review of the European Long-Term Investment Funds (ELTIF) regulatory framework (session of 13 October).

Source: CNMV.

16 Financial statements of the CNMV

Some of the main financial statements included in the accounts prepared by the CNMV for 2020 are shown below, in addition to a comparison with the accounts audited and approved for the previous year. However, the full accounts, including the notes to the financial statements, are published separately once they have been audited by the IGAE (General Comptroller of the State Administration), presented to the Board and approved by the Chairman, no later than 31 July each year, in accordance with applicable regulations.

16.1 Balance sheet

Assets	Year 2020	Year 2019
A) Non-current assets	**126,118,887.28**	**122,519,135.34**
I. Intangible assets	**4,309,217.81**	**4,597,439.11**
1. Investment in research and development	1,214,352.75	1,434,721.52
3. Computer software	3,073,618.06	3,141,470.59
5. Other intangible assets	21,247.00	21,247.00
II. Property, plant and equipment	**73,624,042.68**	**74,673,678.45**
1. Land	43,637,812.22	43,621,179.71
2. Buildings	27,527,082.50	28,202,332.02
5. Other property, plant and equipment	2,459,147.96	2,850,166.72
IV. Long-term financial investments in group companies, jointly-controlled entities and associates	**47,785,496.69**	**42,982,244.82**
3. Loans and debt securities	47,785,496.69	42,982,244.82
V. Long-term financial investments	**400,130.10**	**265,772.96**
1. Financial investments in equity	935.36	935.36
2. Loans and debt securities	247,929.11	263,571.97
4. Other financial investments	151,265.63	1,265.63
B) Current assets	**62,174,951.57**	**64,660,523.49**
III. Trade and other receivables	**43,335,379.30**	**38,038,513.35**
1. Receivables for operating activities	34,920,685.23	32,493,638.12
2. Other receivables	8,414,681.64	5,544,862.80
3. Public authorities	12.43	12.43
IV. Short-term financial investments in group companies, jointly-controlled entities and associates	**5,571,344.38**	**8,938,063.74**
2. Loans and debt securities	5,571,344.38	8,938,063.74
V. Short-term financial investments	**192,156.23**	**209,502.81**
2. Loans and debt securities	192,156.23	209,502.81
VI. Accrual accounts	**324,280.68**	**479,514.75**
VII. Cash and cash equivalents	**12,751,790.98**	**16,994,928.84**
2. Cash	12,751,790.98	16,994,928.84
TOTAL ASSETS	**188,293,838.85**	**187,179,658.83**

16.1 Balance sheet *(continuation)*

Liabilities & Equity	Year 2020	Year 2019
A) Equity	**182,099,147.10**	
I. Contributed equity	**5,385,871.28**	**5,385,871.28**
II. Equity generated	**174,211,445.62**	**172,767,491.35**
1. Retained earnings/(accumulated losses)	10,428,334.09	10,428,334.09
2. Surplus for the year	16,104,166.84	14,660,212.57
3. Reserves	147,678,944.69	147,678,944.69
III. Valuation adjustments	**2,501,830.20**	**2,637,851.72**
2. Available-for-sale financial assets	2,501,830.20	2,637,851.72
B) Non-current liabilities	**1,431,289.44**	**1,388,534.86**
I. Long-term provisions	**1,431,289.44**	**1,388,534.86**
C) Current liabilities	**4,763,402.31**	**4,999,909.62**
I. Short-term provisions	**504,465.22**	**200,273.31**
II. Short-term debts	**167,454.28**	**407,046.18**
4. Other borrowings	167,454.28	407,046.18
IV. Trade and other payables	**4,091,482.81**	**4,392,590.13**
1. Payables for operating activities	1,426,008.45	1,870,800.53
2. Other payables	1,076,111.24	1,015,323.99
3. Public authorities	1,589,363.12	1,506,465.61
TOTAL LIABILITIES & EQUITY	**188,293,838.85**	**187,179,658.83**

Source: CNMV.

16.2 Income statement

	Year 2020	Year 2019
1. Tax revenues and social contributions	**61,694,240.83**	**60,263,730.77**
b) Fees	61,694,240.83	60,263,730.77
5. Own work capitalised	**844,811.78**	**1,060,548.42**
6. Other ordinary revenue	**39,148.38**	**61,182.49**
7. Provision surplus	**12,590.93**	**0.00**
A) TOTAL ORDINARY REVENUE (1+2+3+4+5+6+7)	**62,590,791.92**	**61,385,461.68**
8. Personnel expenses	**33,273,869.00**	**33,199,400.00**
a) Salaries, wages and similar	26,615,888.70	26,286,341.18
b) Employee welfare expenses	6,657,980.30	6,913,058.82
9. Transfers and subsidies granted	**2,065,641.19**	**2,093,668.42**
11. Other ordinary expenses	**9,638,275.10**	**9,906,123.36**
a) Supplies and outside services	9,129,763.95	9,413,032.72
b) Taxes	508,511.15	493,090.64
12. Depreciation and amortisation	**2,259,238.08**	**2,278,780.02**
B) TOTAL ORDINARY EXPENSES (8+9+10+11+12)	**47,237,023.37**	**47,477,971.80**
I. Profit/(loss) from ordinary activities (A+B)	**15,353,768.55**	**13,907,489.88**
13. Impairment of and net gains/(losses) on disposal of non-financial non-current assets and held-for-sale assets	**48,175.78**	**59,263.39**
a) Impairment	49,999.28	59,263.39
b) Derecognitions and disposals	1,823.50	0.00
14. Other non-ordinary items	**122,428.46**	**0.00**
a) Revenue	68,749.50	0.00
b) Expenses	191,177.96	0.00
II. Profit/(loss) from non-financial operations (I+13+14)	**15,279,515.87**	**13,966,753.27**
15. Finance income	**1,199,245.01**	**1,436,786.68**
b) From negotiable securities and loans forming part of non-current assets	1,199,245.01	1,436,786.68
b.1) In group companies, jointly-controlled entities and associates	910,384.17	1,131,229.23
b.2) Other	288,860.84	305,557.45
16. Finance costs	**42,702.09**	**13,428.98**
b) Other	42,702.09	13,428.98
19. Exchange differences	**4,392.22**	**6,824.45**
20. Impairment, derecognition and disposal of financial assets and liabilities	**327,499.73**	**723,073.95**
b) Other	327,499.73	723,073.95
III. Profit/(loss) from financial operations (15+16+17+18+19+20+21)	**824,650.97**	**693,459.30**
IV. Net profit/(loss) for the year (II+III)	**16,104,166.84**	**14,660,212.57**

Source: CNMV.

16.3 Statement of cash flows

	Year 2020	Year 2019
I. CASH FROM OPERATING ACTIVITIES		
A) Receipts	**57,385,202.70**	**63,791,498.38**
1. Tax revenues and social contributions	56,275,223.90	62,388,272.94
5. Interest and dividends received	954,585.66	1,227,128.65
6. Other receipts	155,393.14	176,096.79
B) Payments	**44,342,975.15**	**42,954,551.74**
7. Personnel expenses	32,313,848.21	31,940,396.76
8. Transfers and subsidies granted	2,008,887.74	1,936,729.48
10. Other operating expenses	9,810,521.40	8,878,584.08
13. Other payments	209,717.80	198,841.42
Net cash from operating activities (+A-B)	**13,042,227.55**	**20,836,946.64**
II. CASH FROM/(USED IN) INVESTING ACTIVITIES		
C) Receipts	**8,618,575.67**	**8,356,935.74**
2. Sale of financial assets	7,429,000.00	7,262,000.00
3. Other receipts from investing activities	1,189,575.67	1,094,935.74
D) Payments	**11,373,424.03**	**4,211,959.73**
5. Purchase of property investments	1,010,895.03	913,926.21
6. Purchase of financial assets	9,936,652.40	2,950,345.80
7. Other payments for investing activities	425,876.60	347,687.72
Net cash from/(used in) investing activities (+C-D)	**-2,754,848.36**	**4,144,976.01**
III. CASH FROM/(USED IN) FINANCING ACTIVITIES		
F) Payments to owning entity/entities	**14,660,212.57**	**20,962,503.81**
2. Return of contributions and distribution of profit to owner(s)	14,660,212.57	20,962,503.81
Net cash from/(used in) financing activities (+E-F+G-H)	**-14,660,212.57**	**-20,962,503.81**
IV. CASH FLOWS PENDING CLASSIFICATION		
I) Receipts pending application	**134,087.74**	**35,946.72**
J) Payments pending application	**0.00**	**0.00**
Net cash flows pending classification (+I-J)	**134,087.74**	**35,946.72**
V. EFFECT OF VARIATIONS IN EXCHANGE RATES	**-4,392.22**	**-6,824.45**
VI. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)	**-4,243,137.86**	**4,048,541.11**
Cash and cash equivalents at the start of the year	**16,994,928.84**	**12,946,387.73**
Cash and cash equivalents at the end of the year	**12,751,790.98**	**16,994,928.84**

Source: CNMV.

16.4 Statement of comprehensive changes in equity

	I. Contributed equity	II. Equity generated	III. Valuation adjustments	IV. Other equity increases	Total
A. Equity at the end of financial year N-1	**5,385,871.28**	**172,767,491.35**	**2,637,851.72**	**0.00**	**180,791,214.35**
B. Adjustments for changes in accounting criteria and error correction	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
C. Adjusted starting equity for financial year N (A+B)	**5,385,871.28**	**172,767,491.35**	**2,637,851.72**	**0.00**	**180,791,214.35**
D. Changes in equity in financial year N	**0.00**	**1,443,954.27**	**136,021.52**	**0.00**	**1,307,932.75**
1. Recognised income and expense in the year	0.00	16,104,166.84	136,021.52	0.00	15,968,145.32
2. Transactions with owner(s)	0.00	14,660,212.57	0.00	0.00	14,660,212.57
3. Other changes in equity	0.00	0.00	0.00	0.00	0.00
E. Equity at end of financial year N (C+D)	**5,385,871.28**	**174,211,445.62**	**2,501,830.20**	**0.00**	**182,099,147.10**

Source: CNMV.

Annexes

Statistical annexes I: Markets and issuers

Capital increases and initial public offerings[1]

I.1

Amounts in millions of euros

	Number of issuers			Number of issues		
	2019	2020	Change 20/19	2019	2020	Change 20/19
Capital increases with fund raising	**24**	**16**	**-8**	**37**	**23**	**-14**
With preemptive rights	8	5	-3	9	5	-4
Without preemptive rights (IPO)[2]	1	1	0	1	1	0
Of which, increases	1	0	-1	1	0	-1
Accelerated book builds	0	1	1	0	1	1
Capital increases with non-monetary considerations[3]	2	1	-1	2	2	0
Capital increases by conversion	3	2	-1	4	2	-2
Other	13	8	-5	21	12	-9
Bonus issues	**10**	**13**	**3**	**15**	**18**	**3**
Of which, scrip dividends	9	12	3	14	17	3
Total capital increases	**33**	**28**	**-5**	**52**	**40**	**-12**
Initial public offerings (IPOs)	**0**	**0**	**0**	**0**	**0**	**0**
Of which, increases	0	0	0	0	0	0

Source: CNMV. (1) Does not include data from the MAB, ETFs or Latibex. (2) Public subscription offering. (3) Capital increases for non-monetary consideration have been stated at market value.

Capital increases and initial public offerings in 2020: cash amount

I.2

Amounts in millions of euros

Issuer	Cash amount[1]	Type of transaction	Date registered
Airbus SE	158.7	Capital increase for the conversion of convertible bonds	16-Jan-20
Vértice Trescientos Sesenta Grados, S.A.	12.5	Capital increase for non-monetary consideration	16-Jan-20
Repsol, S.A.	106.9	Bonus issue to meet dividend payment	22-Jan-20
Faes Farma, S.A.	0.7	Bonus issue to meet dividend payment	22-Jan-20
Nueva Expresión Textil, S.A.	3.7	Capital increase for the conversion of convertible bonds	23-Jan-20
Iberdrola, S.A.	238.6	Bonus issue to meet dividend payment	07-Feb-20
Sacyr, S.A.	1.7	Bonus issue to meet dividend payment	19-Feb-20
ACS, Actividades de Construcción y Servicios, S.A.	48.6	Bonus issue to meet dividend payment	12-Mar-20
Amadeus IT Group, S.A.	750.0	Accelerated book build	07-Apr-20
Airbus SE	4.9	Other capital increases	21-May-20

Capital increases and initial public offerings in 2020: Cash amount *(continuation)*

Amounts in millions of euros

Issuer	Cash amount[1]	Type of transaction	Date registered
Arcelormittal, S.A.	693.4	Other capital increases	21-May-20
Coca-Cola European Partners Plc	0.0	Other capital increases	02-Jun-20
Ferrovial, S.A.	93.5	Bonus issue to meet dividend payment	16-Jun-20
Deoleo, S.A.	50.0	Capital increase with preemptive subscription rights	24-Jun-20
Oryzon Genomics, S.A.	20.0	Other capital increases	29-Jun-20
Berkeley Energy Limited	0.2	Other capital increases	30-Jun-20
Fomento de Construcciones y Contratas, S.A.	2.0	Bonus issue to meet dividend payment	09-Jul-20
Prosegur Cash, S.A.	16.8	Other capital increases	09-Jul-20
Telefónica, S.A.	370.7	Bonus issue to meet dividend payment	14-Jul-20
ACS, Actividades de Construcción y Servicios, S.A.	150.9	Bonus issue to meet dividend payment	17-Jul-20
Repsol, S.A.	236.2	Bonus issue to meet dividend payment	21-Jul-20
Edreams Odigeo, S.A.	8.3	Other capital increases	30-Jul-20
Iberdrola, S.A.	324.2	Bonus issue to meet dividend payment	04-Aug-20
Cellnex Telecom, S.A.	3,999.5	Capital increase with preemptive subscription rights	19-Aug-20
Coca-Cola European Partners Plc	0.0	Other capital increases	06-Oct-20
International Consolidated Airlines Group, S.A.	2,741.1	Capital increase with preemptive subscription rights	06-Oct-20
Almirall, S.A.	0.4	Capital increase with preemptive subscription rights	09-Oct-20
Prosegur Cash, S.A.	17.2	Other capital increases	13-Oct-20
Laboratorio Reig Jofre, S.A.	0.4	Bonus issue to meet dividend payment	23-Oct-20
Soltec Power Holdings, S.A.	150.1	Public subscription offering	28-Oct-20
Coca-Cola European Partners Plc	0.0	Other capital increases	10-Nov-20
Airtificial Intelligence Structures, S.A.	4.3	Other capital increases	10-Nov-20
Airtificial Intelligence Structures, S.A.	15.1	Capital increase with preemptive subscription rights	10-Nov-20
General de Alquiler de Maquinaria, S.A.	31.5	Capital increase with preemptive subscription rights	26-Nov-20
Airbus SE	5.2	Other capital increases	01-Dec-20
Sacyr, S.A.	10.6	Bonus issue to meet dividend payment	03-Dec-20
Vértice Trescientos Sesenta Grados, S.A.	220.5	Capital increase for non-monetary consideration	03-Dec-20
Ferrovial, S.A.	1.2	Bonus issue to meet dividend payment	03-Dec-20
Banco Santander, S.A.	361.3	Bonus issue to meet dividend payment	10-Dec-20
Vidrala, S.A.	1.4	Bonus issue to meet dividend payment	15-Dec-20

Source: CNMV. (1) Capital increases for non-monetary consideration have been stated at market value.

Delistings in 2020[1]

I.3

Company	Market	Reason. Procedure	Date
Sniace, S. A.	SIBE	By resolution of the CNMV Executive Committee.	14/07/2020
Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A.	SIBE	The bid made by the company itself was settled in accordance with Article 7.4 of Royal Decree 1197/1991.	30/09/2020
MásMóvil Ibercom, S.A.	SIBE	The bid made by the company itself was settled in accordance with Article 7.4 of Royal Decree 1197/1991.	16/11/2020

Source: CNMV. (1) It excludes MAB, Latibex and ETFs.

Sector indices in the Madrid and Barcelona stock exchanges

I.4

Yield in the period (%)

					2020			
	2017	2018	2019	2020	I	II	III	IV
Madrid Stock Exchange								
Oil and energy	3.9	6.1	14.4	5.0	-13.9	10.6	-1.8	12.2
Electricity and gas	2.0	8.9	18.4	14.2	-7.7	12.9	1.0	8.5
Basic mats., industry and construction	2.6	-8.6	24.9	-2.5	-30.5	11.5	-1.5	27.8
Consumer goods	-2.1	-16.7	34.8	-15.3	-19.1	-0.3	-0.8	5.8
Consumer services	23.3	23.3	8.6	-36.7	-50.2	8.8	-11.8	32.5
Financial and real estate services	10.5	-27.1	-2.6	-26.4	-40.7	1.0	-19.8	53.4
Banking	10.6	-29.0	-3.4	-27.5	-41.9	0.9	-20.6	55.7
Real Estate and others	17.6	-26.1	-11.0	-32.1	-37.5	2.4	-3.5	10.0
Technology and telecommunications	7.5	-5.5	4.5	-21.9	-30.3	11.0	-9.7	11.7
Madrid Stock Exchange General Index	**7.6**	**-15.0**	**10.2**	**-29.4**	**-29.4**	**6.4**	**-7.4**	**21.7**
Barcelona Stock Exchange								
Electricity	1.7	8.5	24.2	18.9	-4.8	13.0	1.5	8.9
Banks	9.3	-29.3	-3.2	-28.5	-42.1	0.5	-19.2	51.8
Chemicals and pharmaceuticals	11.9	-3.3	8.0	-	-31.7	-3.8	-17.5	-
Cement, construction and real estate	15.6	-12.7	26.6	-20.1	-33.8	10.2	-7.2	18.0
Metallurgy	-9.5	-20.8	18.9	43.5	-30.1	17.5	27.0	37.6
Food, agriculture and forestry	6.0	-23.3	-2.6	-	3.1	11.9	-0.3	-
Textiles and paper	-8.2	-22.7	38.3	-17.8	-25.6	1.5	-2.3	11.4
Trade and finance	-5.3	-50.0	-11.9	-15.7	-26.0	3.7	-10.3	22.4
Sundry services	10.7	-6.3	8.6	-23.9	-32.9	9.3	-8.1	12.9
BCN Global 100	**7.3**	**-17.4**	**8.2**	**-16.8**	**-31.7**	**6.0**	**-8.1**	**25.0**

Source: Refinitiv Datastream.

Concentration of capitalisation by sector[1]

I.5

Number of companies required in order to achieve a specific percentage

	2019				2020			
Sector	**25%**	**50%**	**75%**	**100%**	**25%**	**50%**	**75%**	**100%**
Energy	1	1	1	1	1	1	1	1
Mining & basic metals	1	2	3	10	1	1	3	11
Cement and construction materials	1	2	2	9	1	2	2	8
Chemicals and pharmaceuticals	1	1	2	3	1	1	2	3
Textiles and paper	1	1	2	7	1	1	2	7
Metal-mechanical	1	1	1	8	2	2	2	8
Food	1	3	5	15	1	2	4	15
Construction	1	2	3	11	1	2	3	11
Real estate companies and SOCIMIs (Spanish REITs)	1	2	3	7	1	2	3	7
Transport and communication	1	2	4	18	3	4	6	18
Other non-financial	1	2	3	7	1	2	3	6
Banks	1	1	5	27	1	2	3	26
Insurance	1	2	3	9	1	5	5	9
Portfolio companies	1	1	2	2	1	1	2	2
SICAVs	1	2	2	6	1	1	1	4
Financial institutions	0	0	0	0	0	0	0	0
Entidades de financiación	0	0	0	0	0	0	0	0

Source: CNMV. (1) It includes capitalisation only of companies that were traded at some time during the year. It excludes Latibex, MAB and ETFs.

Concentration of equity stock market trading

I.6

Number of companies required in order to achieve a specific percentage

	2019				2020			
	25%	**50%**	**75%**	**100%**	**25%**	**50%**	**75%**	**100%**
All markets[1]	2	5	13	142	3	7	16	136
Continuous market	2	5	13	133	3	7	16	128
Domestic	2	5	14	125	3	7	15	121
Foreign	1	1	1	8	1	1	2	7
Open outcry	1	1	2	8	1	1	1	8
Secondary market	1	1	1	1	0	0	0	0
ETFs	1	2	3	6	1	2	3	5
MAB	5	48	183	2,869	5	41	166	2,612
Latibex	1	1	2	18	1	1	2	18

Source: CNMV. (1) It excludes Latibex, MAB and ETFs.

Percentage of capitalisation by sector and the largest companies within each sector with respect to the overall market[1]

I.7

Sector	% sector/market[2]	Companies with the largest capitalisation in the sector	% company/market[3]
Oil	2.2%	Repsol YPF	2.2%
Energy and water	23.7%	Iberdrola	12.8%
Energy and water		Endesa	4.1%
Energy and water		Gas Natural SDG	3.2%
Mining & basic metals	1.0%	CIE Automotive	0.5%
Mining & basic metals		Acerinox	0.4%
Mining & basic metals		Arcelor	0.1%
Cement and construction materials	0.6%	Vidrala, S.A.	0.5%
Cement and construction materials		Cementos Molins, S.A.	0.2%
Cement and construction materials		Uralita	0.0%
Chemicals and pharmaceuticals	3.6%	Grifols	2.5%
Chemicals and pharmaceuticals		Laboratorios Farmacéuticos Rovi, S.A.	0.4%
Chemicals and pharmaceuticals		Almirall, S.A.	0.3%
Textiles and paper	14.3%	Industria de Diseño Textil (Inditex)	14.0%
Textiles and paper		Grupo Empresarial Ence	0.1%
Textiles and paper		Miquel Costas & Miquel	0.1%
Metal-mechanical	1.6%	Zardoya Otis	0.5%
Metal-mechanical		Gestamp Automoción, S.A.	0.4%
Metal-mechanical		Construcciones y Auxiliar de Ferrocarriles, S.A.	0.2%
Food	1.4%	Ebro Foods, S.A.	0.5%
Food		Viscofan	0.5%
Food		Amrest Holdings, SE	0.2%
Construction	6.3%	Ferrovial, S.A.	2.9%
Construction		ACS, Actividades de Construcción y Servicios	1.5%
Construction		Acciona, S.A.	1.1%
Real estate companies and SOCIMIs (Spanish REITs)	2.1%	Grupo Inmocaral	0.7%
Real estate companies and SOCIMIs (Spanish REITs)		Merlin Properties, SOCIMI, S.A.	0.6%
Real estate companies and SOCIMIs (Spanish REITs)		Aedas Homes, S.A.	0.2%
Transport and communication	13.0%	Cellnex Telecom, S.A.	4.1%
Transport and communication		Aena SME, S.A.	3.7%
Transport and communication		Telefónica	3.0%
Other non-financial	11.6%	Amadeus IT Group, S.A.	4.6%
Other non-financial		Gamesa Corporación Tecnológica	3.9%
Other non-financial		Fluidra, S.A.	0.7%
Banks	16.6%	Banco Santander, S.A.	7.6%
Banks		Banco Bilbao Vizcaya Argentaria	4.6%
Banks		CaixaBank, S.A.	2.2%
Insurance	1.5%	Mapfre, S.A.	0.8%
Insurance		Grupo Catalana Occidente	0.6%
Portfolio companies	0.5%	Corporación Financiera Alba	0.4%
Portfolio companies		Alantra Partners, S.A.	0.1%
Portfolio companies		Mobiliaria Monesa, S.A.	0.0%

Source: CNMV. (1) Capitalisation at year-end. (2) Capitalisation of the sector as a percentage of the overall market. (3) Capitalisation of the companies listed as a percentage of the overall market.

Capitalisation and trading volume of Ibex 35 companies[1]

I.8

Amounts in millions of euros

	Market capitalisation[2]			Trading volume		
Company	2019	2020	% total[3]	2019	2020	% total[3]
Industria de Diseño Textil (Inditex)	98,018.7	81,157.6	14.0	42,049.3	31,203.6	7.4
Iberdrola	58,403.8	74,295.7	12.8	36,493.2	46,319.2	11.0
Banco Santander, S.A.	61,985.6	44,010.5	7.6	77,788.6	45,270.5	10.7
Banco Bilbao Vizcaya Argentaria	33,226.1	26,904.9	4.6	39,001.9	28,015.1	6.6
Amadeus IT Group, S.A.	31,396.3	26,831.7	4.6	24,731.1	25,839.9	6.1
Cellnex Telecom, S.A.	14,785.0	23,907.1	4.1	8,311.2	16,052.0	3.8
Endesa	25,187.7	23,663.1	4.1	9,279.7	9,696.0	2.3
Gamesa Corporación Tecnológica	10,649.7	22,539.0	3.9	6,329.6	7,628.8	1.8
Aena SME, S.A.	25,575.0	21,330.0	3.7	10,417.9	9,502.6	2.2
Gas Natural SDG	22,044.3	18,383.9	3.2	7,884.7	7,063.9	1.7
Telefónica	32,331.4	17,290.8	3.0	39,769.5	26,642.2	6.3
Ferrovial, S.A.	19,828.8	16,563.6	2.9	12,281.7	12,209.7	2.9
Grifols	18,830.9	14,207.2	2.5	6,786.2	8,728.6	2.1
Repsol YPF	21,276.6	12,601.0	2.2	28,540.5	27,324.4	6.5
CaixaBank, S.A.	16736.1	12,567.0	2.2	12,285.9	10,545.0	2.5
Red Eléctrica de España	9,698.9	9,076.6	1.6	9,804.2	8,882.3	2.1
International Consolidated Airlines Group, S.A.	14,382.5	8,903.9	1.5	5,452.4	9,420.2	2.2
ACS, Actividades de Construcción y Servicios	11,217.8	8,434.5	1.5	7,955.2	9,070.6	2.1
Acciona, S.A.	5,145.6	6,401.8	1.1	2,361.2	3,365.5	0.8
Mapfre, S.A.	7,267.7	4,905.7	0.8	3,061.0	3,156.6	0.7
Enagás	5,957.7	4,706.7	0.8	7,806.6	7,225.9	1.7
Bankia, S.A.	5,839.8	4,447.7	0.8	4,091.0	2,825.4	0.7
Grupo Inmocaral	5,772.2	4,077.6	0.7	2,033.5	1,697.9	0.4
Bankinter, S.A.	5,871.4	3,976.6	0.7	4,283.4	4,768.6	1.1
Merlin Properties, SOCIMI, S.A.	6,008.4	3,654.8	0.6	3,017.9	3,464.7	0.8
Solaria Energía y Medioambiente, S.A.	849.7	2,953.8	0.5	869.3	2,605.9	0.6
CIE Automotive	2,719.3	2,703.5	0.5	1,327.9	1,316.9	0.3
Viscofan	2,190.2	2,699.3	0.5	1,230.8	1,562.4	0.4
Acerinox	2,717.6	2,444.1	0.4	2,411.0	1,805.3	0.4
Banco de Sabadell	5,852.0	1,991.9	0.3	7,300.6	6,132.0	1.5
Almirall, S.A.	2,555.5	1,945.0	0.3	1,115.3	1,252.9	0.3
Pharma Mar, S.A.	794.9	1,303.2	0.2	650.8	4,893.2	1.2
Meliá Hotels International, S.A.	1,805.4	1,260.7	0.2	1,273.9	1,666.6	0.4
Indra Sistemas	1,798.3	1,233.0	0.2	1,334.9	1,595.6	0.4
Arcelor	641.5	686.3	0.1	2,996.1	2,585.4	0.6

Source: CNMV. (1) Companies in the Ibex 35 at 31 December 2020. (2) Capitalisation on the last day of the year. (3) With respect to the market total.

Takeover bids authorised in 2020

I.9

Amounts in millions of euros

Company	Offeror	Purpose	% capital addressed by the bid	Amount paid	Result (%)[1]
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	SIX Group AG	Voluntary takeover bid to take control	100.00	2,648.60	93.16
MásMóvil Ibercom, S.A.	Lorca Telecom BidCo, S.A.U.	Voluntary takeover bid to take control	100.00	2,560.94	86.41
Total				**5,209.54**	

Source: CNMV. (1) Percentage of share capital admitted to trading. In the event of pro-rating, the co-efficient is indicated.

Companies listed on Latibex by sector

I.10

Amounts in millions of euros, unless indicated otherwise

	Number of companies		Market capitalisation			Trading volume		
Sector	**2019**	**2020**	**2019**	**2020**	**% change 20/19**	**2019**	**2020**	**% change 20/19**
Oil	1	1	33.9	25.6	-24.43	10.9	11.2	2.88
Energy	2	2	2.6	2.0	-24.25	2.4	1.2	-49.39
Mining & basic metals	5	5	95.4	94.8	-0.59	27.2	15.2	-44.20
Chemicals and pharmaceuticals	1	1	0.5	0.5	-6.19	0.1	0.4	197.09
Textiles and paper	0	0	0.0	0.0	-	0.0	0.0	-
Metal-mechanical	1	1	0.1	0.1	-16.22	0.0	0.2	2,501.74
Food	0	0	0.0	0.0	-	0.0	0.0	-
Real estate companies and SOCIMIs (Spanish REITs)	1	1	0.0	0.0	0.00	0.0	0.0	-
Transport and communications	1	1	0.5	0.4	-23.17	0.3	0.4	59.40
Other non-financial	1	1	0.0	0.0	126.68	1.0	0.3	-73.81
Banks	4	4	4.5	3.1	-29.74	0.5	0.9	76.42
Portfolio companies	1	1	0.0	0.0	-3.04	0.3	0.1	-41.21
Financial institutions	1	1	61.6	50.7	-17.66	94.0	49.6	-47.31
Total	**19**	**19**	**199.0**	**177.2**	**-10.96**	**136.8**	**79.5**	**-41.88**

Source: CNMV.

Net issues by public administrations

I.11

Nominal amounts in millions of euros

	Amount				% year-on-year change		
	2017	**2018**	**2019**	**2020**	**18/17**	**19/18**	**20/19**
Central government	**46,962**	**41,684**	**17,117**	**100,718**	**-11.2**	**-58.9**	**488.4**
Short term	-3,528	-8,393	-9,024	15,981	-137.9	-7.5	277.1
Long term	50,490	50,077	26,141	84,737	-0.8	-47.8	224.2
Autonomous regions	**106**	**-3,621**	**1,698**	**-2,760**	**-3,506.2**	**146.9**	**-262.5**
Short term	0	-53	208	-138	-11,447.9	490.9	-166.1
Long term	106	-3,568	1,490	-2,622	-3,470.9	141.8	-276.0
Local authorities	**-165**	**-134**	**-53**	**0**	**18.7**	**60.5**	**100.0**
Short term	–	–	–	–	–	–	–
Long term	-165	-134	-53	0	18.7	60.5	100.0
Total public administrations	**46,903**	**37,929**	**18,762**	**97,958**	**-19.1**	**-50.5**	**422.1**

Source: Bank of Spain and CNMV.

Number of issuers and issuances filed with the CNMV. Breakdown by instrument

I.12

	Number of issuers[1]		Number of issues	
	2019	**2020**	**2019**	**2020**
Long term	**33**	**41**	**287**	**233**
Non-convertible bonds	13	11	205	143
of which, subordinated debt	1	1	3	1
Convertible bonds	0	0	0	0
Mortgage-backed securities	12	14	29	26
Regional covered bonds	2	3	1	6
Securitisation bonds	13	15	48	52
asset-backed (ABS)	13	15	48	52
mortgage-backed (MBS)	0	0	0	0
Preferred shares	1	2	1	2
Other issues	1	2	1	4
Short term[2]	**11**	**11**	**11**	**11**
Corporate commercial paper	11	11	11	11
of which, asset-backed	0	0	0	0
Total	**39**	**47**	**298**	**244**

Source: CNMV. (1) In the case of issuers, the totals do not necessarily coincide with the sum, given that the same issuer may issue various types of instruments. (2) Shelf registrations.

Main fixed income issuers[1] registered with the CNMV in 2020

I.13

Nominal amounts in millions of euros

	Nominal amount issued		
Name of issuing company	Total	Short term[2]	Long term
Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria	27,867	0	27,867
Banco Santander, S.A.	17,266	0	17,266
Bankia, S.A.	15,900	15,000	900
Sol Lion II RMBS, Fondo de titulización	14,057	0	14,057
Bankinter, S.A.	9,835	4,000	5,835
Banco de Sabadell, S.A.	9,500	7,000	2,500
Banco Bilbao Vizcaya Argentaria, S.A.	6,000	0	6,000
Santander Consumer Finance, S.A.	5,000	5,000	0
RMBS Santander 6, Fondo de titulización	4,725	0	4,725

Source: CNMV. (1) Issuers that registered issues exceeding €4 billion in 2020. (2) Nominal amount of shelf registrations.

Main fixed income issuers[1] registered with the CNMV in 2020. Breakdown by instrument

I.14

Nominal amounts in millions of euros

Asset type	Issuer	Amount
Simple bonds	Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria	27,867
Internationalisation certificates	Banco Santander, S.A.	5,766
Mortgage-backed securities	Banco Santander, S.A.	6250
	Bankinter, S.A.	4,500
	Banco de Sabadell, S.A.	2,500
	Banco Bilbao Vizcaya Argentaria, S.A.	2,000
	Cajamar Rural, Sociedad Cooperativa de Crédito	1,750
Regional covered bonds	Banco Santander, S.A.	5,250
	Banco Bilbao Vizcaya Argentaria, S.A.	3,000
Commercial paper programme[2]	Bankia, S.A.	15,000
	Banco de Sabadell, S.A.	7,000
	Santander Consumer Finance, S.A.	5,000
	Bankinter Sociedad de Financiación, S.A.	4,000
	Bankinter, S.A.	4,000
	Endesa, S.A.	4,000
Securitisation bonds	Sol Lion II RMBS, Fondo de titulización	14,057
	RMBS Santander 6, Fondo de titulización	4,725
	Caixabank Consumo 5, Fondo de titulización	3,550
	Caixabank PYMES 12, Fondo de titulización	2,550
	BBVA Consumo 3, Fondo de Titulización	2,030
	BBVA Leasing 2, Fondo de titulización	1,743

Source: CNMV. (1) Issuers that issued more than €1.5 billion in 2020 in the corresponding financial instrument. (2) Nominal amount of shelf registrations.

Commercial paper issuers: largest[1] outstanding balances at 31 December 2020

I.15

Amounts in millions of euros

Issuer	Amount	% of total	% accum.
Bankinter, S.A.	1,185	24.62	24.62
Endesa, S.A.	1,137	23.62	48.23
Banco de Sabadell, S.A.	779	16.19	64.42
Santander Consumer Finance, S.A.	767	15.94	80.36
Bankinter Sociedad de Financiación, S.A.	500	10.39	90.75
Telefónica, S.A.	269	5.59	96.34
Banca March, S.A.	121	2.52	98.86
Aena SME, S.A.	55	1.14	100.00

Source: AIAF. (1) Issuers with an outstanding balance greater than €500 million.

Main securitisation bond issuers in 2020[1]

I.16

Amounts in millions of euros

Issuer	Amount	Assets securitised
Sol Lion II RMBS	14,057	Mortgage loans
RMBS Santander 6	4,725	Mortgage loans
Caixabank Consumo 5	3,550	Consumer loans
Caixabank Pymes 12	2,550	SMEs[2]
Santander Consumo 3	2,030	Consumer loans
BBVA Leasing 2	1,743	Finance leases

Source: CNMV. (1) Issuers with CNMV-registered issuances of more than €1.5 billion at year-end. (2) It includes funds whose portfolios include almost all loans to SMEs.

Securitisation bonds, by type of asset securitised

I.17

Nominal amounts in millions of euros

	2016	2017	2018	2019	2020
Via the FTH (mortgage securitisation fund)	**0**	**0**	**0**	**0**	**0**
Via FTAs (asset securitisation funds)	**35,505**	**29,415**	**18,145**	**18,741**	**36,281**
Mortgage securitisation funds	**19,621**	**14,885**	**683**	**3,025**	**19,701**
Mortgage loans	19,621	14,885	683	2,525	19,701
Mortgage-backed securities	0	0	0	500	0
Real estate developer loans	0	0	0	0	0
Corporate FTAs (asset securitisation funds)	**7,500**	**4,850**	**10,442**	**7,430**	**4,293**
SMEs[1]	5,000	3,750	10,442	5,600	2,550
FTPYME[1]	0	0	0	0	0
FTGENCAT[1]	0	0	0	0	0
Business loans[2]	2,500	0	0	0	0
Corporate loans[3]	0	0	0	0	0
Finance leases	0	1,100	0	1,830	1,743
FTA (asset securitisation funds), other	**8,384**	**9,680**	**7,020**	**8,286**	**12,288**
Subordinated debt	0	0	0	0	0
Treasury bonds	0	0	0	0	0
Loans to public administrations	0	0	0	0	0
Regional covered bonds	0	0	0	0	0
Consumer loans	3,015	4,672	2,504	3,097	6,430
Auto loans	3,056	977	1,534	1,556	4,658
Accounts receivable	0	0	0	0	0
Rights to future loans	0	0	0	0	0
Securitisation bonds	0	0	0	0	0
Other loans	2,313	4,032	2,982	3,633	1,200
Total securitisation bonds	**35,505**	**29,415**	**18,145**	**18,741**	**36,281**
Total securitisation commercial paper issued[4]	**1,880**	**2,200**	**240**	**0**	**0**
Total bonds and commercial paper	**37,385**	**31,615**	**18,385**	**18,741**	**36,281**
Pro memoria:					
Mortgage subtotal	**19,621**	**14,885**	**683**	**3,025**	**19,701**

Source: CNMV. (1) It comprises funds the portfolios of which consist almost entirely of loans to SMEs. (2) It comprises funds the portfolios of which contain loans to any type of business: self-employed, micro-enterprises, SMEs and larger companies. (3) It comprises funds the portfolios of which consist only of loans to large companies. (4) Gross issues of asset securitisation funds with securitisation commercial paper programmes.

Proprietary trading on AIAF

I.18

Nominal amounts in millions of euros

	2016	2017	2018	2019	2020	% change 20/19
Commercial paper	9,977	3,820	0	0	0	–
Bonds	21,816	8,413	27	15	9	-41.82
Securitisation bonds	10,361	6,207	0	0	0	–
Mortgage-backed securities	17,230	6,583	0	0	0	–
Regional covered bonds	3,243	368	0	0	0	–
Matador bonds	0	0	0	0	0	–
Total private fixed income	**52,267**	**19,183**	**27**	**15**	**9**	**-41.82**
Treasury bills	0	0	0	0	0	–
Government bonds	18	9	443	0	5	–
Total public debt	18	9	443	0	5	–
Total	**52,285**	**19,192**	**470**	**15**	**14**	**-7.72**

Number, unitholders, assets and breakdown of changes in assets of securities and real estate investment funds[1]

II.1

Amounts in millions of euros

	Number of funds		Number of unitholders		Assets					Pro memoria:
					Amount	Change[2]				Distribution of net subscriptions to investment funds (%)
Category	2020	% change vs. Dec-19	2020	% change vs. Dec-19	2020	Total vs. Dec-19	Net subsc.	Net yield	Gross profits distributed	
Fixed income[3]	276	-5	4,135,294	466,970	81,016.0	2,432.7	2,062.6	371.5	-1.3	1,074.3
Mixed fixed income[4]	174	1	1,203,280	115,399	43,200.4	2,380.5	2,606.2	-206.7	-19.0	1,357.4
Mixed equity[5]	186	1	745,112	37,953	30,432.7	1,656.9	1,601.4	55.5	-0.1	834.1
Euro equity	104	-9	530,107	-68,794	7,091.1	-3,054.0	-2,007.8	-1,044.8	-1.4	-1,045.7
Global equity	276	13	3,043,542	388,419	37,722.5	3,643.6	2,633.1	1,012.7	-2.2	1,371.4
Guaranteed fixed income	55	-11	135,320	-19,660	4,177.0	-632.3	-707.4	75.2	0.0	-368.4
Guaranteed equity[6]	133	-22	356,439	-72,031	11,037.1	-2,192.0	-2,254.2	62.2	0.0	-1,174.1
Global funds	247	-8	1,409,599	49,684	40,918.0	-2,123.9	-1,526.6	-596.3	-0.9	-795.1
Passive management[7]	118	-15	511,251	81,823	14,014.3	-59.5	-23.8	-28.7	-7.0	-12.4
Absolute return	72	-12	587,040	-59,002	10,057.4	-1,760.9	-1,761.9	1.7	-0.8	-917.7
Total IFs	**1,641**	**-69**	**12,656,984**	**917,801**	**279,666.0**	**289.0**	**621.4**	**-298.2**	**-32.7**	**323.6**
Funds of hedge funds	6	0	2,742	-10	362.6	63.5	-226.5	69.3	0.0	-118.0
Hedge funds	57	9	7,399	354	2,261.3	-228.2	-202.9	-30.4	5.1	-105.7
Total funds (Total IFs+funds of hedge funds+hedge funds)	**1,704**	**-60**	**12,667,125**	**918,145**	**282,290.0**	**125.1**	**192.0**	**-259.0**	**-28.0**	**100.0**
Real estate funds	**2**	**0**	**483**	**0**	**310.8**	**1.4**	**0.0**	**1.4**	**0.0**	**-**
Foreign CIS[8]	**1,048**	**15**	**4,312,340**	**950,439**	**199,419.3**	**20,577.8**	**-**	**-**	**-**	**-**

Source: CNMV. (1) Sub-funds which have sent confidential statements (it excludes funds in dissolution or liquidation). The data of special purpose sub-funds are included only in the totals, not in the breakdowns by category. (2) For each category, the variation in assets is due to net subscriptions, including those due to changes in the investor profile, gross profits paid out and net yields on assets. (3) Until 2019 it includes the following categories (CNMV Circular 3/2011): euro fixed income, global fixed income, money market and short term money market. From 2020 onwards it includes the following categories (CNMV Circular 1/2019): short-term public debt constant net asset value MMF, short-term low volatility net asset value MMF, short-term variable net asset value MMF, standard variable net asset value MMF, euro fixed income and short-term euro fixed income. (4) It comprises euro mixed fixed income and global mixed fixed income. (5) It comprises euro mixed equity and global mixed equity. (6) It comprises guaranteed variable return and partial guarantee. (7) Until 2019 it comprises: Passively managed CISS (CNMV Circular 3/2011). From 2020 onwards it comprises the following categories (Circular 1/2019): Passively managed CISs, CISs that replicate an index and CISs with a specific non-guaranteed target return. (8) The number of foreign CISs includes only UCITS registered with the CNMV. The data of unitholders and investment volumes are estimated using the data received to date. The volume of investment is the result of multiplying the number of shares and units distributed in Spain by their value at the end of the corresponding period.

Fund portfolio: weight in the outstanding balance of Spanish securities[1]

II.2

%

	2016	2017	2018	2019	2020
Listed equity[2]	2.3	2.6	3.0	2.6	2.5
Private fixed income	2.3	1.9	1.6	1.3	0.1
Short term	24.5	14.8	17.4	24.3	0.0
Long term	1.5	1.6	1.3	1.0	1.0
Public fixed income	5.2	4.2	3.5	2.9	2.3
Short term	6.7	6.8	9.0	7.8	6.0
Long term	5.0	3.9	3.1	2.6	2.1

Source: CNMV and Bank of Spain. (1) Internal portfolio of financial investment funds, excluding hedge funds and funds of hedge funds at realisation value. Does not include repos. (2) Listed equity as a percentage of the capitalisation of Spanish securities in the continuous market, open outcry market and MAB.

Expenses charged to financial investment funds

II.3

% of average daily assets

	Management fees			Depository fees[1]		
	2018	2019	2020	2018	2019	2020
Total investment funds[2]	**0.86**	**0.85**	**0.84**	**0.07**	**0.07**	**0.08**
Fixed income	0.45	0.44	0.42	0.06	0.06	0.06
Mixed fixed income	0.96	0.92	0.89	0.08	0.08	0.08
Mixed equity	1.26	1.29	1.29	0.10	0.10	0.10
Euro equity	1.47	1.49	1.46	0.10	0.10	0.10
Global equity	1.41	1.41	1.32	0.09	0.09	0.09
Guaranteed fixed income	0.38	0.36	0.36	0.05	0.05	0.05
Guaranteed equity	0.53	0.47	0.45	0.05	0.05	0.05
Global funds	0.98	1.03	1.07	0.08	0.08	0.08
Passive management	0.48	0.42	0.41	0.05	0.05	0.05
Absolute return	0.79	0.81	0.78	0.06	0.06	0.07
Funds of hedge funds	**3.94**	**2.45**	**1.90**	**0.10**	**0.07**	**0.06**
Hedge funds[3]	**1.86**	**1.26**	**1.49**	**0.01**	**0.00**	**0.00**

Source: CNMV. (1) Except for hedge funds where they are financing fees. (2) The data of the special purpose sub-funds are included only in the totals, not in the breakdowns by category as this is not available. (3) Percentage of average monthly assets.

Yields and net subscriptions of investment funds

Yield (%) and net subscriptions (in millions of euros)

	2016		2017		2018		2019		2020	
	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.
Fixed income[1]	0.52	8,244	-0.13	-3,638	-1.44	-2,766	1.38	10,733	0.62	2,063
Mixed fixed income[2]	0.27	-4,751	1.10	2,891	-4.27	-1,064	4.75	-1,506	-0.03	2,606
Mixed equity[3]	1.19	-5,195	3.23	5,499	-6.45	2,486	9.25	3,289	0.59	1,601
Euro equity[4]	2.61	538	11.16	2,550	-13.01	1,790	14.27	-3,588	-8.75	-2,008
Global equity[5]	4.15	-33	8.75	4,514	-12.34	3,864	22.18	4,114	2.83	2,633
Guaranteed fixed income	-0.03	-3,700	0.72	-3,263	0.09	-576	3.98	-283	1.68	-707
Guaranteed equity[6]	0.19	5,466	1.61	-310	-1.33	-667	3.62	-1,857	0.70	-2,254
Global funds	1.99	7,801	4.46	13,406	-5.69	9,449	8.45	-2,554	-0.31	-1,527
Passive management[7]	1.16	5,603	2.13	-4,585	-3.16	-2,790	7.45	-3,027	0.44	-24
Absolute return[7]	0.38	944	1.44	4,287	-4.81	-1,900	3.94	-2,853	0.94	-1,762
Total IFs[8]	**0.98**	**13,823**	**2.42**	**21,325**	**-4.89**	**7,842**	**7.12**	**2,468**	**0.78**	**621**
Funds of hedge funds	-0.39	-28	0.44	193	-2.99	177	4.91	71	-0.35	-227
Hedge funds	4.40	-110	7.41	209	-5.63	83	10.15	270	-0.04	-203
Total funds (Total IFs+Funds of hedge funds+Hedge funds)	**1.00**	**13,685**	**2.76**	**21,727**	**-4.90**	**8,102**	**7.14**	**2,809**	**0.77**	**192**
Real estate funds	**-5.35**	**0**	**-2.60**	**-1**	**0.24**	**-52**	**0.00**	**0**	**0.47**	**0**

Source: CNMV. (1) Until 2019 it includes the following categories (CNMV Circular 3/2011): euro fixed income, global fixed income, money market and short term money market. From 2020 onwards it includes the following categories (CNMV Circular 1/2019): short-term public debt constant net asset value MMF, short-term low volatility net asset value MMF, short-term variable net asset value MMF, standard variable net asset value MMF, euro fixed income and short-term euro fixed income. (2) It includes euro mixed fixed income and global mixed fixed income. (3) It includes euro mixed equity and global mixed equity. (4) It includes guaranteed variable return and partial guarantee. (5) Until 2019 it includes passively managed CISs (CNMV Circular 3/2011). From 2020 onwards it includes the following categories (CNMV Circular 1/2019): passively managed CISs, CISs that replicate an index and CISs with a specific non-guaranteed target return. (6) The data of the special purpose sub-funds are included only in the totals, not in the breakdowns by category as this is not available.

Foreign CIS marketed in Spain[1]

II.5

	2019	2020	Change (%)
Number of schemes	**1,033**	**1,048**	**1.5**
Number of investors	**3,361,901**	**4,312,340**	**28.3**
Investment volume (millions of euros)	**178,842**	**199,419**	**11.5**
Breakdown by country of origin			
Germany	48	45	-6.3
Austria	30	32	6.7
Belgium	5	5	0.0
Denmark	1	1	0.0
Finland	11	13	18.2
France	222	225	1.4
Ireland	220	222	0.9
Liechtenstein	4	4	0.0
Luxembourg	462	472	2.2
Netherlands	4	3	-25.0
Portugal	3	3	0.0
United Kingdom	23	23	0.0

Source: CNMV. (1) The number of undertakings and their distribution by country of origin includes only UCITS (companies and funds) registered with the CNMV. Data relating to assets and the number of unitholders are estimated using the data received to date.

CIS management companies (CISMCs) and management companies of closed-ended collective investment schemes: registrations and deregistrations in 2020

II.6

Institution	Controlling group
CIS management companies	
Registrations	
Greenside Asset Management, SGIIC, S.A.	Independent
Global Social Impact Investments, SGIIC, S.A.	Independent
Deregistrations	
Egeria Activos, SGIIC , S.A.	Independent/Merger with Welzia Management, SGIIC, S.A.
Popular Asset Management, SGIIC, S.A.	Banco Santander, S.A./Absorbed by Santander Asset Management, SGIIC, S.A.
Foreign management companies with branches	
Registrations	
IM Global Partner, Société par Actions Simplifieé, Sucursal en España	IM Global Partner, Société par Actions Simplifieé
Atalante (CAPZA), Sucursal en España	Atalante
BNY Mellon Fund Management (Luxembourg), S.A., Sucursal en España	BNY Mellon Fund Management (Luxembourg), S.A.
Dea Capital Alternative Funds SGR SPA, Sucursal en España	Dea Capital Alternative Funds SGR SPA
Kartesia Management, S.A., Sucursal en España	Kartesia Management, S.A.
Alliancebernstein (Luxembourg) S.à r.l., Sucursal en España	Alliancebernstein (Luxembourg) S.à r.l.
Invesco Management, S.A., Sucursal en España	Invesco Management, S.A.
Hermes Fund Managers Ireland Limited, Sucursal en España	Hermes Fund Managers Ireland Limited
Ares Management Luxembourg, Sucursal en España	Ares Management Luxembourg
Threadneedle Management Luxembourg, S.A., Sucursal en España	Threadneedle Management Luxembourg, S.A.
Audentia Capital Management Limited, Sucursal en España	Audentia Capital Management Limited
Aegon Investment Management, BV, Sucursal en España	Aegon Investment Management, BV
Eurizon Capital, S.A., Sucursal en España	Eurizon Capital S.A.
Polar Capital (Europe), Sucursal en España	Polar Capital (Europe)
Oddo BHF Asset Management SAS, Sucursal en España	Oddo BHF Asset Management SAS
MFS Investment Management Company (LUX) S.à r.l., Sucursal en España	MFS Investment Management Company (LUX)
Vontobel Asset Management, S.A., Sucursal en España	Vontobel Asset Management, S.A.
Axa Investment Managers Paris, S.A., Sucursal en España	Axa Investment Managers Paris, S.A.
Deregistrations	
Auris Gestión de Patrimonio, Sucursal en España	Auris Gestión de Patrimonio
Invesco Asset Management, S.A., Sucursal en España	Invesco Asset Management, S.A.
Management companies of closed-ended collective investment schemes	
Registrations	
Med Capital Management, SGEIC, S.A.	Independent
Argo Capital Partners Management, SGEIC, S.A.	Independent
Sauce Capital, SGEIC, S.A.	Independent

CIS management companies (CISMCs) and management companies of closed-ended collective investment schemes: Registrations and deregistrations in 2020 *(continuation)*

II.6

Institution	Controlling group
Efialia Capital SGEIC, S.A.	Independent
Advira Capital Partners, SGEIC, S.A.	Independent
Tresmares Direct Lending, SGEIC, S.A.	Independent
Think Bigger Capital, SGEIC, S.A.	Independent
Aurea Capital Investment Management, SGEIC, S.A.	Independent
Asabys Partners, SGEIC, S.A.	Independent
4Founders Capital, SGEIC, S.A.	Independent
Gawa Capital Partners, SGEIC, S.A.	Independent
March Private Equity, SGEIC, S.A.	Banca March, S.A.
Sandman Capital Partners, SGEIC, S.A.	Independent
Telegraph Hill Capital Partners, SGEIC, S.A.	Independent
Artsgain Investments, SGEIC, S.A.	Independent
Lua Gestión, SGEIC, S.A.	Independent
Ship2B Ventures, SGEIC, S.A.	Independent
Blackpearl Capital Management, SGEIC, S.A.	Independent
Deregistrations	
Futureplus Capital Investment, SGEIC, S.A.	Independent/Transformation into a limited company
Red Capital Partners, SGEIC, S.A.	Independent/Transformation into a limited company
Ventura Equity Partners, SGEIC, S.A.	Independent/Liquidation and termination
People and Planet Partners, SGEIC, S.A.	Independent/Transformation into a limited company
Advira Capital Partners, SGEIC, S.A.	Independent/Transformation into a limited company

Source: CNMV.

Foreign investment firms with community passport: home Member State[1]

II.7

Number of investment firms	2019	2020
Freedom to provide services	**3,011**	**3,058**
Germany	96	109
Austria	21	22
Belgium	10	11
Bulgaria	11	11
Cyprus	208	215
Croatia	1	1
Denmark	21	21
Slovakia	2	3
Slovenia	1	1
Estonia	1	1
Finland	13	13
France	60	67
Greece	11	11
Netherlands	118	124
Hungary	2	2
Ireland	66	68
Iceland	1	1
Italy	12	12
Latvia	2	2
Liechtenstein	28	32
Lithuania	1	1
Luxembourg	44	46
Malta	30	30
Norway	30	32
Poland	2	2
Portugal	11	11
United Kingdom	2,192	2,192
Czech Republic	3	3
Sweden	13	14
Branches	**65**	**66**
Germany	9	13
Cyprus	3	5
France	4	5
Greece	0	0
Netherlands	4	4
Ireland	5	7
Luxembourg	3	2
Norway	1	1
Poland	1	1
Portugal	1	1
United Kingdom	33	26
Sweden	1	1
Total	**3,076**	**3,124**
***Pro memoria*: Foreign investment firms from outside the EEA with freedom to provide services**	**3**	**3**
Argentina	1	1
Brazil	1	1
Chile	1	1

Source: CNMV. (1) Countries indicated in the notifications of investment firms of EU Member States and authorisations of investment firms of non-EU countries.

Broker-dealers and brokers, portfolio management companies, financial advisory companies and foreign IFs with branches: registrations and deregistrations in 2020

II.8

Institution	Controlling group
Broker-dealers and brokers	
Registrations	
CM Capital Markets Brokerage, SV, S.A.	CM Capital Markets Holding
Mora Wealth Management España, AV, S.A.	Morabanc Group
Ninety Nine Financial Markets, SV, S.A.U.	Independent
PJT Partners Park Hill (Spain), AV, S.A.	PJT Partners Group
Portocolom Agencia de Valores, S.A.	Independent
Stelac Servicios Financieros, AV, S.A.	Independent
Tam Europe Asset Management, AV, S.A.	Tam Group
Wealth Solutions Europe, AV, S.A.	Independent
Deregistrations	
Accurate Quant, AV, S.A.	Independent
CM Capital Markets Brokerage, AV, S.A.	CM Capital Markets Holding
EBN Securities, SV, S.A.	EBN Banco de Negocios
Fundslink Capital, AV, S.A.	Independent
Gefonsa, SV, S.A.	Banco Caminos
Greenside Investments, AV, S.A.	Independent
Merchbolsa, AV, S.A.	Andbank Spain
Popular Bolsa, SV, S.A.	Banco Santander
Financial advisory firms	
Registrations	
Alkar Increase Inversion Patrimonial, EAF, S.L.	Independent
Caboazul Inversión, EAF, S.L.	Independent
Carlos Monasterio Brianso	Independent
Cristóbal Lodos Fernández	Independent
Delta Capital Markets, EAF, S.L.	Independent
Jose Luis Martin Martin	Independent
Marango Capital, EAF, S.L.U.	Independent
Sergio Vivancos Alfaro	Independent
Deregistrations	
Avalon Asesores de Patrimonio, EAF, S.L.	Independent
GP Invest, EAF, S.L.	Independent
Lorenzo Dávila Cano	Independent
Juan Domingo Meseguer Martínez	Independent
Portocolom Asesores, EAF, S.L.	Independent
Return Kapital Advisors, EAF, S.L.	Independent
Sergio Vivancos Alfaro	Independent
Wealth Management Solutions, EAF, S.L.	Independent

Broker-dealers and brokers, portfolio management companies, financial advisory companies and foreign IFs with branches: registrations and deregistrations in 2020 *(continuation)*

II.8

Institution	Controlling group
Foreign investment firms with branches	
Registrations	
TSAF, Sucursal en España	Tradition Securities and Futures
CMC, Markets Germany GMBH, Sucursal en España	CMC, Markets Germany GMBH
JFD Group Ltd, Sucursal en España	JFD Group Ltd
SM Capital Markets Limited, Sucursal en España	SM Capital Markets Limited
MIO Partners (EU) GMBH, Sucursal en España	MIO Partners (EU) GMBH
RBC Capital Markets (Europe) GMBH, Sucursal en España	RBC Capital Markets (Europe) GMBH
Afex Markets Europe Limited, Sucursal en España	Afex Markets Europe Limited
Greenhill Europe GMBH & Co. KG, Sucursal en España	Greenhill Europe GMBH & Co. KG
Moneycorp Technologies Limited, Sucursal en España	Moneycorp Technologies Limited
Deregistrations	
Alliancebernstein Limited, Sucursal En España	Alliancebernstein Limited
Ayondo Markets Limited, Sucursal En España	Ayondo Markets Limited
Tullett Prebon (Europe) Limited, Sucursal En España	Tullett Prebon (Europe) Limited
BGC Brokers LP, Sucursal En España	BGC Brokers L.P.
GFI Securities Limited, Sucursal En España	GFI Securities Limited
Greenhill & Co. Spain Limited, Sucursal En España	Greenhill & Co. Spain Limited
Axa Investment Managers Gs Limited, Sucursal En España	Axa Investment Managers Gs Limited

Source: CNMV.

Broker-dealers and brokers, portfolio management companies and financial advisory firms. Changes of control in 2020

II.9

Institution	Buyer
Acquisitions of control by financial institutions	
Caser Valores e Inversiones, AV, S.A.	Helvetia Schweizerische Versicherungsgeselschaft AG
C2 Asesores Patrimoniales, EAF, S.L.	Abante Asesores, S.A.
Opteam Asesores Financieros, EAF, S.L.	Independent

Source: CNMV.

Spanish investment firms with community passport: host Member State[1]

II.10

	2019	2020
Number of investment firms with cross-border activity		
Freedom to provide services	49	55
Branches	6	4
Breakdown by country of Spanish investment firms providing cross-border services[2, 3]		
Freedom to provide services		
Germany	22	25
Austria	15	18
Belgium	20	23
Bulgaria	5	6
Cyprus	4	6
Croatia	3	4
Denmark	13	15
Slovakia	5	6
Slovenia	4	5
Estonia	4	5
Finland	11	13
France	21	26
Greece	13	15
Hungary	5	6
Ireland	16	19
Iceland	4	5
Italy	21	24
Latvia	4	5
Liechtenstein	5	6
Lithuania	4	5
Luxembourg	25	32
Malta	10	11
Norway	11	12
Netherlands	18	22
Poland	7	7
Portugal	33	36

Spanish investment firms with community passport: host Member State[1] *(continuation)*

II.10

	2019	2020
United Kingdom	21	23
Czech Republic	4	6
Romania	6	6
Sweden	15	18
Branches		
France	1	1
Italy	4	3
Netherlands	1	1
United Kingdom	3	1
Sweden	1	1
***Pro memoria*: Number of investment firms with cross-border activity outside EEA**		
Freedom to provide services	6	7
Branches	1	1
Breakdown by country[3]		
Freedom to provide services		
Andorra	1	1
Canada	1	1
Chile	2	2
United States	1	2
Peru	1	1
Switzerland	4	4
Branches		
Peru	1	1

Source: CNMV. (1) Does not include the cross-border activity of financial advisory firms. (2) Countries indicated in notifications relating to freedom to provide services and in authorisations of branches. (3) Number of Spanish investment firms providing services in other countries. A single firm may provide services in one or more countries.

Spanish financial advisory firms with community passport: host Member State

II.11

	2019	2020
Number of financial advisory firms with cross-border activity		
Freedom to provide services	29	27
Branches	2	1
Breakdown by country		
Freedom to provide services[1, 2]		
Germany	5	5
Belgium	1	2
France	5	5
Ireland	2	2
Italy	3	3
Luxembourg	23	22
Malta	2	3
Netherlands	2	2
Portugal	3	3
United Kingdom	5	0
Branches		
Portugal	1	1
United Kingdom	1	0

Source: CNMV. (1) Countries indicated in notifications relating to freedom to provide services and in authorisations of branches. (2) Number of Spanish financial advisory firms providing services in other countries. A single firm may provide services in one or more countries.

Foreign credit institutions authorised to provide investment services in Spain: home Member State

II.12

	2019	2020
Number of foreign credit institutions providing investment services in Spain		
EU credit institutions		
Freedom to provide services	417	430
Subsidiaries of EU credit institutions under the freedom to provide services regime	0	0
Branches	54	52
Non-EU credit institutions		
Freedom to provide services	2	2
Branches	3	3
Breakdown by home Member State		
Freedom to provide services	**419**	**432**
EU credit institutions	**417**	**430**
Germany	54	52
Austria	34	37
Belgium	8	9
Cyprus	3	4
Denmark	9	9

Foreign credit institutions authorised to provide investment services in Spain: home Member State *(continuation)*

II.12

	2019	2020
Slovakia	1	1
Finland	9	9
France	48	50
Greece	1	1
Hungary	6	6
Ireland	26	27
Iceland	1	1
Italy	10	11
Latvia	2	2
Liechtenstein	8	8
Luxembourg	50	53
Malta	9	9
Norway	4	4
Netherlands	28	28
Poland	1	1
Portugal	14	16
United Kingdom	82	82
Czech Republic	1	1
Sweden	8	9
Non-EU credit institutions	**2**	**2**
Australia	1	1
Canada	1	1
Switzerland	0	0
Subsidiaries of EU credit institutions under the freedom to provide services regime	**0**	**0**
Branches	**57**	**55**
EU credit institutions	**54**	**52**
Germany	8	9
Austria	1	0
Belgium	1	2
France	9	9
Ireland	5	5
Italy	4	4
Luxembourg	9	9
Netherlands	8	8
Portugal	5	4
United Kingdom	4	2
Non-EU credit institutions	**3**	**3**
Argentina	1	1
United States	1	1
Switzerland	1	1

Source: Bank of Spain and CNMV.

Statistical annexes III: Regulation and supervision

Number of shareholders of Ibex 35[1] companies with significant shareholdings

III.1

	Shareholding				
Entities	**3-5%**	**5-10%**	**10-25%**	**25-50%**	**50-100%**
Acciona	–	–	–	2	–
Acerinox	2	–	2	–	–
ACS	1	2	1	–	–
Aena	1	1	–	–	1
Almirall	–	–	–	–	1
Amadeus	5	2	–	–	–
BBVA	1	1	–	–	–
B. Sabadell	4	–	–	–	–
B. Santander	–	1	–	–	–
Bankia	2	–	–	–	1
Bankinter	2	1	1	–	–
Caixabank	2	–	–	1	–
Cellnex	9	2	1	–	–
Cie Automotive	2	4	1	–	–
Enagás	7	–	–	–	–
Endesa	–	–	–	–	1
Ferrovial	3	2	1	–	–
Grifols	2	4	–	–	–
Iberdrola	1	2	–	–	–
IAG	1	–	–	1	–
Indra	4	2	2	–	–
Inditex	–	1	–	–	1
Inmobiliaria Colonial	2	3	2	–	–
Mapfre	–	–	–	–	1
Meliá	1	1	–	1	–
Merlin	1	1	1	–	–
Naturgy	1	–	3	–	–
Pharma Mar	1	2	1	–	–
REE	1	–	1	–	–
Repsol	2	2	–	–	–
Siemens Gamesa	1	–	–	–	1
Solaria	1	1	–	1	–
Telefónica	2	1	–	–	–
Viscofan	3	1	2	–	–
Total	**65**	**37**	**19**	**6**	**7**

Source: CNMV. (1) Composition of the Ibex 35 at the end of the year (not including Arcelor, for which Spain is not the home Member State).

Outcome of disciplinary proceedings in 2020

Reference	Resolutions
(1/20)	**Resolution of the CNMV Board of 3 March 2020**
	Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of a very serious infringement of Article 284.1 of the TRLMV, for deficiencies in assessing appropriateness in the distribution of complex financial products. A fine of €2,000,000 was imposed.
(2/20)	**Resolution of the CNMV Board of 3 March 2020**
	Resolution of the disciplinary proceedings brought against a financial advisory firm, its sole administrator and a manager, for the alleged commission of five infringements: three very serious infringements, of which two were of Article 283.3 of the TRLMV – for non-compliance with the registration of recommendations and deficiencies in its organisational structure and in internal and control procedures – and the third of Article 285.5 of the same legal text – for refusing or resisting the CNMV inspection. There were also two serious infringements, one of Article 291.4 of the TRLMV – for unauthorised activity – and another of Article 295.2 of the same legal text – for charging clients fees that were higher than those established in the fee prospectus. The entity was fined a total of €770,000 and each of the natural persons were fined €85,000 and dismissed from office with a disqualification period of five years.
(3/20)	**Resolution of the CNMV Board of 10 June 2020**
	Resolution of the disciplinary proceedings brought against an investment firm for the alleged commission of a serious infringement of Article 295.4 of the TRLMV, for practices constituting market manipulation. A fine of €80,000 was imposed.
(4/20)	**Resolution of the CNMV Board of 10 June 2020**
	Resolution of the disciplinary proceedings brought against an investment firm for the alleged commission of a serious infringement of Article 295.4 of the TRLMV, for practices constituting market manipulation. A fine of €100,000 was imposed.
(5/20)	**Resolution of the CNMV Board of 10 June 2020**
	Resolution of the disciplinary proceedings brought against an investment firm and one of its brokers, a legal person, for the alleged commission of a serious infringement of Article 295.4 of the TRLMV, for practices constituting market manipulation). A fine of €150,000 was imposed.
(6/20)	**Resolution of the CNMV Board of 10 June 2020**
	Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of a very serious infringement of Article 284.1 of the TRLMV, for failing to act in the best interest of its clients by receiving illegal incentives. A fine of €240,000 was imposed.
(7/20)	**Ministerial Order of 19 June 2020**
	Resolution of the disciplinary proceedings for the alleged commission of a very serious infringement of Article 99 z) *bis*, of the LMV – for not performing an appropriateness assessment in the marketing of preferred shares to clients. The proceedings were subsequently suspended with regard to this offence due to the existence of criminal proceedings brought against a credit institution, the successor of a savings bank and its foundation. A fine of €600,000 was imposed.
(8/20)	**Resolution of the CNMV Board of 28 September 2020**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a serious infringement of Article 295.4 of the TRLMV, for practices constituting market manipulation. A fine of €20,000 was imposed.
(9/20)	**Resolution of the CNMV Board of 28 September 2020**
	Partial resolution of the disciplinary proceedings brought against a CIS management company for the alleged commission of two very serious infringements of the CIS law: the first of Article 80 g) –for unauthorised activities – and the second of Article 80 o) – for failing to have the legally required internal control procedures and mechanisms in place. Fines of €50,000 were imposed.
(10/20)	**Resolution of the CNMV Board of 28 October 2020**
	Resolution of the disciplinary proceedings brought against an investment firm for the alleged commission of two very serious infringements; the first of Article 284.1 of the TRLMV – for deficiencies in the management of conflicts of interest – and the second of Article 283.3 of the same legal text –for various deficiencies relating to the orders registry, internal organisation and control. Fines of €2,000,000 and €75,000 respectively were imposed.
(11/20)	**Resolution of the CNMV Board of 28 October 2020**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a very serious infringement of Article 282.3 of the TRLMV, for failing to report significant shareholdings in a listed company. A fine of €300,000 was imposed.

Outcome of disciplinary proceedings in 2020 *(continuation)*

Reference	Resolutions
(12/20)	**Resolution of the CNMV Board of 3 December 2020**
	Resolution of the disciplinary proceedings brought against a natural person for the alleged commission of a very serious infringement of Article 282.3 of the TRLMV, for failing to report significant shareholdings in a listed company. A fine of €75,000 was imposed.
(13/20)	**Resolution of the CNMV Board of 3 December 2020**
	Resolution of the disciplinary proceedings brought against an investment firm for the alleged commission of a serious infringement of Article 284.1 of the TRLMV, in relation to deficiencies in its appropriateness assessments. A fine of €2,000,000 was imposed.
(14/20)	**Resolution of the CNMV Board of 22 December 2020**
	Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of a serious infringement of Article 284. 1 of the TRLMV-due to deficiencies in its appropriateness assessments. A fine of €300,000 was imposed.

List of judicial resolutions relapsed in contentious-administrative appeals against resolutions on penalties in 2020

No.	Date	Court	Appeal No.	Resolution	Ruling appealed
1	21 January 2020	National High Court	930/2016	Ruling	Resolution MEC 22/09/2016
Upholds the penalty imposed on a broker-dealer, in relation to a very serious infringement of Article 107 quarter, section 3 c) of the Securities Market Act, by the Ministry of Economy and Competitiveness Order of 13 January 2016, upheld on review in a resolution of the same Ministry dated 22 September 2016.					
2	19 February 2020	National High Court	1262/2018	Ruling	Resolution MEE 28/09/2018
Upholds the penalty imposed on a broker and its CEO in relation to a very serious infringement of Article 99 l) of the LMV and a serious infringement of Article 99 z) *ter* of the same legal text, following the CNMV Board Resolution of 25 October 2017, upheld on appeal by the Ministry of Economy and Business Affairs Resolution of 28 September 2018.					
3	08 May 2020	Supreme Court	790/2016	Court order	Ruling AN 13/09/2019
Dismisses, as manifestly lacking in interest in cassation, appeal number 7391/2019, lodged against the ruling of the National High Court of 13 September 2019.					
4	05 June 2020	National High Court	610/2017	Ruling	Resolution MEIC 07/09/2017
Upholds the penalty imposed on a credit institution, in relation to a very serious infringement of Article 99 z) *bis* of the Securities Market Act, by CNMV Board Resolution of 15 July 2016, upheld on appeal by the Ministry of Economy, Industry and Competitiveness, Resolution of 7 September 2017.					
5	10 June 2020	National High Court	618/2017	Ruling	Resolution MEIC 07/09/2017
Upholds the penalty imposed on a legal person, in relation to a serious infringement of Article 99 p) of the Securities Market Act, by CNMV Board Resolution of 29 June 2016, upheld on appeal by the Ministry of Economy and Business Affairs, Resolution of 7 September 2017.					
6	18 June 2020	National High Court	787/2019	Ruling	Resolution MEE 01/04/2019
Upholds the penalty imposed on a legal person, in relation to a serious infringement of Article 286.6 of the TRLMV, by CNMV Board Resolution of 30 October 2018, upheld on appeal by the Ministry of Economy and Business Affairs, Resolution of 1 April 2019.					
7	01 July 2020	National High Court	807/2019	Ruling	Resolution MEE 01/04/2019
Upholds the penalty imposed on a natural person, in relation to a serious infringement of Article 99 o) of the Securities Market Act, by CNMV Board Resolution of 25 July 2018, upheld on appeal by the Ministry of Economy and Business Affairs, Resolution of 1 April 2019.					
8	14 July 2020	National High Court	28/2018	Ruling	Resolution MEIC 06/11/2017
Upholds the penalty imposed on a credit institution, in relation to a very serious infringement of Article 99 z) *bis* of the Securities Market Act, by CNMV Board Resolution of 26 April 2017, upheld on appeal by the Ministry of Economy, Industry and Competitiveness, Resolution of 6 November 2017.					
9	21 July 2020	Supreme Court	1254/2018	Court order	Ruling AN 23/07/2019
Dismisses, as manifestly lacking in interest in cassation, appeal number 7039/2019, lodged against the ruling of the National High Court of 23 July 2019.					
10	08 October 2020	Supreme Court	3053/2014	Ruling	Ruling AN 31/01/2019
Dismisses appeal number 2981/2019 filed against a ruling of the National High Court of 31 January 2019, upholding the penalties imposed on a listed company and members of its audit committee in relation to a very serious infringement of Article 99 m) of the Securities Market Act, by order of the Ministry of Economy and Competitiveness of 24 November 2014, upheld on review in an order from the same Ministry of 23 May 2014.					
11	18 December 2020	Supreme Court	4982/2020	Court order	Ruling AN 18/06/2020
Admits appeal in cassation number 4982/2020, filed against the ruling of the National High Court of 18 June 2020, considering the issue raised to be of interest for judicial review and formation of case law.					

Legislative annexes

A Spanish legislation

A.1 Spanish National Securities Market Commission (CNMV)

– **Resolution of 4 February 2020,** of the Chair of the National Securities Market Commission, publishing an Agreement with the Fundación Instituto Iberoamericano de Mercados de Valores (IIMV) awarding a grant to the foundation to finance its activities and carry out its foundational objectives in 2020.

  The purpose of the agreement is the concession by the CNMV of a grant for financial year 2020 to the IIMV Foundation to finance its ordinary expenses budget.

– **Agreement of 3 March 2020,** of the Board of the National Securities Market Commission, pursuant to which members of the CNMV's Advisory Committee shall be appointed.

– **Resolution of 20 March 2020,** of the National Securities Market Commission, on the suspension of administrative deadlines provided for in Royal Decree 463/2020, on the State of Alarm.

  For the purposes of the provisions of the Third Additional Provision of Royal Decree 463/2020, of 14 March, the administrative authorisation procedures are considered essential to safeguard the general interest and to ensure the basic operation of the services entrusted to the CNMV, whose instruction corresponds to the General Directorate of Institutions or the General Directorate of Markets in all cases that are likely to be favourable for the parties involved, and all actions or procedures through which the general supervisory actions of the CNMV in relation to the stock market and the entities subject to its supervision are undertaken.

  These procedures must address justified causes arising from the health crisis caused by COVID-19.

  The CNMV Executive Committee has been delegated the competence to provide a reasoned decision on the inclusion of administrative procedures other than those provided for in this Resolution.

– **CNMV Circular 1/2020, of 6 October**, amending Circular 5/2013 of 12 June establishing the templates for the annual corporate governance report for listed public limited companies, savings banks and other entities that issue securities admitted to trading on official securities markets and Circular 4/2013 of 12 June establishing the templates for the annual report on the remuneration of directors of listed public limited companies and members of the Boards of

Directors and control committees of savings banks that issue securities admitted to trading on official securities markets.

Following the approval of the partial review of the Code of Good Governance of Listed Companies, by resolution of the CNMV Board, of 25 June 2020, amendments were made to the templates for the annual corporate governance report and the annual report on the remuneration of directors included respectively in CNMV Circular 5/2013 of 12 June establishing templates for the annual corporate governance report of listed public limited companies, savings banks and other entities that issue securities admitted to trading on official securities markets and in CNMV Circular 4/2013 of 12 June establishing the templates for the annual report on the remuneration of directors of listed public limited companies and members of the Boards of Directors and control committees of savings banks that issue securities admitted to trading on official securities markets, following the amendments introduced by CNMV Circular 2/2018 of 12 June.

This Circular entered into force on the date following its publication in the Spanish Official State Gazette (*BOE*) and applies to the annual corporate governance reports and the annual reports on director remuneration that reporting entities are required to file for financial years ending on or after 31 December 2020.

– **CNMV Circular 2/2020, of 28 October,** on advertising of investment products and services.

  This Circular will enter into force three months after its publication in the Spanish Official State Gazette (*BOE*), with the exception of Rule 7, on the characteristics of the register, which will enter into force six months after publication by the Bank of Spain of the technical standards set down in the Second Final Provision of Bank of Spain Circular 4/2020 of 26 June on advertising of banking products and services.

– **Correction of errors in CNMV Circular 2/2020, of 28 October,** on advertising of investment products and services.

– **CNMV amendment of technical guide 4/2017,** for the assessment of the knowledge and competence of staff giving information or advice, to permanently allow examinations to be carried out using remote means.

A.2 Transposition of European regulations

– **Royal Decree-Law 3/2020, of 4 February,** on urgent measures by which various directives of the European Union in the field of public procurement in certain sectors are incorporated into the Spanish legal system; private insurance; pension plans and funds; the tax field and tax litigation.

  This Royal Decree-Law completes the transposition of the package of community directives that the European Union approved in matters of public procurement in 2014, that is, in addition to Directive 2014/25/EU, relating to contracting by entities that operate in the water, energy, transport and postal services sectors, and Directive 2014/23/EU, on the award of concession contracts, Directive 2014/24/EU, of the European Parliament and of the Council, of 26 February, on public procurement.

The legal system for public contracting that is established in this Royal Decree-Law completes the provisions of Law 9/2017, of 8 November, on Public Sector Contracts, to which various references are made throughout the articles; seeks to clarify current regulations in the interests of greater legal certainty and tries to ensure that public procurement is used as an instrument to implement both European and national policies in social, environmental, innovation and development matters, and the promotion of SMEs.

This transposes Directive (EU) 2016/97 of the European Parliament and of the Council, of 20 January 2016, on insurance distribution. The incorporation of the aforementioned Directive into the Spanish legal system implied significant amendments to Law 26/2006, of 17 July, on the mediation of private insurance and reinsurance. This circumstance, as well as the need to strengthen information obligations in the distribution of insurance-based investment products, among others, led to the drafting of a new legally-binding regulation to replace Law 26/2006, of 17 July.

Likewise, Directive (EU) 2016/2341 of the European Parliament and of the Council, of 14 December, relating to the activities and supervision of occupational pension funds has been partially transposed, and thus modifies the recast text of the Law for the regulation of pension plans and funds, approved by Royal Legislative Decree 1/2002, of 29 November.

Title III of Book two of Royal Decree-Law 3/2020 partially transposes Directive (EU) 2017/828 of the European Parliament and of the Council, of 17 May, amending Directive 2007/36/EC, as regards the encouragement of long-term shareholder engagement in matters that directly affect the insurance sector.

The transposition will bring improvements in the area of corporate governance for listed companies in Spain, with the ultimate aim of boosting long-term financing that companies receive through capital markets. The aim is to avoid short-term pressures in the management of companies, so that growth and sustainability objectives can be taken into account in the medium- and long term, which is positive for the company itself, the well-being of stakeholders other than shareholders, such as employees, and for the economy in general, as it improves its resilience to crises and its aggregate growth potential.

Lastly, this Royal Decree-Law amends the regulation on Income Tax for non-residents in order to transpose Council Directive (EU) 2017/1852, of 10 October, on tax dispute resolution mechanisms in the European Union, thus harmonising the framework for the friendly resolution of procedures and reinforcing legal certainty. To this end, the recast text of the Law on Non-Resident Income Tax, approved by Royal Legislative Decree 5/2004, of 5 March, and Law 29/1998, of 13 July, regulating contentious-administrative jurisdiction were amended.

The following rules have been repealed:

i) Law 31/2007, of 3 October, on contracting procedures in the water, energy, transport and postal services sectors, to include in Spanish law

Directives 2004/17/EC, 92/13/EEC and 2007/66/EC and all provisions of equal or lower rank insofar as they oppose the provisions of this Royal Decree-Law.

ii) Law 26/2006, of 17 July, on mediation of insurance and reinsurance.

Notwithstanding, Royal Decree 764/2010, of 11 June, implementing Law 26/2006, of 17 July, on the mediation of private insurance and reinsurance in matters of statistical-accounting and business information, and professional competence, as well as the Resolution of 18 February 2011, of the General Directorate of Insurance and Pension Funds, which establishes the requirements and basic principles of training programmes for insurance intermediaries, reinsurance brokers and others who participate directly in the mediation of private insurance and reinsurance, will remain in force until the regulations that develop the Royal Decree-Law on training and statistical-accounting and business information have been approved.

A.3 Other regulations

– **Royal Decree 309/2020, of 11 December**, on the legal regime for finance companies, amending the Companies Register Regulation approved by Royal Decree 1784/1996 of 19 July, and Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions.

  The fundamental objective of this regulation is the development of a legal regime for financial credit institutions that is clear, understandable and adapted to business needs, but at the same time equivalent in terms of robustness to that established for credit institutions.

  This Royal Decree repeals Royal Decree 692/1996, of 26 April, on the legal regime of financial credit establishments, which develops Title II of Law 5/2015, of 27 April, on the promotion of business financing, and specifies the legal regime of financial credit institutions and consolidable groups or subgroups of financial credit institutions with headquarters in Spain in terms of access to the activity, solvency requirements and supervision regime. The purpose of this Royal Decree is to improve the protection of the financial client and competition in granting loans, without neglecting the standards of prudence that should characterise such activity.

  This Royal Decree will enter into force on 1 July 2020, except for Article 30 (Liquidity buffer and structure of financing sources and maturities of financial credit establishments), which will enter into force three months after the publication of the Bank of Spain Circular that implements the provisions of this article, and the Second Final Provision, which will enter into force the day following its publication in the Official State Gazette (*BOE*).

– **Royal Decree-Law 6/2020, of 10 March,** implementing certain urgent economic measures and measures for the protection of public health.

  Law 1/2013, of 14 May, on measures to strengthen the protection of mortgage debtors, debt restructuring and social rent; Law 9/2012, of 14 November, on restructuring and resolution of credit institutions, and Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions have been amended.

The Seventh Additional Provision of Law 9/2012, of 14 November, has been amended with regard to the legal regime of the Asset Management Company for Assets Arising from Banking Restructuring (SAREB), for the purposes of the non-application of the provisions of Article 363.1 e), of the recast text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July.

The Fourth Additional Provision of Royal Decree 84/2015, of 13 February, has been amended to expand the types of established financial institutions that can request transformation into banks.

Organic Law 3/1986, of 14 April, on special measures in the area of public health has been amended to establish the centralised supply by the government of health products other than drugs. Lastly, in order to protect public health, periods of self-isolation or contracting COVID-19 shall be considered similar to a workplace accident causing temporary disability for the purposes of the social security system.

This Royal Decree-Law entered into force on the day following its publication in the Official State Gazette (*BOE*), on 12 March 2020.

– **Royal Decree-Law 7/2020, of 12 March**, implementing additional urgent social and economic measures to deal with COVID-19.

The purpose of this Royal Decree-Law is to adopt new measures to respond to the negative economic impact that is occurring in the health field, in the tourism sector and on the people affected by the lockdown adopted by the competent authorities, as well as prevent a greater negative economic impact on SMEs and the self-employed. Specifically, the measures adopted are aimed at strengthening the public health system, supporting the most vulnerable workers and families affected by the exceptional and extraordinary situation, guaranteeing the liquidity of companies in the tourism sector and supporting the financing of small and medium-sized companies and the self-employed. In addition, this Royal Decree-Law establishes measures for the efficient management of public administrations.

Chapter V provides measures for the efficient management of public administrations, especially in Article 16, relating to contracting.

The First Final Provision establishes an amendment of Law 50/1997, of 27 November, of the Government, in order to establish the possibility that the President of the Government, in exceptional situations and when the nature of the crisis requires it, may rule that the Council of Ministers, the Delegated Government Committees and the General Committee of Secretaries and Undersecretaries of State can hold sessions, adopt agreements and approve minutes remotely by electronic means, with due guarantees.

This Royal Decree-Law entered into force on the day following its publication in the Official State Gazette (*BOE*), on 13 March 2020.

– **Royal Decree 463/2020, 14 March**, declaring the State of Alarm for the management of the health crisis situation caused by COVID-19.

Through this Royal Decree, a state of alarm is declared throughout the national territory for a period of 15 days, the competent authorities are appointed and extraordinary measures are established, such as, among others, the limitation of the free movement of people.

It also provides for the suspension, with exceptions, of the procedural and administrative deadlines, as well as those of expiration and prescription.

– **Royal Decree-Law 8/2020, of 17 March**, on urgent extraordinary measures to deal with the social and economic impact of COVID-19.

Articles 40 and 41 stand out, which establish a series of extraordinary measures applicable to the functioning of the governing bodies of private law legal entities and also establish a series of extraordinary measures applicable to the functioning of the governing bodies of listed corporations. Further, the period established in Insolvency Law 22/2003, of July 9, is suspended, so that the insolvent debtor is not obliged to file for bankruptcy.

Article 42 provides for the suspension of the expiration period of the registry entries during the validity of the Royal Decree declaring the State of Alarm, and Article 43 establishes the term of the obligation to file for bankruptcy: while the State of Alarm remains in force, insolvent debtors will not have the obligation to file for bankruptcy. This non-obligation will also apply to debtors who have informed the competent court of the start of negotiations with creditors to reach a refinancing agreement or an out-of-court settlement of payments, or to obtain a preliminary agreement, even if the term referred to in the section 5 of Article 5 *bis* of Law 22/2003, of 9 July, has expired.

The Sixth Final Provision amends Article 16 on procurement regulated by Royal Decree-Law 7/2020, of 12 March, implementing additional urgent social and economic measures to deal with COVID-19.

This Royal Decree-Law entered into force on the day following its publication in the Official State Gazette (*BOE*), on 18 March 2020. The measures will remain in force for a period of one month from their entry into force, without prejudice to the fact that, after assessing the situation, their duration may be extended by the Government by means of a royal decree-law. Notwithstanding the foregoing, those measures provided for in this Royal Decree-Law that have a specified term of duration will be subject to it.

– **Royal Decree 465/2020, of 17 March**, amending Royal-Decree 463/2020, of 14 March, declaring the State of Alarm for the management of the health crisis situation caused by COVID-19.

– **Royal Decree-Law 10/2020, of 29 March,** regulating recoverable paid leave for employed personnel who do not provide essential services, in order to reduce the movement of the population in the context of the fight against COVID-19.

This Royal Decree-Law regulates recoverable paid leave for employed personnel, which is mandatory and limited in time, between 30 March and 9 April (both included), for all employed personnel who provide services in companies or entities of the public or private sector that carry out non-essential activities classified as such in the annex to this rule.

Workers who have their contract suspended during the indicated period and those who can continue to provide services remotely are exempt from the application of this Royal Decree-Law.

The First Additional Provision, on public employees, provides that the Ministry of Territorial Policy and Public Function and those competent in the autonomous regions and local entities are empowered to issue the instructions and resolutions that are necessary to regulate the provision of services of public employees included in the scope of application of Royal Legislative Decree 5/2015, of 30 October, which approves the recast text of the Law of the Basic Statute of Public Employees, in order to maintain the functioning of the public services that are considered essential.

The Fifth Additional Provision, on the personnel of companies awarded public sector contracts, indicates that the recoverable paid leave regulated in this Royal Decree-Law will not be applicable to the workers of the companies awarded works contracts, or that provide services and supplies to the public sector that are essential for the maintenance and security of buildings and the adequate provision of public services, including the provision of these in a remote manner, all without prejudice to the provisions of Article 34, measures in the matter of public procurement to alleviate the consequences of COVID-19, of Royal Decree-Law 8/2020, of 17 March, on urgent extraordinary measures to deal with the social and economic impact of COVID-19.

This Royal Decree-Law entered into force on 29 March 2020, the day following its publication in the Official State Gazette (*BOE*).

– **Royal-Decree Law 11/2020, of 31 March,** implementing additional urgent social and economic measures to deal with COVID-19.

The purpose of this Royal Decree-Law is to approve a new package of measures that reinforce, complement and expand those adopted so far, forming a complete economic and social package.

The regulation implies, in the first place, the adoption of a new package of social measures aimed at supporting workers, consumers, families and vulnerable groups. These measures include the following:

- Measures aimed at supporting the rents of vulnerable people. The suspension of evictions for vulnerable households without a housing alternative and the extraordinary extension of the lease contracts for their habitual residence. Likewise, measures are established to ensure a moratorium on rent arrears for tenants in their habitual residences who are economically vulnerable. A specific line of state guarantees is created that is available to all those households that may be in a situation of vulnerability as a result of the spread of COVID-19, with no associated expenses or interest for the applicant.

- The suspension period is extended to three months and technical adjustments are made to facilitate the application of the mortgage debt moratorium for the acquisition of a habitual residence introduced by Royal Decree-Law 8/2020, of 17 March. The moratorium on mortgage debt established in Royal Decree-Law 8/2020, of 17 March, which was initially planned for the habitual residence of natural persons, is now extended to two new groups: self-employed, businessmen and professionals with respect to the properties related to their economic activity, on the one hand, and to individuals who have leased properties for which they do not receive the rental income as a result of the measures to help tenants during the State of Alarm.

- The scope of the moratorium is broadened to include credits and non-mortgage loans extended to people in a position of economic vulnerability, including consumer loans. The objective of the measure is to extend to all types of loans the economic relief established by Royal Decree-Law 8/2020 for the most vulnerable citizens, by suspending credit or non-mortgage loan payments.

- The contingencies in which the vested rights in pension plans may be made effective have been extended, to include, on an exceptional basis, as cases in which accumulated savings in pension plans may be accessed, unemployment due to an ERTE and the loss of activity of freelance or self-employed workers as a result of COVID-19.

Second, a set of different measures have been implemented with a direct impact on strengthening economic activity, as well as actions aimed at supporting companies and the self-employed. The measure according to which insolvent companies are able to access an ERTE in the current circumstances when they have been affected by the COVID-19 stands out. In this way, these companies may not see their viability impaired, as they will gain access to the advantages of the ERTE regime established by Royal Decree-Law 8/2020.

Third, various measures have been established in the public sector to facilitate and make procedures more flexible in order to address the health crisis and the consequences that derive from it. Measures include suspending the deadlines for the formulation and submission of the 2019 annual financial statements of entities of the state public sector and the referral of the General State Accounts to the Court of Auditors, following the declaration of the State of Alarm. Measures have been envisaged regarding liquidity and donations in the public sector and the obligation to disclose economic and financial information have been reinforced to provide the Ministry of Finance with greater flexibility and powers to specify its content, procedures and submission deadlines.

The calculation of the period for filing administrative appeals or lodging any other challenge, claim, reconciliation, mediation or arbitration procedures as a substitute in accordance with the law, in any procedure which may give rise to adverse effects or encumbrances for the party involved will be calculated from the first business day after the end date of the State of Alarm, regardless of the time that has elapsed from the notification of the administrative action subject to appeal or challenge prior to the declaration of said State of Alarm. In the area of taxation, from the entry into force of Royal Decree 463/2020, of 14 March, declaring the State of Alarm for the management of the health crisis situation caused by COVID-19, until 30 April 2020, the period to file internal administrative appeals or economic-administrative claims that are governed by Law 58/2003, of 17 December, the General Tax Act, and its implementing regulations, will run from 30 April 2020 (Eighth Additional Provision).

Lastly, various regulations are to be amended, among others:

- The First Final Provision: Articles 40 (Extraordinary measures applicable to legal persons under private law) and 41 (Extraordinary measures applicable to the functioning of the governing bodies of listed public limited companies) of Royal Decree-Law 8/2020, of 17 March, have been redrafted.

- By means of the Third Final Provision, Article 7 *bis* of Law 19/2003, of 4 July, on the legal regime of capital movements and economic transactions abroad, and on certain measures to prevent money laundering, has been amended. Some of the measures implemented under in Royal Decree-Law 8/2020 are reinforced, such as those relating to the control of foreign investments or consumer protection in relation to electronic communications and other measures introduced to increase the resilience of the Spanish financial system to possible market fluctuations.

- The Fourth Final Provision amends section 7 of Article 71 *septies* of Law 35/2003, of 4 November, on Collective Investment Schemes to expressly provide for the possibility that the CNMV may require the management companies of collective investment schemes (CISMCs) to implement measures to strengthen liquidity aimed at establishing notice periods that allow CISMCs, in extreme cases, to manage in an orderly and equitable way possible scenarios of an accumulation of redemption requests that could affect stability and confidence in the financial system. Thus, a new macroprudential tool is added and would be subject to disclosure to the Macroprudential Authority Financial Stability Board (AMCESFI) provided for in Article 16 of Royal Decree 102/2019, of 1 March, creating the Macroprudential Authority Financial Stability Board, establishing its legal regime and developing certain aspects related to macroprudential tools.

- The Seventh Final Provision amends Law 9/2017, of 8 November, on Public Sector Contracts, transposing Directives 2014/23/EU and 2014/24/EU of the European Parliament and of the Council, of 26 February, into Spanish law, to establish an exemption to the duration of service contracts when certain circumstances occur.

- The Twelfth Final Provision establishes the extension of the validity of all the measures adopted in this regulation for a period of one month after the end of the State of Alarm. Notwithstanding, those measures provided for in the Royal Decree-Law that have a specific term of duration will be subject to it.

This Royal Decree-Law entered into force the day following its publication in the Official State Gazette (*BOE*), that is, on 2 April 2020, with the exception of Article 37, on measures to restrict commercial communications from entities that carry out a gambling activity regulated in Law 13/2011, of 27 May, regulating gambling, which came into force two days after the publication of this regulation in the *BOE*.

– **Royal Decree-Law 15/2020, of 21 April,** on urgent complementary measures to support the economy and employment.

To address the need for greater support due to the prolongation of this exceptional situation, a new package of measures has been approved that reinforces those previously adopted and focuses on support for businesses and employees.

Measures have been implemented to reinforce financing for businesses. Given the adverse situation affecting the credit market and the difficulties that as a consequence of the reduction in coverage of insured risks may affect business relationships and payments between companies, the Spanish Insurance Compensation Consortium (Consorcio de Compensación de Seguros) is authorised to carry out credit and surety reinsurance activities from 2020.

A new Section 3 has been added to the Eighth Additional Provision of Royal Decree-Law 11/2020, of 31 March, implementing additional urgent social and economic measures to deal with COVID-19, to facilitate the lodging and processing, as part of contracting procedures that public sector entities have agreed to continue, in accordance with the provisions of Section 4 of the Third Additional Provision of Royal Decree 463/2020, of 14 March, of special appeals under the terms established in Law 9/2017, of 8 November, on Public Sector Contracts, without the appeal procedure being considered suspended. In this way, all bidders participating in these processes will have their rights guaranteed, since the special appeal deadlines set down in Law 9/2017, of 8 November, on Public Sector Contracts, will continue to be calculated under the terms established in that Law.

An Additional Provision is introduced that regulates the unilateral grant by credit institutions of notarial instruments formalising extensions deriving from the statutory moratorium on loans and credits secured by mortgages or by some other registrable right, explaining that the purpose of the above instruments is to document unilateral acknowledgement by the creditor of an obligation established *ex lege*.

Article 159.4.d) of Law 9/2017, of 8 November, on Public Sector Contracts, has been amended as it relates to the opening of the envelopes or electronic files of bidders whose bids are assessed on the basis of criteria quantified merely by application of certain formulae, as part of the simplified opening procedure, eliminating the requirement for envelopes to always be opened in a public act.

The amendment is aimed at allowing the opening of the economic offer, as provided in Article 157.4 of the Law, for open procedures, of which the simplified open procedure is merely a special version, to be carried out in a public act, except when it is envisaged that electronic means may be used in the bidding procedure. The amendment is not only a desirable technical improvement that is in line with the general rules for the submission of bids by electronic means established in the Fifteenth Additional Provision of the LCSP, which already guarantees the integrity and secrecy of the bids and allows access to the documents corresponding to the application of certain formulae, but it also resolves the problem that arises in those bidding procedures where processing has been resumed because they are essential for the operation of key public administration services but where is not possible to open the envelopes due to the restrictions imposed by the containment measures adopted to mitigate the spread of the COVID-19 pandemic.

An amendment has been made to Law 9/2017, of 8 November, on Public Sector Contracts, transposing Directive 2014/23/EU of the European Parliament and of the Council, of 26 February, into Spanish law.

Royal Decree-Law 8/2020, of 17 March, on urgent extraordinary measures to deal with the social and economic impact of COVID-19 has been amended. The following change stands out:

The counter-guarantee granted by the Compañía Española de Reafianzamiento, Sociedad Anónima (CERSA) has been consolidated to increase the guarantee capacity of Reciprocal Guarantee Companies. These companies have a widespread presence in all the autonomous regions of Spain and strengthen access to financing for SMEs in the different geographical areas in which they operate. Provision is also made for the above guarantees to cover commercial paper included in the Market in Fixed Income Securities (AIAF) and the Alternative Fixed Income Market (MARF), ensuring that the sources of liquidity provided by capital markets are maintained, not only through traditional banking channels. In both cases, the conditions of the guarantees will be established by agreement of the Council of Ministers. Lastly, assurance is provided as regards the release of a line of guarantees of up to €100 billion until 31 December 2020.

– **Royal Decree-Law 16/2020, of 28 April,** on procedural and organisational measures to deal with COVID-19 in the context of the administration of justice.

Chapter I regulates procedural measures. For this purpose, a series of provisions are established aimed at restoring ordinary court activity and part of August is declared as business days for judicial activities. For the sake of legal certainty, it is necessary to establish general rules for the calculation of time periods, and in this regard Article 3 establishes the restart of the calculation of procedural time limits, not taking into consideration the period elapsed prior to the declaration of the State of Alarm. The time limits for appeals against judgements and other decisions which, under procedural law, bring the proceedings to an end, and where the judgement or decision that is the subject of the appeal has been notified during the suspension of time limits established in Royal Decree 463/2020, of 14 March, are extended, in addition to those that are notified within 20 business days following the lifting of the suspended time limits. In this way, these may be presented in a staggered manner over a longer period of time, and not concentrated in a few days after the time limits have been lifted.

Chapter II includes insolvency and corporate measures.

Further measures have been added to those implemented under Royal Decree-Law 8/2020, of 17 March, to ensure the economic continuity of companies, professionals and self-employed workers that, prior to the entry into force of the State of Alarm, had been regularly complying with the obligations deriving from an agreement, an out-of-court payment agreement or an approved refinancing agreement.

For these debtors, the obligation to file for liquidation is postponed when, during the term of the agreement, they become aware that they will be unable to meet the repayment obligations and commitments arranged after its approval. Likewise, the modification of the agreement or out-of-court payment agreement or approved refinancing agreement is facilitated. With regard to the latter, a new application may also be submitted without having to wait for 12 months to elapse from the submission of the previous application. The financing of companies is encouraged to help meet their temporary liquidity needs, classifying as claims against the estate, in the event of liquidation, those derived from financing commitments or the provision of guarantees on behalf of third parties, including such parties specially related to the debtor as may be included in the proposal or in the proposed modification of the agreement already approved by the judge. Further, to facilitate the credit and the liquidity of the company, claims of parties specially related to the debtor in any insolvencies arising during the two years following the declaration of the State of Alarm are to be classified as ordinary claims.

A series of rules is established to streamline the bankruptcy process, such as the declaration of insolvency, the preferential processing of certain actions aimed at protecting the rights of workers, maintaining the continuity of the company and preserving the value of assets and rights, as well as the simplification of certain acts and incidents (auctions, contesting the inventory and lists of creditors or approval of liquidation plans).

The suspension of the obligation to file for insolvency is extended until 31 December 2020 and for the purposes of the legal cause of dissolution due to losses, those of the current year will not be included. The Repealing Provision repeals Article 43 of Royal Decree-Law 8/2020, of 17 March, which established the suspension of the obligation to file for insolvency during the State of Alarm and provided that the judges would not admit insolvency applications for processing until two months after the end of said period.

Chapter III regulates organisational and technological measures designed to deal with the consequences of the COVID-19 crisis for the Administration of Justice. A system is established for attending to the public by telephone or though the email address set up for this purpose, so as to limit face-to-face meetings to strictly necessary cases and only by appointment.

The Third Final Provision introduces a technical improvement in the amendment of Article 159.4 of Law 9/2017, of 8 November, on Public Sector Contracts, approved by Royal Decree-Law 15/2020, of 21 April, on urgent complementary measures to support the economy and employment (paragraphs d) and f) of Article 159.4 are amended).

The Fourth and Fifth Final Provisions extend the availability of pension plans for freelance or self-employed workers to those who, while not ceasing their activity, have seen a reduction of at least 75% in their income as a result of the health crisis.

– **Royal Legislative Decree 1/2020, of 5 July,** approving the recast text of the Insolvency Law.

The recast text is divided into three books:

Book I, the most extensive, is dedicated to insolvency proceedings.

There are significant differences in the classification of subjects under the different titles that make up this first book compared to the system used in Law 22/2003, of 9 July.

Articles 572 *et seq.* establish the particularities of insolvency proceedings based on the person of the debtor, in the event of proceedings filed by a company that has issued securities or financial instruments traded on a regulated market.

The titles in this book are:

- A specific title for insolvency bodies, divided into two chapters: one dedicated to the insolvency judge and the other to insolvency administration.
- One title for aggregate assets and another for aggregate liabilities.
- A title on the insolvency administration report.
- A separate title for payments to creditors.
- A title regarding publication.

This new system has resulted in the movement and reordering of many rules contained in different titles of the Insolvency Law. Among many other significant examples, Title 4, dedicated to aggregate assets, not only includes information relating to the composition of the assets and their conservation, but also addresses the general rules for the disposal of the assets and rights contained therein, many of which are now described in the title on liquidation; the regime for reintegration to the estate, deriving from the title on the effects of the declaration of insolvency; the regime for reduction actions and the regulation of claims against assets, which were listed in the part of the law that addressed the composition of aggregate liabilities, including special features in the event of their being insufficient assets to cover these claims, which was contained in the title dedicated to the conclusion of the insolvency proceedings.

The general insolvency rules are included in the first 12 titles of this book. At the same time, the special rules that were set out in different articles have been excluded from those titles.

In Title 14, the final title of book I, the special insolvency features of debtors with certain subjective or objective characteristics have been grouped together with insolvency of inheritances.

Book II is dedicated to traditional insolvency law.

This second book is divided into four independent titles: the first, starting at Article 5 *bis*, addresses the communication of opening of negotiations with creditors; the second deals with refinancing agreements; the third is related to out-of-court payment agreements, which was included in the Insolvency Law by Law 14/2013, of 27 September, amended by Law 25/2015, of 28 June, and the last deals with the specificities of consecutive insolvency, involving either a refinancing agreement or an out-of-court payment agreement.

The terminology of these new legal instruments has been maintained as it is included in Annex A of Regulation (EU) 2015/848 of the European Parliament and of the Council, of 20 May, on insolvency proceedings.

Book III includes the rules of private international law which were previously contained in Title 9 of the Insolvency Law. The reason for creating this last book can be found in the aforementioned Regulation (EU) 2015/848. Unlike Council Regulation (EC) No. 1346/2000, of 29 May, the new regulation applies not only to insolvencies, but also to the "procedures" grouped in Book 2 of the recast text.

It also draws attention to the Sole Repealing Provision, Regulatory Repeal.

Articles 1 to 242 *bis* are repealed, as well as the Second, Second *bis*, Second *ter*, Fourth, Fifth, Sixth, Seventh and Eighth Additional Provisions and the Fifth and Sixth Final Provisions of the Insolvency Law 22/2003, of 9 July.

Any provisions of equal or lesser rank that conflict with the provisions of this Royal Legislative Decree and the recast text that it approves, are also repealed, in particular, the following:

i) Third Additional Provision of Law 36/2003, of 11 November, on economic reform measures.

ii) Section 1.d) of the Sole Repealing Provision of Royal Legislative Decree 7/2004, of 29 October, approving the recast text of the Legal Statute of the Spanish Insurance Compensation Consortium.

iii) Third Additional Provision of Royal Decree-Law 5/2005, of 11 March, on urgent reforms to boost productivity and improve public procurement.

iv) First Additional Provision and Sections 1 and 2 of the Third Final Provision of Law 6/2005, of 22 April, on the reorganisation and winding up of credit institutions.

v) Chapter III (Articles 6 to 12); First, Second and Third Additional Provisions, and Second to Eighth Transitional Provisions of Royal Decree-Law 3/2009, of 27 March, on urgent tax, financial and insolvency measures in view of the evolution of the economic situation.

vi) Article 17 of Law 13/2009, of 3 November, on the reform of procedural legislation for the implementation of the new Judicial Office.

vii) Third Final Provision of Law 11/2011, of 20 May, amending Law 60/2003, of 23 December, on arbitration and regulation of institutional arbitration in the General State Administration.

viii) Sixth Final Provision of Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions.

ix) Article 10 of Royal Decree-Law 11/2013, of 2 August, for the protection of part-time workers and other urgent economic and social measures.

x) Article 21, Article 31, Article 34, paragraph 18 and transitional provision of Law 14/2013, of 27 September, on supporting entrepreneurs and their internationalisation.

xi) Seventh Final Provision of Law 26/2013, of 27 December, on savings banks and banking foundations.

xii) Article 10 of Law 1/2014, of 28 February, for the protection of part-time workers and other urgent economic and social measures.

xiii) Sole Article of Royal Decree-Law 4/2014, of 7 March, implementing urgent measures for the refinancing and restructuring of corporate debt.

xiv) Sole Article of Royal Decree-Law 11/2014, of 5 September, implementing urgent measures for the refinancing and restructuring of corporate debt.

xv) Sole Article of Law 17/2014, of 30 September, implementing urgent measures for the refinancing and restructuring of corporate debt.

xvi) Article 1; First, Second and Third Additional Provisions and First Transitional Provision of Royal Decree-Law 1/2015, of 27 February, on the second chance mechanism, debt reduction and other measures of a social nature.

xvii) First Final Provision of Law 5/2015, of 27 April, on promoting business financing.

xviii) Fifth Final Provision of Law 9/2015, of 25 May, on urgent insolvency measures.

xix) Fifth Final Provision of Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (insolvencies of credit institutions or entities legally assimilated thereto, investment firms and insurance companies, as well as member entities of official securities markets and entities participating in securities clearing and settlement systems, to which the special features for insolvency proceedings apply).

xx) Fifth Final Provision of Law 20/2015, of 14 July, on the organisation, supervision and solvency of insurance and reinsurance companies.

xxi) Article 1 and First Transitory Provision of Law 25/2015, of 28 July, on the second chance mechanism, debt reduction and other measures of a social nature.

xxii) Fifth Final Provision of Law 40/2015, of 1 October, on the Legal Regime of the Public Sector.

This Royal Legislative Decree and the recast text of the Insolvency Law which it approves will enter into force on **1 September 2020**.

– **Resolution of 6 May 2020,** of the Secretary of State for the Economy and Business Support, publishing the agreement of the Council of Ministers, of 5 May 2020, which establishes the terms and conditions of the third tranche of the line of guarantees for loans granted to companies and self-employed workers, the promissory notes included on the Alternative Fixed Income Market (MARF) and the counter-guarantees extended by Compañía Española de Reafianzamiento, SME, Sociedad Anónima (CERSA). Further, limits are authorised to take on spending commitments for future years in application of the provisions of Article 47 of the General Budgetary Law 47/2003, of 26 November.

– **Royal Decree-Law 18/2020, of 12 May,** on social measures in defence of employment.

The provisions of Article 5 on the limitations for dividend distribution and fiscal transparency stand out. Specifically, mercantile companies or other legal persons that have recourse to the temporary employment regulation procedures (ERTE) regulated by Article 1 of this Royal Decree-Law and that make use of the public resources allocated for this purpose, may not distribute dividends for the tax year in which the ERTE applies, unless they have previously paid the amount corresponding to the exemption applied to social security contributions.

The year in which the company does not distribute dividends in application of the provisions of the preceding paragraph will not be taken into account for the purpose of shareholders exercising their right of separation as provided in Article 348 *bis*.1 of the recast text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July. This limitation on distributing dividends will not apply to entities that, at 29 February 2020, employed less than 50 workers, or persons assimilated thereto, registered in the social security system.

– **Royal Decree-Law 19/2020, of 26 May**, adopting additional agricultural, scientific, economic, employment, social security and tax measures to mitigate the effects of COVID-19.

This Royal Decree-Law implements agricultural, scientific, economic, employment, social security and tax measures. These include:

- Sector framework agreements put forward by the representative associations of financial entities for the deferral of financing transactions for customers affected by the coronavirus crisis: this Royal Decree-Law incorporates a special regime for moratorium agreements reached between lenders and their customers.

- Filing of corporate tax returns for taxpayers that comply with the provisions of Articles 40 and 41 of Royal Decree-Law 8/2020, of 17 March on urgent extraordinary measures to deal with the social and economic impact of COVID-19 in relation to the formulation and approval of their annual accounts. Corporation tax payers with a deadline for the formulation and approval of their annual accounts regulated by Articles 40 and 41 of Royal Decree-Law 8/2020 must file their tax returns for the period corresponding to said year before the deadline set down in Article 124.1 of Corporate Tax Law 27/2014, of 27 November. If, at the end of this period, their annual accounts have not been approved by the corresponding body, the tax declaration must be filed with the available annual accounts.

For the purposes of this Royal Decree-Law available annual accounts are understood to be: i) for listed public limited companies, the audited annual accounts referred to in Article 41.1.a) of the aforementioned Royal Decree-Law 8/2020; ii) for the rest of taxpayers, the audited annual accounts or, failing that, the annual accounts formulated by the corresponding body or, in the absence of the latter, the available accounting records, always in accordance with the provisions of the Commercial Code or with the rules governing them.

Article 40 of Royal Decree-Law 8/2020 established an extraordinary regulation regarding the deadlines for the formulation, verification and approval of the annual accounts of private-law legal entities that are not included in the scope of application of the Article 41 of this legal text relating to listed public limited companies. This affects the obligation to file a corporate tax return, since the determination of taxable income according to the direct estimation method is made on the basis of accounting profit. Therefore, to mitigate the effects of the aforementioned extraordinary measures, tax payers unable to approve their annual accounts before the end of the tax declaration period will be allowed to submit the statement with the annual accounts available at that time, in accordance with established terms.

When the accounts are subsequently approved in accordance with the law and the accounting profit is definitively known, a second declaration must be presented. If this results in a higher or lower amount to be paid than in the one previously submitted, a second self-assessment must be submitted, which shall have the status of a supplementary statement. In all other cases, this second self-assessment shall rectify the first statement on submission, and no resolution from the tax authority regarding its source shall be required. In no case will the second self-assessment have a preclusive effect, and the corporate tax may be subject to full verification. Therefore, to progress in the reactivation of economic, social, administrative and judicial activity, and to provide the system with legal certainty, Article 40 of Royal Decree-Law 8/2020, of 17 March, has been amended to establish that the three-month period for the formulation of annual accounts and other legally required documents will start on 1 June, and not at the end of the state of alarm. This provides legal certainty since it will replace a dynamic and non-standard deadline, which will vary according to the stage of de-escalation in force in the autonomous region where the company is registered, with a specific date, 1 June, thereby reactivating social and legal transactions. Additionally, the term for approving the annual accounts after their formulation is reduced from three to two months, so that companies will have their accounts approved and filed with the Companies Registry earlier. Further, this deadline will be standardised for all companies, listed or otherwise, so that they must all approve their accounts for issue within the first ten months of the year.

To this end, the Eighth Final Provision of Royal Decree-Law 8/2020, of 17 March, on urgent extraordinary measures to deal with the economic and social impact of COVID-19 has been amended, as follows:

Article 40.3 has been amended to read: “The obligation to formulate annual, ordinary or abbreviated, individual or consolidated accounts, within a period of three months from the close of the financial year that corresponds to the governing or administrative body of a legal entity and, when legally required, the management report and other documents required under company legislation, shall be suspended until 1 June 2020, and the period shall resume for another three months from that date. Notwithstanding the foregoing, the accounts formulated by the governing or administrative body of a legal person during the state of alarm shall be valid, and they may also carry out the accounting verification within the legally established period or availing themselves of the extension provided for in the following section”. Article 40.5 has been amended, and is now worded as follows: “To authorise the previous year’s accounts for issue, the corresponding ordinary general meeting must be called within two months from the end of the period for formulating the annual accounts”.

Third Final Provision. Amendment of Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms. Amendment of Article 55.3 a) of Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms. In its current wording, Article 55 of Law 11/2015, of 18 June, prohibits the renewed appointment of the chairman of the Fund for Orderly Bank Restructuring (FROB) on conclusion of the mandate for which he or she has been appointed and determines his or her cessation at that same time. Taking into account that the chairman is the only executive position in the FROB governing committee and in order to ensure the operational continuity of the institution and avoid the risk of a vacant period between two chairmen, it is advisable to establish that the conclusion of the aforementioned term shall not impede the continuation of the chairman until his or her successor can be appointed.

Fourth Final Provision. Amendment of Royal Decree 877/2015, of 2 October, implementing Law 26/2013, of 27 December, on savings banks and banking foundations, which regulates the reserve fund that must be established by certain banking foundations; Royal Decree 1517/2011, of 31 October, approving the regulation implementing the recast text of the Spanish Audit Law, approved by Royal Legislative Decree 1/2011, of 1 July, has been amended. Royal Decree 1082/2012, of 13 July, approving the implementing regulations of Law 35/2003, of 4 November, on Collective Investment Schemes has been amended. An Additional Provision has been added in the following terms:

First Additional Provision. Suspension of the obligation to contribute to the reserve fund. Due to the economic effects of the COVID-19 pandemic, the banking foundations referred to in Article 2 shall not be obliged to make contributions to the reserve fund during 2020. The constitution period of the reserve fund, pursuant to Article 6, shall be suspended for the whole of 2020. The suspension of the contribution in 2020 shall not be compensated for in the contribution made the following year. Therefore, the remaining contributions required to reach the target amount established by virtue of Article 4 shall be distributed linearly over time, in accordance with Article 6.3.

Recommendation of the European Central Bank, of 27 March 2020, on the distribution of dividends during the COVID-19 pandemic and repealing Recommendation ECB/2020/1. The European banking supervisor recommends that, at least until 1 October 2020, credit institutions should refrain from distributing dividends or arranging irrevocable commitments to distribute dividends with a charge to profits for 2019 and 2020. Given this circumstance, and since the dividends received by banking foundations are their main source of income, the obligation to contribute to the reserve fund in 2020 has been suspended and the computation of the constitution period halted, thus postponing the pending contributions to the period 2021-2024.

Ninth Final Provision. Amendment to Royal Decree-Law 11/2020 of 31 March, adopting urgent extraordinary measures to deal with the social and economic impact of COVID-19. The wording of Article 21.1 of Royal Decree-Law 11/2020 is now as follows: "Measures have been established to temporarily suspend the contractual obligations derived from any loan or credit without mortgage guarantee that was in force on the date of entry into force of this Royal Decree-Law, when it has been taken out by a natural person who is in a situation of economic vulnerability, as defined in Article 16, as a consequence of the health crisis caused by COVID-19. In any case, finance lease agreements shall be included in the scope of the temporary suspension referred to in the forgoing paragraph".

Sole Repealing Provision. The second paragraph of Article 16 *ter* (formalisation in public deed of the mortgage moratorium) and Article 20 (suspension of portability) of Royal Decree-Law 8/2020, of 17 March, implementing urgent extraordinary measures to deal with the social and economic impact of COVID-19 are repealed. With effect from 1 June 2020, the Second Additional Provision (suspension of deadlines in the Labour and Social Security Inspection system) of Royal Decree-Law 15/2020, of 21 April, on urgent complementary measures to support the economy and employment, are repealed.

– **Law 3/2020, of 18 September,** on procedural and organisational measures to deal with COVID-19 in the context of the administration of justice.

Chapter II includes **insolvency** and **corporate** measures. The health crisis triggered by COVID-19 is a further obstacle to the viability of insolvent companies, which can mean that they are either unable to sign or fulfil agreements, forcing them into liquidation, or have greater difficulty disposing of productive units that may be viable. For this reason Royal Decree-Law 11/2020, of 31 March, implementing additional urgent social and economic measures to deal with COVID-19, gave these companies the possibility of recourse to temporary employment regulation (ERTE) procedures regulated by Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent social and economic measures to deal with COVID-19. This new Law added several other measures to those already established in the first Royal Decree-Law, with a threefold aim:

- First, to ensure the economic continuity of companies, professionals and self-employed workers that, prior to the entry into force of the State of Alarm, had been regularly complying with the obligations deriving from an agreement, an out-of-court payment agreement or an approved refinancing agreement. For these debtors, the obligation to file for liquidation is postponed when, during the term of the agreement, they become aware that they will be unable to meet the repayment obligations and commitments arranged after its approval. Likewise, the modification of the agreement or out-of-court payment agreement or approved refinancing agreement is facilitated. With regard to the latter, a new application may also be submitted without having to wait for 12 months to elapse from the submission of the previous application.

- Second, financing of companies is strengthened and encouraged to help meet their temporary liquidity needs, classifying as claims against the estate, in the event of liquidation, those derived from financing commitments or the provision of guarantees on behalf of third parties, including such parties specially related to the debtor as may be included in the proposal or in the proposed modification of the agreement already approved by the judge. Further, to facilitate the credit and the liquidity of the company, claims of parties specially related to the debtor in any insolvencies arising during the two years following the declaration of the state of alarm are to be classified as ordinary claims.

- Third, to prevent any rise in litigation related to the processing of insolvency proceedings in commercial and local courts, a series of rules is established to streamline the bankruptcy process, such as non requirement of hearings, the declaration of insolvency, the preferential processing of certain actions aimed at protecting the rights of workers, maintaining the continuity of the company and preserving the value of assets and rights, as well as the simplification of certain acts and incidents (auctions, contesting the inventory and lists of creditors or approval of liquidation plans).

Lastly, two rules are included in Chapter II to temporarily and exceptionally mitigate the consequences of the application, in current circumstances, of the general rules on the dissolution of corporate enterprises and on the declaration of insolvency, in such a way that companies gain time to restructure their debt, obtain liquidity and offset their losses, either by recovering their ordinary activity or accessing credit or public aid. Therefore, the suspension of the obligation to declare insolvency is extended until 31 December 2020 and for the purposes of the legal cause of dissolution due to losses, those of the current year will not be included.

The Repealing Provision repeals the aforementioned Article 43 of Royal Decree-Law 8/2020, which established the suspension of the obligation to file for insolvency during the state of alarm and provided that the judges would not admit insolvency applications for processing until two months after the end of said period.

Chapter III regulates **organisational and technological measures** designed to deal with the consequences of the COVID-19 crisis, already described, on the **Administration of Justice** and to extend the temporary application of these measures until 20 June 2021.

It establishes that procedural acts be preferably carried out remotely by the parties involved to ensure the protection of people's health and minimise the risk of contagion, safeguarding the rights of all parties in the process. However, in the area of criminal justice, an exception is made to the preference for holding trials using remote means in cases of serious crimes, or when any of the charges could lead to the defendant being remanded in custody or if a prison sentence of more than two years is requested. In these circumstances, the physical presence of the defendant is required.

For the same purpose, all public access to oral procedures is limited in accordance with the characteristics of the courtrooms. This makes it possible to maintain social distancing and avoid crowds and the movement of people in judicial buildings when this is not essential.

A system has also been established for attending to the public by teleconference, telephone or though the e-mail address set up for this purpose, so as to limit face-to-face meetings to strictly necessary cases and only by appointment.

Legal units are expected to be set up to address matters deriving from COVID-19 and it is possible that justice department lawyers may, during their internship periods, undertake substitutions or reinforcement functions, among other measures.

The Fourth Final Provision amends Law 18/2011, of 5 July, regulating the use of information and communication technologies in the administration of justice, by facilitating remote access to the applications used for procedural management and by encouraging teleworking. The electronic identification and signature systems are also amended and decoupled, under the same terms set down in Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Administrations.

The publication of resolutions and communications will be concentrated in the Single Judicial Notice Board, which will be published electronically by the Spanish Official State Gazette, thereby amending the practice of publications being posted on different notice boards and in different official gazettes, simplifying the process and strengthening party guarantees.

The Fifth Final Provision amends and extends the *vacatio legis* (non-applicability) of Law 20/2011, of 21 July, of the Civil Registry, until 30 April 2021.

The Seventh Final Provision introduces a technical improvement in the amendment of Article 159.4 of Law 9/2017, of 8 November, on Public Sector Contracts, approved by Royal Decree-Law 15/2020, of 21 April, on urgent complementary measures to support the economy and employment.

This Law repeals Royal Decree-Law 16/2020, of 28 April, on procedural and organisational measures to deal with COVID-19 in the context of the administration of justice, as well as Article 43 of Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent social and economic measures to deal with COVID-19.

This Law entered into force the day after its publication in the Official State Gazette (*BOE*).

– **Royal Decree-Law 28/2020, of 22 September,** on remote working.

This Royal Decree-Law will apply to employment relationships that correspond to the conditions described in Article 1.1 of the recast text of the Law on the Statute of Workers' Rights, approved by Royal Legislative Decree 2/2015, of 23 October, and are carried out remotely on a regular basis.

For this purpose, remote working is considered to be on a regular basis when within a reference period of three months at least 30% of the working hours, or the equivalent proportional percentage according to the duration of the employment contract are worked remotely.

The Second Additional Provision establishes that the provisions of this Royal Decree-Law will also apply to employees of the public administration service and be governed by specific regulations for this service. Until these specific regulations are approved, the provisions of Article 13 of the recast text of the Law on the Statute of Workers' Rights, in its wording prior to the entry into force of this Royal Decree-Law, will apply.

The Ninth Final Provision, which provides for a specific amendment of Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Administrations, extends the deadline for the terms of the Seventh Final Provision of the aforementioned regulation, in regard to the electronic register of powers of attorney, the electronic register, the register of authorised public sector employees, the general electronic access point of the Administration and electronic files. Given the difficulty of completing the necessary adaptation process before the current deadline of 2 October 2020, the period will be extended until 2 April 2021, when the provisions regulating these matters will take effect.

Lastly, this Royal Decree-Law will enter into force 20 days after its publication in the Official State Gazette (*BOE*), without prejudice to the provisions of the Seventh Additional Provision.

However, the Third, Fourth, Fifth and Sixth Additional Provisions, the Fourth Transitory Provision and the Fourth, Fifth, Eighth, Ninth, Tenth, Eleventh and Twelfth Final Provisions will enter into force on the same day as they are published in the *BOE*.

– **Royal Decree-Law 29/2020, of 29 September,** on urgent measures regarding remote working in the public administration service and human resources in the National Health System to deal with the health crisis caused by COVID-19.

  The objective is to establish a basic regulatory framework, from the perspective of both the legal regime for the public administration service, and more specifically of the rights and obligations of public employees, that will enable all public administration services to develop their own regulatory systems for teleworking, using their powers of self-organisation, and having recourse to state-level legislation in the case of employees.

  There is a basic regulatory framework for the provision of remote services through teleworking, encouraging the use of new information technologies and the development of digital administration processes, with the consequent advantages for both public employees, the state, and society at large.

This Royal Decree-Law introduces a new Article 47 *bis* in the recast text of the Law on the Basic Statute of Workers' Rights for Public Employees, title III, chapter V, relating to daily working hours, leave and holidays.

Teleworking is defined as the form of providing services remotely whereby work can be properly carried out, provided that the needs of the service allow, outside the premises of the public administration service through the use of information and communication technologies.

It is expressly established that teleworking must in any case contribute to improving the organisation of the work by identifying objectives and assessing their achievement. As it regulates a working modality and the flexibilisation of the structural organisation of the public administration service, it must serve to improve the achievement of the administration service's objectives in its endeavour to serve the public interest.

As such, without prejudice to its voluntary nature, the use of this way of working must guarantee the proper provision of public services, and service requirements must always be met.

The provision of services through this type of work must be expressly authorised, using objective access criteria, and be compatible with on-site work, which will continue to be considered the default way of working. Staff who provide services remotely will have the same rights and obligations as all other public employees, and the public administration service must provide and maintain the technological means necessary for their activity.

However, teleworking must be carried out in accordance with the rules of each public administration service, and is subject to collective bargaining in each area.

– **Law 5/2020, of 15 October,** on the Financial Transactions Tax.

The tax will be levied on the acquisition for valuable consideration of shares in Spanish companies (defined in the terms of Article 92 of the Recast Text of the Corporate Enterprises Act), regardless of the persons or entities involved in the transaction. Likewise, the deposit certificates representing the aforementioned shares will be subject to tax.

The tax does not apply to all acquisitions of shares in Spanish companies, only to shares in companies with shares admitted to trading on a regulated market, regardless of whether transaction is executed through a trading venue, and which have a market capitalisation of more than €1 billion.

Certain transactions performed on the primary market are exempt from the tax such as those required to ensure that the markets function correctly, those arising from business restructuring transactions or resolution measures, the acquisition of shares carried out between companies belonging to the same group and acquisitions carried out under a buyback programme. This Law will enter into force three months after its publication in the Official State Gazette (*BOE*).

– **Law 4/2020, of 15 October,** on the Tax on Certain Digital Services.

This Law regulates the Tax on Certain Digital Services as an indirect levy applicable, in the manner and conditions provided in said law, to the provision of certain digital services with the intervention of users located in the territory of application of the tax.

This Law will enter into force three months after its publication in the Official State Gazette (*BOE*).

– **Royal Decree 926/2020, of 25 October,** declaring the state of alarm to contain the spread of infections caused by SARS-CoV-2.

This Royal Decree declares a state of alarm with effect throughout Spain for an initial period of 15 days. The government will then ask parliament to extend the measures for six months.

The competent authority will be the Spanish government, and in each autonomous region and city, the delegated competent authority will be the authority holding the presidency of said autonomous region or city, and these bodies may establish the degree to which the measures contained in the Royal Decree are applied in accordance with their individual circumstances.

The autonomous regions may restrict entry and exit to and from their territories, closing the entire perimeter of the regions or a smaller area. They may also restrict the number of people who can gather in public or private spaces to a maximum of six, unless they live in the same household. These measures will be implemented for a minimum of seven calendar days and the presidents of the autonomous regions and cities will be the delegated competent authorities in the decision as to whether the entry and exit restrictions and limits on the maximum number of people who can gather together in groups are fully or partially applied.

– **Law 6/2020, of 11 November,** regulating certain aspects of electronic trust services.

The purpose of this law is to regulate certain aspects of electronic trust services, as a supplement to Regulation (EU) No. 910/2014 of the European Parliament and of the Council, of 23 July 2014, on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC.

The direct applicability of the regulation does not deprive the Member States of any regulatory capacity on the regulated matter; moreover, they are obliged to adapt national regulations to guarantee that this quality becomes effective. This adaptation may require the amendment or repeal of existing rules and the implementation of new provisions to complete Regulation (EU) No. 910/2014 in aspects that it does not harmonise but leaves to the discretion of the Member States.

Therefore, it covers aspects such as the qualified providers liability regime, the penalty system, the verification of the identity and attributes of applicants for qualified certificates, the inclusion of additional requirements at the national level for these certificates, such as national identifiers, and their maximum validity period, as well as the conditions for the withdrawal of certificates.

The previous regulation has been amended to grant evidentiary value to electronic documents for the production or communication of which a qualified trust service has been used. In this manner, the burden of proof is simplified, since the mere verification of the inclusion of the aforementioned service in the trusted list of qualified providers of electronic services, regulated by Article 22 of Regulation (EU) No. 910/2014, is sufficient.

For electronic certificates, several provisions have been included in the law regarding the issue and content of such certificates, the maximum validity of which is maintained at five years. In this regard, service providers are not permitted to use certificate chaining to renew qualified certificates using a current one more than once, for reasons of legal security.

In response to changes in technology and market demands, Regulation (EU) No. 910/2014 opens up the possibility of providing innovative services based on mobile and cloud solutions, such as remote electronic signing and stamping, where the environment is managed by a trusted service provider on behalf of the owner. In order to ensure that these electronic services obtain the same legal recognition as those used in a fully user-managed environment, the providers must apply specific security procedures and use trustworthy systems and products, including secure electronic communication channels, to ensure that the environment is reliable and is used under the exclusive control of the owner. The aim is to achieve a balance between ease of access and use of services, without detriment to security.

The aforementioned regulation establishes that only natural persons are qualified to provide an electronic signature. Therefore, it does not envisage the issue of electronic signature certificates to legal persons or entities without legal personality. These may use electronic seals, which guarantee the authenticity and integrity of documents such as electronic invoices.

Without prejudice to the foregoing, legal persons may act through the certified signature of the natural persons who legally represent them.

This Law repeals the following provisions:

i) Law 59/2003 of 19 December on electronic signing.

ii) Article 25 of Law 34/2002 of 11 July on services of the information society and electronic commerce.

iii) Order of the Ministry of Development of 21 February 2000 approving the Regulation on the accreditation of certification service providers and the certification of certain electronic signature products.

– **Law 7/2020, of 13 November,** for the digital transformation of the financial system.

This Law regulates a controlled testing environment (sandbox) that allows the implementation of technological innovation projects in the financial system in full compliance with the legal and supervisory framework, respecting in all cases the principle of non-discrimination. Title II is the main part of the law, since it regulates a controlled testing environment with its own characteristics, known as the “regulatory sandbox” in the European and international sphere.

Additionally, the Law strengthens the instruments necessary to ensure the objectives of financial policy in the context of digital transformation.

To this end, the law provides the competent authorities and sponsors of technology-based innovations applicable in the financial system, and users of financial services, with tools to help them better understand the implications of digital transformation, in order to enhance efficiency, the quality of service and, particularly, security and protection against new financial technology risks.

This ensures that the financial authorities have the proper tools to continue to optimally carry out their functions in the new digital context. The innovation process is also facilitated to achieve a more equitable development through better access to financing for the different productive sectors and the recruitment of talent in a highly competitive international technology environment.

The supervisory authority is the national financial authority with competent supervisory functions in the matter, either the Bank of Spain, the CNMV or the General Directorate of Insurance and Pension Funds, in accordance with the provisions of Article 7 of Law 13/1994 of 1 June on the Autonomy of the Bank of Spain; Article 17 of Royal Legislative Decree 4/2015 of 23 October approving the recast text of the Securities Market Act, and Article 7 of Law 20/2015 of 14 July on regulation, supervision and solvency of insurance and reinsurance entities.

The Additional Provisions of the Law include an authorisation to the General Secretariat of the Treasury and International Financing to establish the application model and the first date for the submission of applications to enter the sandbox. Article 26, which refers to the report on the application of financial-based technological innovation in the supervisory function, provides that the supervisory authorities must include in their annual report a report on the application of technology-based innovation in their supervisory functions. In particular, this report must contain an evaluation of the implementation of the innovations that have been tested in the sandbox regulated by this law and that prove applicable to the improved performance of the supervisory function.

– **Royal Decree-Law 34/2020, of 17 November,** on urgent measures to support business solvency and the energy sector, and on tax matters.

Since the beginning of the crisis, measures have been implemented to resolve the liquidity problems of companies and self-employed persons, to support their investment decisions through a new line of investment guarantees, and their solvency, through the creation of the Solvency Support Fund for Strategic Enterprises. The purpose of this Royal Decree-Law is to support the solvency of companies in the case of a prolongation of the effects of the crisis, through the adoption of financial and bankruptcy measures.

The period initially established for granting these guarantees ended on 31 December 2020, in accordance with the initial provisions of the European Union regulations on State aid. However, in the fourth amendment to the Temporary Framework for State Aid measures, the European Union extended the period of availability of the guarantees permitted by the Temporary Framework until 30 June 2021. The course of the pandemic has led to the establishment of a new state of alarm that reaches beyond 2020 and restrictive measures on activity both in Spain and in other European countries that extend the exceptional circumstances for business decision-making. The Spanish regulation is aligned with this new timeframe.

Consequently, this Royal Decree-Law also establishes 30 June 2021 as the expiry date for the granting of public guarantees to cover the liquidity needs of self-employed persons and enterprises, thereby amending the provisions of Article 29 of Royal Decree-Law 8/2020 of 17 March and Article 1 of Royal Decree-Law 25/2020 of 3 July.

The Royal Decree-Law, to strengthen the support measures for liquidity and solvency and expand their scope, establishes, in its Ninth Final Provision, that promissory notes included in the MARF may benefit from these guarantees, as Royal Decree-Law 15/2020 of 21 April had done with respect to the line of guarantees included in Royal Decree-Law 8/2020 of 17 March. This encourages the continued use of funding sources provided by the capital markets and not only through traditional banking channels. In this case, as previously, the terms of the guarantees will be established by agreement of the Council of Ministers.

– **Royal Decree 1089/2020, of 9 December,** developing aspects related to the adjustment of the free allocation of greenhouse gas emission allowances in the 2021-2030 period.

– **Law 9/2020, of 16 December,** amending Law 1/2005 of 9 March regulating the regime for trading greenhouse gas emission allowances, to enhance cost-effective emission reductions.

This Law partially incorporates Directive (EU) 2018/410 of the European Parliament and of the Council, of 14 March, amending Directive 2003/87/EC, to enhance cost-effective emission reductions and encourage low-carbon investments, and Decision (EU) 2015/1814, which entered into force on 8 April 2018.

Chapter III regulates the legal nature of emission allowances, understood as the subjective right to release into the atmosphere an equivalent metric ton of carbon dioxide from an aircraft or from a facility included in the scope of this Law.

The emission allowance will be transferable. The issue, ownership, transfer, transmission, delivery and removal of emission allowances must be registered in the Spanish area of the European Union Registry.

Article 10 provides that financial regulations are applicable to emission allowances. Emission allowances and their derivatives are considered financial instruments in accordance with applicable national and European Union regulations. The regulations established at the national and European Union level regarding the markets for financial instruments and the control of these markets will be applicable to natural or legal persons that trade in emission allowances or their derivatives.

The Seventh Additional Provision on anti-competitive practices, activities related to money laundering, terrorist financing or market abuse has been amended. The Spanish Office for Climate Change, as the competent authority for the administration of the Spanish area of the European Union Registry, will inform the competent authorities in matters of investigation and fight against fraud, money laundering, terrorist financing, corruption or other serious crimes, of any suspicious action in relation to these matters and will cooperate with the competent national or EU authorities in matters of supervision of the emission allowances markets, when it has reasonable grounds to suspect acts that constitute insider trading in that market, and in accordance with the coordination mechanisms established by EU regulations.

– **Royal Decree-Law 38/2020, of 29 December,** implementing measures to adapt to the status of the United Kingdom of Great Britain and Northern Ireland as a third country after the end of the transition period provided for in the agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, of 31 January 2020.

  The measures contemplated in this Royal Decree-Law are aimed at protecting the interests of citizens and economic operators that may be affected by the end of the transition period when the United Kingdom becomes a third country for all purposes. These are aimed at counteracting, as far as possible, and within those areas of state competence that are deemed indispensable, the unwanted effects derived from the end of the transition period.

  These are temporary measures, the validity of which will cease when the period indicated in each case has elapsed, or earlier, if the instruments called to regulate, on a permanent basis, relations with the United Kingdom are adopted at the internal or international level in regard to the matters included in this rule.

  Additionally, maintaining the legal situations that the Royal Decree-Law regulates over time is subject to reciprocal treatment by the authorities of the United Kingdom. This condition of reciprocity must be verified at a time after the entry into force of this Royal Decree-Law, through the mechanisms uniquely enabled for this purpose.

– **Royal Decree-Law 39/2020, of 29 December,** on social and economic financial support measures and compliance with the execution of sentences.

  The emergency situation caused by the pandemic continues to require supportive social and economic measures, as will any emergency situations that arise as a result of unforeseen legal circumstances, such as proper compliance with judicial decisions that may have economic repercussions leading to urgent legislative changes. In order to address these circumstances, a set of social and economic measures has been adopted in this provision.

– **Royal Decree 1178/2020, of 29 December**, amending the Corporation Tax Regulation, approved by Royal Decree 634/2015, of 10 July.

This Royal Decree introduces modifications to the Corporation Tax Regulation, approved by Royal Decree 634/2015, of 10 July, to adapt the current regulatory text to Bank of Spain Circular 4/2017, of 27 November, to credit institutions on public and confidential financial reporting rules and financial statement standards and specify the regulation of information country by country in relation to the provisions of Directive (EU) 2016/881 of the Council, of 25 May, which amends Directive 2011/16/EU with regard to the mandatory automatic exchange of information in the field of taxation, including the rules applicable to the presentation of information country by country by groups of multinational companies.

– **Law 10/2020, of 29 December**, amending Law 58/2003, of 17 December, the General Tax Act, transposing Council Directive (EU) 2018/822, of 25 May, amending Directive 2011/16/EU as regards the automatic and mandatory exchange of information in the field of taxation in relation to cross-border mechanisms subject to communication of information.

A.4 Other

– **Resolution of 9 January 2020,** of the General Secretariat of the Treasury and International Financing, updating Annex 1 to the Resolution of 4 July 2017, of the General Secretariat of the Treasury and Financial Policy, defining the principle of financial prudence applicable to the indebtedness and derivatives transactions of the autonomous regions and local entities.

– **Circular 1/2020, of 28 January,** of the Bank of Spain, amending Circular 1/2013, of 24 May, of the Bank of Spain, on the Risk Information centre.

– **Instruction of 15 March 2020,** of the Ministry of Defence, establishing measures for the management of the health crisis situation caused by COVID-19 within the scope of the Ministry of Defence.

– **Order INT/226/2020, of 15 March,** establishing performance criteria for the Security Forces in relation to Royal Decree 463/2020, of 14 March, declaring the State of Alarm for the management of the health crisis situation caused by COVID-19.

– **Order INT/228/2020, of 15 March,** establishing the criteria for the application of Royal Decree 463/2020, of 14 March, declaring the state of alarm for the management of the health crisis situation caused by COVID-19.

– **Order TMA/230/2020, of 15 March,** specifying the actions of the regional and local authorities in regard to establishing public transport services under their ownership.

– **Order SND/232/2020, of 15 March,** implementing measures in the area of human resources and means for the management of the health crisis situation caused by COVID-19.

– **Order SND/233/2020, of 15 March**, establishing certain disclosure obligations in accordance with the provisions of Royal Decree 463/2020, of 14 March, declaring the state of alarm for the management of the health crisis situation caused by COVID-19.

- **Order SND/234/2020, of 15 March**, on the adoption of provisions and lockdown measures and the submission of information to the Ministry of Health to address the health crisis caused by COVID-19.

- **Agreement of 16 March 2020,** of the Plenary of the Constitutional Court, in relation to the suspension of procedural and administrative deadlines while Royal Decree 463/2020, of 14 March, remains in force.

- **Instruction of 19 March 2020,** of the Ministry of Health, establishing interpretive criteria for the management of the health crisis caused by COVID-19.

  The purpose of this Instruction is to establish interpretive criteria for permitted activities that affect the free movement of people.

- **Order SND/261/2020, of 19 March,** to coordinate the professional activity of the members of the civil service regulated by Book VI of Organic Law 6/1985, of 1 July, of the Judicial Authority, while the State of Alarm declared by Royal Decree 463/2020, of 14 March, remains in place.

  The Minister of Justice is entrusted with coordinating the professional activity of members of the bodies of civil servants regulated by Book VI of Organic Law 6/1985, of 1 July, of the Judicial Authority, throughout Spain. Likewise, this Ministry will be in charge of the coordination of the public services provided through the professional associations that act in the field of the Administration of Justice and, in particular, the public defender's office and free legal assistance.

- **Order ETD/282/2020, of 24 March,** which provides for the issuance of 7-year syndicated government bonds.

- **Resolution of 25 March 2020,** of the Secretary of State for the Economy and Business Support, publishing the Agreement of the Council of Ministers, of 24 March 2020, which authorises the acquisition of Bolsas y Mercados Españoles, S.A., by SIX Group AG.

- **Resolution of 27 April 2020,** of the Executive Commission of the Bank of Spain, on the continuation of the applicable procedure in the presentation of claims and complaints, subject to processing and resolution by the Bank of Spain, regulated in Article 30 of Law 44/2002, of 22 November, on measures for the reform of the financial system and in Order ECC/2502/2012, of 16 November.

- **Bank of Spain Circular 2/2020, of 11 June,** amending Circular 4/2017, of 27 November, to credit institutions on public and confidential financial reporting rules and on financial statement standards.

  The main objective of the Circular is to adapt Circular 4/2017, of 27 November, to credit institutions on public and confidential financial reporting rules and on financial statement standards, to changes in international law on reporting requirements for credit institutions.

– **Bank of Spain Circular 3/2020, of 11 June,** amending Circular 4/2017, of 27 November, to credit institutions on public and confidential financial reporting rules and financial statement standards.

Through the amendment introduced by this Circular, restructured, refinanced or refinancing credit transactions will not necessarily be classified as performing under special monitoring when they are not classified as non-performing.

– **Order ETD/554/2020, of 15 June,** approving the statistical, accounting and supervisory reporting models for pension funds and their management companies.

The purpose of this Order is to approve the statistical, accounting and supervisory reporting models that the management companies must submit to the General Directorate of Insurance and Pension Funds.

This Order is an improvement in the structure of the Spanish reporting models that pension fund management companies must provide to the General Directorate of Insurance and Pension Funds, adapting them to the new reporting obligations established by European Union regulations that must be submitted to the European Insurance and Occupational Pensions Authority and the European Central Bank.

Order EHA/251/2009, of 6 February, approving the statistical accounting documentation system for pension fund management companies is repealed.

– **Bank of Spain Circular 5/2020, of 25 November,** to payment institutions and electronic money institutions, on public and reserved financial reporting standards, and model financial statements, amending Circular 6/2001 of 29 October on owners of currency exchange establishments and Circular 4/2017 of 27 November to credit institutions on public and reserved financial reporting standards and model financial statements.

This Circular establishes the accounting regime for payment institutions and electronic money institutions, and establishes the accounting documents that these entities and their groups must submit, including the model public and reserved financial statements.

It also establishes the recognition, assessment, presentation and information standards that must be included in the report and the breakdown of the information in the model statements that must be applied.

The Circular takes as reference the accounting regulations of credit institutions, either setting criteria similar to these, or referring directly to the rules of Bank of Spain Circular 4/2017, of 27 November, to credit institutions on public and reserved financial reporting standards and model financial statements.

B European legislation

– **Commission Delegated Regulation (EU) 2020/1273, of 4 June 2020,** amending and correcting Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to listing on a regulated market.

Published in *OJEU* (L) No. 300 of 14/09/2020.

– **Commission Delegated Regulation (EU) 2020/1302, of 14 July 2020,** supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council with regard to fees charged by the European Securities and Markets Authority to central counterparties established in third countries.

  Published in *OJEU* (L) No. 305 of 21/09/2020.

– **Commission Delegated Regulation (EU) 2020/1303, of 14 July 2020,** supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council with regard to the criteria that ESMA should take into account to determine whether a central counterparty established in a third country is systemically important or likely to become systemically important for the financial stability of the Union or of one or more of its Member States.

  Published in *OJEU* (L) No. 305 of 21/09/2020.

– **Commission Delegated Regulation (EU) 2020/1304, of 14 July 2020,** supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council with regard to the minimum elements to be assessed by ESMA when assessing third-country CCPs' requests for comparable compliance and the modalities and conditions of that assessment.

  Published in *OJEU* (L) No. 305 of 21/09/2020.

– **Commission Implementing Regulation (EU) 2020/1406, of 2 October 2020,** laying down implementing technical standards with regard to procedures and forms for exchange of information and cooperation between competent authorities, ESMA, the Commission and other entities under Articles 24(2) and 25 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council on market abuse.

  Published in *OJEU* (L) No. 325 of 07/10/2020.

– **Directive (EU) 2020/1504 of the European Parliament and of the Council, of 7 October 2020**, amending Directive 2014/65/EU on markets in financial instruments.

  Published in *OJEU* (L) No. 347 of 20/10/2020.

– **Regulation (EU) 2020/1503 of the European Parliament and of the Council, of 7 October 2020**, on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.

  Published in *OJEU* (L) No. 347 of 20/10/2020.

– **Commission Interpretative Communication** on the preparation, audit and publication of the financial statements included in the annual financial reports drawn up in accordance with Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF).

Published in the *OJEU* (L) No. 379 of 10/11/2020.

- **European Securities and Markets Authority Decision (EU) 2020/1689, of 16 September 2020**, renewing the temporary requirement to natural or legal persons who have net short positions to lower the notification thresholds of net short positions in relation to the issued share capital of companies whose shares are admitted to trading on a regulated market to notify the competent authorities above a certain threshold in accordance with point (a) of Article 28(1) of Regulation (EU) No. 236/2012 of the European Parliament and of the Council.

  Published in *OJEU* (L) No. 379 of 13/11/2020.

- **Commission Delegated Regulation (EU) 2020/1732, of 18 September 2020**, supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to fees charged by the European Securities and Markets Authority to securitisation repositories.

  Published in *OJEU* (L) No. 390 of 20/11/2020.

- **Commission Implementing Decision (EU) 2020/1766, of 25 November 2020**, determining, for a limited period of time, that the regulatory framework applicable to central securities depositories of the United Kingdom of Great Britain and Northern Ireland is equivalent in accordance with Regulation (EU) No. 909/2014 of the European Parliament and of the Council.

  Published in *OJEU* (L) No. 397 of 26/11/2020.

B.7 Guidelines, decisions and recommendations of ESMA/EBA

- **Decision of the European Systemic Risk Board, of 20 March 2020,** amending Decision ESRB/2011/1 adopting the Rules of Procedure of the European Systemic Risk Board (ESRB/2020/3).

- Guidelines on **standardised procedures and messaging protocols under Article 6(2) of Regulation (EU) No. 909/2014**. (06/04/2020). European Securities and Markets Authority (ESMA).

- **Guidelines on EMIR Anti-Procyclicality Margin Measures for Central Counterparties** (15/04/2019). European Securities and Markets Authority (ESMA).

- **Recommendation of the European Systemic Risk Board, of 6 May 2020,** on the liquidity risks of investment funds (ESRB/2020/4).

- **ESMA Guidelines on Liquidity Stress Testing in UCITS and AIFs, of 16 July 2020.**

Annexes on CNMV Organisation

Composition of the CNMV Board at 31 May 2021

Chair	Mr Rodrigo Buenaventura Canino
Vice-Chair	Ms Montserrat Martínez Parera
Directors	Mr Juan Manuel Santos-Suárez Márquez
	Ms María Dolores Beato Blanco
	Ms Helena Viñes Fiestas
	Mr Carlos San Basilio Pardo (General Secretary of the Treasury and International Financing)
	Ms Margarita Delgado Tejero (Deputy Governor of the Bank of Spain)
Secretary	Mr Miguel Martínez Gimeno

Composition of the CNMV Executive Committee at 31 May 2021[1]

Chair	Mr Rodrigo Buenaventura Canino
Vice-Chair	Ms Montserrat Martínez Parera
Directors	Mr Juan Manuel Santos-Suárez Márquez
	Ms María Dolores Beato Blanco
	Ms Helena Viñes Fiestas
Secretary	Mr Miguel Martínez Gimeno

1 The creation, constitution and functions of the CNMV Executive Committee are regulated by Article 26 of the recast text of the Securities Market Act, approved by Spanish Royal Legislative Decree 4/2015, of 23 October, as written in Law 44/2002, of 22 November, on Measures to Reform the Financial System.

Composition of the CNMV Advisory Committee at 31 May 2021[2]

Chair	Ms Montserrat Martínez Parera
Secretary	Mr Miguel Martínez Gimeno
Technical Secretary	Mr Víctor Rodríguez Quejido

Members

Representatives of market infrastructures

Member	Ms Beatriz Alonso-Majagranzas Cenamor
Alternate	Ms María Calvo Pérez
Member	Mr Jaime Aguilar Fernández-Hontoria
Alternate	Mr Gonzalo Gómez Retuerto
Member	Mr Ignacio Olivares Blanco
Alternate	Ms Aránzazu Ullivarri Royuela

Representatives of issuers

Member	Mr Manuel García Cobaleda
Alternate	Mr Juan Ignacio Pardo García
Member	Mr Rafael Piqueras Bautista
Alternate	Mr Javier Rodríguez Vega

Representatives of investors

Member	Mr Ángel Martínez-Aldama Hervás
Alternate	Ms Virginia Arizmendi Ortega
Member	Ms Elisa Ricón Holgueras
Alternate	Ms Marta Olavarría García-Perrote
Member	Mr Manuel Pardos Vicente
Alternate	Ms Karina Fábregas Márquez
Member	Mr Fernando Herrero Sáez de Eguilaz
Alternate	Mr Víctor Cremades Erades

Representatives of credit institutions and insurance companies

Member	Mr Javier Rodríguez Pellitero
Alternate	Ms Patricia Rodríguez Fernández de Castro
Member	Mr José María Méndez Álvarez-Cedrón
Alternate	Mr Antonio Jesús Romero Mora
Member	Ms Cristina Freijanes Presmanes
Alternate	Ms Zorione Arregi Elkorobarrutia
Member	Ms Pilar González de Frutos
Alternate	Ms María Aránzazu del Valle Schaan

2 Royal Decree 303/2012, of 3 February, regulating the CNMV Advisory Committee.

Representatives of professional associations

Member	Mr Valentín Pich Rosell
Alternate	Mr Ferrán Rodríguez Arias
Member	Mr Luis Alfredo Jiménez Fernández
Alternate	Mr Javier Méndez Llera
Member	Mr Fernando Vives Ruiz
Alternate	Mr Javier García de Enterría y Lorenzo-Velázquez

Representatives of the Investment Guarantee Fund

Member	Mr Ignacio Santillán Fraile
Alternate	Mr José Ignacio García-Junceda Fernández

Representatives of the autonomous regions with an official secondary market

Basque Country

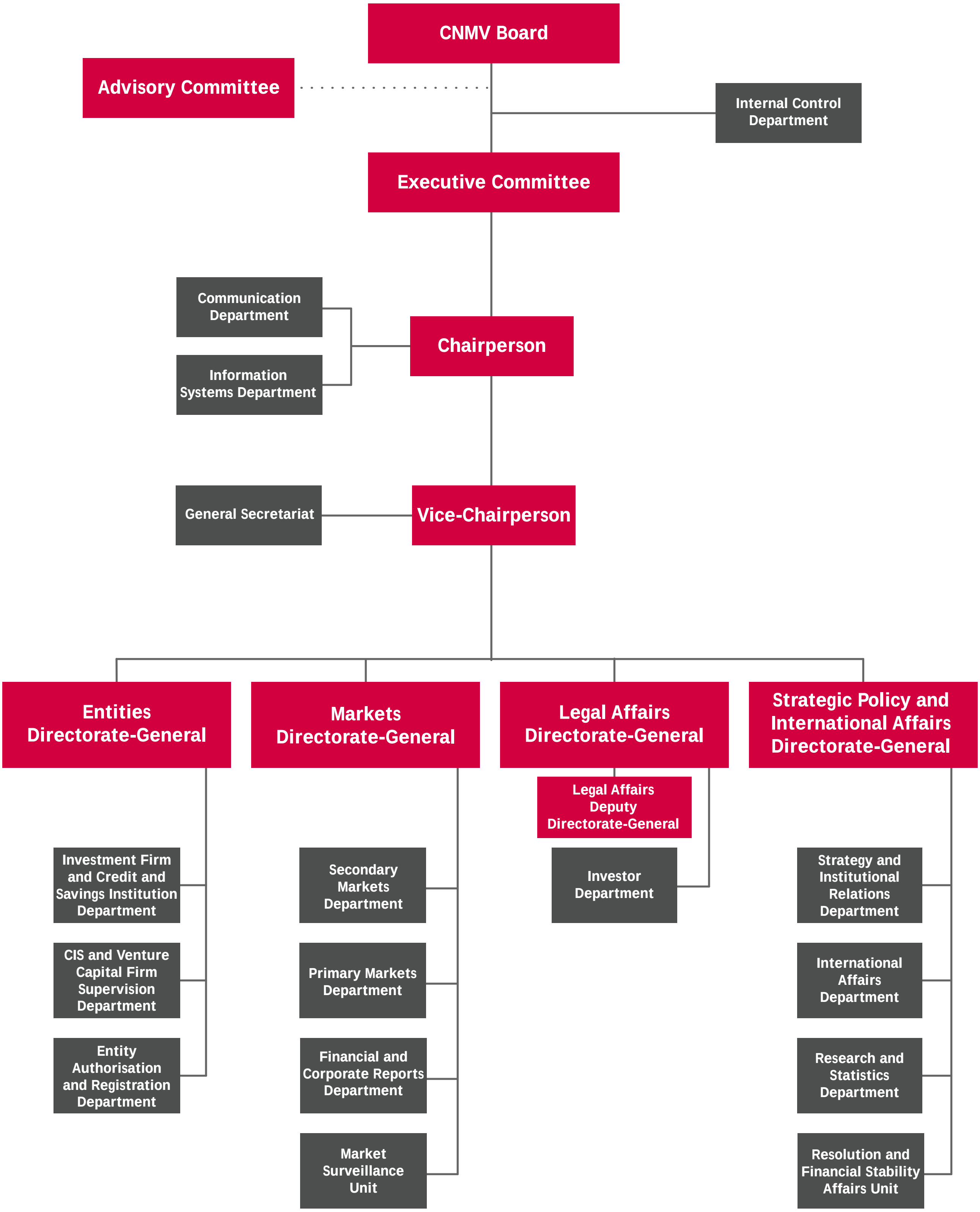
Member	Mr Hernando Lacalle Edeso
Alternate	Ms Arantza Larrauri Aranguren

Catalonia

Member	Mr Josep María Sánchez i Pascual
Alternate	Ms Alba Currià Reynal

Autonomous Community of Valencia

Member	Mr Juan Salvador Pérez Ballester
Alternate	Mr Nicolás Jannone Bellot


CNMV Board
Advisory Committee
Internal Control Department
Executive Committee
Communication Department
Information Systems Department
Chairperson
General Secretariat
Vice-Chairperson
Entities Directorate-General
Markets Directorate-General
Legal Affairs Directorate-General
Strategic Policy and International Affairs Directorate-General
Legal Affairs Deputy Directorate-General
Investment Firm and Credit and Savings Institution Department
Secondary Markets Department
Investor Department
Strategy and Institutional Relations Department
CIS and Venture Capital Firm Supervision Department
Primary Markets Department
International Affairs Department
Entity Authorisation and Registration Department
Financial and Corporate Reports Department
Research and Statistics Department
Market Surveillance Unit
Resolution and Financial Stability Affairs Unit