



Strategic areas 2019-2020

2019 Activity Plan



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1. Introduction

The Comisión Nacional del Mercado de Valores (CNMV), following its annual practice since 2007, presents its 2019 Activity Plan (hereinafter, the Plan). As in previous years, this Plan is intended to improve the CNMV's effectiveness, enhance transparency and encourage the sharing of information with the market, investors and supervised entities.

As in previous years, the Plan only covers a limited part of the work of the CNMV as it only includes those objectives selected using criteria of timeliness or innovation. This means that the Plan does not include many of the tasks performed by the CNMV in its routine authorising, registering and supervising of entities and supervision of markets, recording of transactions or monitoring of regulated information. Furthermore, the Plan does not include routine actions related to disciplinary measures or handling investor enquiries or complaints.

When preparing its 2017 Activity Plan, the CNMV decided to define its strategic areas with a two-year approach. Based on the functions of the CNMV and the features of the context in which it must perform such functions, the CNMV defined the strategic areas for 2017 and 2018. Following the same line, the Plan includes the strategic areas that will guide the CNMV's activities over 2019 and 2020.

Economic and financial environment¹

The CNMV's activities are dependent on the features of the macroeconomic environment and the markets in which they are carried out. It is therefore useful to refer to what 2019 might bring in this regard.

Economic outlook

The global economy, which has grown strongly and evenly across the different areas over the last two years, will continue to grow with certain intensity this year although the growth forecasts are somewhat lower. It is also likely that the level of synchrony between countries will fall as the uncertainties in the financial and economic landscape will have an uneven impact on each of them.

The most important sources of uncertainty are those which have a negative impact on international trade, the effects of the shift in monetary policy in advanced economies, which might have a significant impact on capital flows in emerging economies, and other political sources relating to doubts regarding the final Brexit agreement and the level of fiscal consolidation in Italy. In this context, in January the IMF

¹ Based on the CNMV quarterly bulletin of January 2019, and the update of the IMF's World Economic Outlook (WEO) also published in January 2019.

forecast global GDP growth of 3.5% for 2019, 0.2 percentage points lower than in 2018 and also 0.2 percentage points lower than the previous forecast. This reduction was mainly a result of the restrictions adopted on international trade.

Among the **advanced economies** as a whole, which might grow by 2% this year (2.3% in 2018), the United States will continue recording the strongest growth (2.5%), which is higher than that expected for the euro area (1.6%). The growth forecast for the euro area was significantly downgraded (0.3 percentage points down on the last forecast published in October) as a result of the greater slowdown expected in Germany (0.6 percentage points down) and Italy (0.5 percentage points down), as a result of trade restrictions in the case of the former and increasing financial risks in the case of the latter. The buoyancy of the US economy, driven by the expansive fiscal policy stance and a job market close to full employment, allowed the Federal Reserve to raise interest rates four times in 2018 to a range of 2.25%-2.5%. A slowdown in the growth of the US economy is expected as a result of the end of the tax stimulus package in 2020, a low level of world trade and the effects of the rate hikes.

For its part, the IMF forecasts that **emerging and developing economies** will grow by 4.5% this year, 0.1 percentage points lower than in 2018 and 0.2 percentage points lower than the previous forecast. Asian economies will record strong growth (over 6%), but somewhat lower than that recorded in 2018 as a result of the slow pace of world trade. The forecast for energy-exporting economies and European and Latin American emerging economies was downgraded due to the expected fall in the price of oil and the presence of idiosyncratic factors.

In the most important countries of **the euro area**, the pace of economic growth slowed significantly in 2018 and this trend is expected to continue in 2019. As mentioned, the slowdown is particularly noteworthy in the German economy, where growth fell from 2.5% in 2017 to 1.5% in 2018, and in France, which recorded growth of 1.5% in 2018 compared with 2.3% in the previous year. Europe faces risks of different types. In addition to those relating to global trade, political risks are especially important, particularly those relating to the final Brexit agreement and the lack of fiscal consolidation in Italy, as are the risks facing the banking sector. These risks include the difficulties faced by banks in Europe in increasing their margins and the environment of very low interest rates, together with a volume of non-productive assets that remains high.

The European Central Bank has decided on 2019 as the year for reversing its ultra-expansive monetary policy stance of recent years. In January, the ECB stopped purchasing debt assets as it ended its purchase programme in 2018 and, until recently, the market expected the first interest-rate hike to arrive in the second half of the year. However, the likelihood of this rate hike seems to be fading in view of the worsening forecasts for economic growth in the euro area.

The IMF forecasts also confirm the trend towards a slowdown for the **Spanish economy**, which might grow this year by 2.2%, below the 2.5% of 2018 and the 3% of 2017. These forecasts are in line with those issued by other leading institutions and bodies, such as the European Commission, the Bank of Spain and the Spanish Government. Most of the risks faced by the Spanish economy are common to other European economies, although some have a somewhat greater impact, such as those relating to some emerging economies and the doubts surrounding the budgetary policy in Italy. The domestic risks include the prolongation of political uncertainty

in Catalonia and the possible adoption of new fiscal measures by the government. The most important challenges faced by the Spanish economy include the desirability of a level of fiscal consolidation that would allow some room to manoeuvre at times of a change in the economic cycle, of reducing the still-high level of unemployment and of addressing the challenges of an ageing population.

Market position in 2018 and forecast for 2019

Spanish financial markets performed similarly to those of other important European economies in 2018. The stock market recorded falls practically throughout the year as a result of various factors of uncertainty – most of them shared with other economies – and despite strong economic activity. In the year as a whole, the Ibex 35 lost 15% of its value, a fall within the average range of other leading European indices. Every sector, except the energy sector, recorded falls, which were sharper in banks as a result of the doubts and weaknesses affecting their business, which are expected to continue over 2019. In parallel with the fall in share prices, the price-earnings (P/E) ratio fell to levels of a little over ten, which is a low figure both compared with the historical average of this indicator and with the ratios of other European indices. There were small and temporary upturns in volatility, while liquidity conditions remained at satisfactory levels.

In this context, trading in Spanish shares stood at 923 billion euros in 2018, a similar figure to that recorded in the previous year. The competitive environment introduced by the new rules set out in MiFID II and MiFIR has continued to encourage a redistribution between the trading carried out in the Spanish market, which continues to lose relative importance, and that carried out on other trading venues and competing markets. This trend may continue in 2019, particularly in the event that a financial transactions tax is established, such as the one that has been under consideration in recent months (in reality a tax on the purchase of shares in Spanish companies with a high market capitalisation).

The volume of **equity** trading recorded in Spanish markets was close to 580 billion euros² in 2018, 8.5% down on 2017, although the volume traded on other markets and platforms stood at 350 billion, up 17.2%. In addition, the number of trades performed on Spanish markets was 44.3 million, 13.2% down on the figure recorded in 2017, with the average size per trade rising by 3.6%. Foreign investment in Spanish shares grew to account for 46% of total capital at the end of 2018, thus reflecting the confidence of the international investor community in Spanish companies and financial markets. Five new companies were listed on Spanish stock markets, while 21 new companies were listed on the Alternative Stock Market (MAB). Depending on whether or not the aforementioned risks materialise, the starting point for Spanish equity prices might encourage a more positive performance than in 2018, as has been the case at the start of 2019 with gains in the Ibex 35 of over 6% in January. Similarly, possible increases in volatility might have a positive impact on trading volumes although these forecasts should be viewed with caution.

In the **government bond** market, the yield on the ten-year Spanish bond fell in the first few months of 2018 as it benefited from the improvement in its credit rating. It then recorded occasional upturns as a result of slight contagion from the uncertain-

2 Does not include trading of foreign equity, MAB, ETFs or Latibex.

ty in Italy. The balance at the end of the year showed little change from the figures of the previous year, as was the case with the sovereign risk premium.

In the **corporate bond** market, both issues registered with the CNMV and those admitted to trading on Spanish markets fell in 2018 by 8% and 43%, respectively, to 101.08 billion euros and 86.42 billion euros. This change is the result of lower issuing activity worldwide and also competition from other issuing markets. In this regard, it is important to note the ongoing work by the CNMV and by Spanish markets themselves to implement measures that simplify the issuance and admission of securities in Spain and, therefore, which aim to enhance the competitiveness of Spanish fixed-income markets, which are expected to bear fruit over 2019.

Similarly, the trading of government bonds on the regulated Spanish market that operates under the SEND platform grew significantly to 99.28 billion euros in 2018, with the incorporation of government bond issues by the leading euro area economies, so that the volume that may be traded in this market now exceeds 6.2 trillion euros. Moreover, the expansion of the MARF (Alternative Fixed-Income Market) continued both in volume issued and in number of issues (40). The volume of issues stood at 6.37 billion euros, 60.5% up on the previous year, and the balance of outstanding debt at the end of the year stood at 3.28 billion euros.

With regard to the performance of **collective investment schemes** in 2018, net subscriptions by unit-holders were again substantial up to the third quarter of the year, at which time the assets under management once again reached the historical highs recorded in the middle of 2007. This expansive trend, which has been recorded since 2013, was interrupted in the final months of the year, mainly as a result of the sharp falls in stock market prices over that period. Since the expansion of the industry began in 2013, over 140 billion euros of savings from new unit-holders have been added to the assets of these investment vehicles, bringing the assets under management to 266.68 billion euros at the end of November 2018, while the number of unit-holders rose to 11,329,702 on the same date, more than double the number recorded at the end of 2012. Over the same years, there has been a shift of investment towards funds with relatively high risk levels. Equity funds accounted for 15% of total assets in 2018 compared with 8% six years earlier, while the relative weighting of guaranteed funds, which at one time accounted for over 40% of the total, stood at around 7% at the end of 2018.

The assets managed by foreign collective investment schemes also grew significantly to stand at 160.84 billion euros at the end of the first quarter of 2018, four times the figure recorded at the end of 2012. The share of these entities in the collective investment industry in Spain therefore stood at around 35%³.

The positive figures for assets and unit-holders is at least expected to be consolidated in 2019 although it should always be borne in mind that the collective investment sector faces a complex year in which the rules resulting from MiFID II will be fully applicable, which will affect the distribution model of these products, which are by far the most popular products among Spanish retail investors.

3 With entry into force of CNMV Circular 2/2017, the number of entities required to submit statistical information has increased and, therefore, the data may not be comparable with the information published up to December 2017. Furthermore, as a result of this legislative change, the deadline for the affected entities to submit information has been extended and, therefore, the latest available data for the time being corresponds to the first quarter of 2018.

It should also be noted that in recent years, coinciding with the shrinking of bank lending, **non-bank loan financing** has increased, as the fixed-income issues of Spanish companies have either remained stable or increased (although many of these issues are registered or listed abroad), with an increase in the acquisition of these securities by investment funds. A greater volume of these issues may be seen as positive as the sources of financing in the economy are diversified, thus generating greater resilience to shocks that might affect the banking system. This trend is expected to continue in 2019, and the CNMV closely monitors the relative development of non-bank loan financing on a regular basis.

There was a significant increase in the application of **new technologies in financial markets** in 2018. This phenomenon is generating new ways of providing financial services, such as automated advice, which mean a significant change in clients' relationship with financial institutions. The CNMV's supervisory activity must pay attention to these new trends, and adapt its procedures accordingly, and to the emergence and relatively strong growth of new distribution channels (fewer sales of financial products through banking networks and higher volumes through electronic means). This phenomenon is expected to continue to grow in 2019. In this regard, the approval of CNMV Circular 4/2018, of 27 September, will allow for a more detailed analysis, as from 2020, of the use of the different distribution channels for financial products.

Another recent development in Spain has been the emergence of **crowdfunding platforms**, which are used as a channel for financing specific projects of a low amount, but which have had a relatively limited impact to date. A total of 26 crowdfunding platforms have been registered with the CNMV over the last four years (since 2015, when the national law governing such platforms was approved). The proposal for European regulation in this matter might contribute towards boosting crowdfunding, although doubts remain about when it will be approved as a new European legislature begins in 2019.

Finally, another alternative source of financing that has emerged over recent years is **Initial Coin Offerings (ICOs)**. Through these offerings, instruments called "tokens" are issued with which some companies and projects have raised finance in 2018. However, the apparent initial strength of the phenomenon seems to have largely vanished. At any event, the CNMV will continue paying attention to these types of operations so that it may, without discouraging the activity and applying the principle of proportionality and maintaining an open attitude to new developments, ensure appropriate level of protection for potential investors and prevent reserved activities been performed without the required authorisation.

Outlook for 2019

As a whole, the forecasts for the performance of financial markets in 2019 should be viewed with caution as many of the uncertainties that affected them in 2018 remain and may lead to a resurgence in volatility.

It is also important to bear in mind that the debt level of the main agents of the Spanish economy, although falling, remains high⁴, which makes them more vulne-

4 Both the debt of the general government and that of non-financial companies stands at slightly under 100% of GDP, while household debt stands at close to 60% of GDP.

able to slowdowns in economic growth, such as that currently suffered by the economy.

However, the slowdown of the Spanish economy is less intense than that of other European countries and the shift in monetary policy in the euro area does not seem to be as imminent as might have been expected a few months ago. It is therefore likely that the most indebted agents will not suffer substantial increases in their finance costs and there will be no sudden drops in the value of fixed-income assets. In addition, the reduction in the expectations of an increase in rates might lead to a greater propensity for new investments in fixed-income and equity assets, both as a result of the reduced likelihood that their prices will fall and also as a result of the search for yield.

Finally, the application of new technologies to financial services will have a growing impact that needs to be monitored.

Regulatory background

Over the last year, there have been significant changes in securities market legislation, mainly relating to the incorporation into Spanish law of the new regulatory framework on markets in financial instruments based on MiFID II and MiFIR, which came into force on 3 January 2018. This process ended in December with approval of a Royal Decree⁵ which completed the regime for regulated markets and for investment firms.

At any event, European Union Law contains other significant legislation in the field of the securities market which start to apply, or whose transposition deadlines end in 2019.

These include, firstly, the **Shareholder Rights Directive**⁶, which must be transposed into national law by 10 June 2019 and which includes corporate governance measures aimed at encouraging long-term shareholder engagement and increasing the transparency between companies and investors.

Furthermore, the **Securitisation Regulation**⁷ applies as from 1 January of this year. This Regulation introduces a harmonised framework for securitisations and creates a specific category of simple, transparent and standardised (STS) securitisations.

5 Royal Decree 1464/2018, of 21 December, implementing the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, and Royal Decree-Law 21/2017, of 29 December, on urgent measures for the adaptation of Spanish law to European Union legislation on the securities market and partially amending Royal Decree 217/2008, of 15 February, on the legal regime of investment firms and other entities that provide investment services and partially amending the Regulation of Law 35/2003, of 4 November, on Collective Investment Schemes, approved by Royal Decree 1309/2005, of 4 November, and other royal decrees on the securities markets.

6 Directive (EU) 2017/828, of the European Parliament and of the Council, of 17 May, 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

7 Regulation (EU) 2017/2402, of the European Parliament and of the Council, of 12 December 2017, laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No. 1060/2009 and (EU) No. 648/2012.

In addition, the provisions of the new **Prospectus Regulation**⁸, that do not apply yet, will do so as from 21 July 2019. This regulation introduces various amendments to the rules on the prospectus in the European Union to simplify and improve its application, increase efficiency and foster international competitiveness and contribute towards reducing burdens. The aim is to ensure investor protection and market efficiency, while enhancing the internal market for capital.

Apart from the need to adjust domestic law to the rules of the European Union, there are other draft regulatory measures at a national level relating to securities markets and the CNMV's activity.

In this regard, it is worth noting the draft Royal Decree that provides for the creation of the **Macroprudential Authority Financial Stability Board (AMCESFI)**. This will be a collegiate body that is expected to have representatives from the Ministry of Economy and Business, the Bank of Spain and the CNMV and which aims to improve the coordination of macroprudential supervision at a national level and to help towards preventing or mitigating systemic risks and seeking a sustainable contribution from the financial system towards economic growth.

8 Regulation (EU) 2017/1129, of the European Parliament and of the Council, of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

2. Implementation of the 2018 Activity Plan

In its 2018 Activity Plan, the CNMV set 50 objectives for implementing the strategic areas identified for that year. As of the publication date of the 2019 Activity Plan, **39 (78%) of the objectives set out in the 2018 Plan had been met**. As a result, the CNMV achieved a level of completion of the Activity Plan in line with that recorded in previous years: 78% in 2018 compared with 86% in 2017, 82% in 2016 and 79% in 2015.

A detailed account of the achievement of the objectives set for 2018 is given below according to the different sections into which the Plan is divided: operational improvements in the CNMV, market supervision, supervision of financial intermediaries and relations with investors and other stakeholders.

As regards **operational improvements**, the CNMV achieved 12 of the 13 planned objectives (92%) in 2018. There is therefore only one objective that has not yet been achieved, although work in this regard is at a very advanced stage.

A brief explanation on each one of the objectives that have been completed is given below.

- The **CNMV's digitisation process has been completed**. The CNMV is technically prepared for adaptation to the requirements of electronic administration although some internal procedures still need to be adjusted. The corresponding modifications are expected to be undertaken immediately and therefore an objective in this field has once again been included in the 2019 Activity Plan.
- A **software quality plan** has been implemented through the acquisition of a control tool and the establishment of structured procedures that will contribute towards increasing the quality of the IT systems and tools used by the CNMV. Similarly, the tender process for document generation services and work for implementing the control and safety offices is currently at the contract awarding stage.
- In addition, the CNMV has **modernised its computer and network environment**. Specifically, the CNMV has completed installation of the new storage equipment and high-speed access to Wi-Fi networks both for employees and for external users.
- In addition, an **app has been developed** to help members of the public interested in accessing information offered on the CNMV's website through mobile devices. This app, which allows users to personalise content, was launched on 31 January of this year.

- In addition, the CNMV has **adapted to the General Data Protection Regulation** that came into force on 25 May 2018. As particularly important measures, a data protection officer was designated and the email address required by the regulation was enabled on the website.
- In addition, the CNMV has carried out the planned **study of a possible comprehensive reform of the disciplinary classifications of the Collective Investment Schemes Act**.
- In 2018, a **first set of key performance indicators (KPIs) were defined** in order to assess the CNMV's efficiency. In February, this first set of KPIs was published together with a series of data on the CNMV's level of activity. At any event, defining this type of indicator is complex in view of the qualitative component that is a key factor in supervisory activities. The aim is to continue completing the list in the coming years.
- In addition, a **new sub-directorate of fintech and cyber-security** was created in the Department of Strategy and Institutional Relations. This sub-directorate is responsible for internal coordination of the strategic analysis and assessment of fintech-related projects and for promoting strategic projects related to cyber-security.
- With regard to the objective of **publishing criteria on crypto-currencies and ICOs**, two statements were issued in February 2018, one jointly with the Bank of Spain⁹ and one with the CNMV's considerations addressed to financial industry professionals¹⁰. In May, the CNMV published Questions and Answers¹¹ for fintech companies with the main criteria that have been transmitted through the Fintech Portal since its launch. These criteria may be revised and other questions will be added as deemed necessary for clarification. Finally, a document¹² was published in September that specifically focused on the CNMV's criteria in relation to ICOs.
- With regard to the possibilities of **regtech**, it is worth highlighting the cooperation with BME and a group of financial institutions in order to apply blockchain technology in registration and supervision activities, particularly in a project called Fast Track Listing (FTL), which aims to simplify the processes and reduce the time required for registering issues of warrants. The pilot test was completed successfully and the CNMV will therefore continue working on the possible uses of this technology in its processes.
- The CNMV has also **analysed possible applications of blockchain technology in the scope of market infrastructures**. Last May, the CNMV entered into an agreement with a private consortium with representation from financial institutions and market infrastructures (Alastria) in order to cooperate on studying the possible applications of said technology to processes related to securities markets. An analysis has been made, together with experts in the field, of the

9 <https://www.cnmv.es/portal/verDoc.axd?t={6f310cc7-6b39-4405-a8f7-70d2b1e682d1}>

10 <https://www.cnmv.es/portal/verDoc.axd?t={62395018-40eb-49bb-a71c-4afb5c966374}>

11 <https://www.cnmv.es/docportal/Legislacion/FAQ/QAsFinTechEN.pdf>

12 <http://cnmv.es/DocPortal/Fintech/CriteriosICOEN.pdf>

regulatory possibilities for allowing securities to be represented through blockchain technology. Finally, several meetings have been held with BME-DLT Lab in order to analyse possible developments in this regard.

- Addressing the challenges of **new financial technologies** requires providing the CNMV's staff with skills and knowledge. Consequently, an **internal training programme** in this area was implemented in 2018. Four editions of a specific course on blockchain technology were also held and two more editions are planned for early 2019.

The only objective in this area that **could not be completed** was that of strengthening the internal audit function by **implementing a tool to provide support in the audit performance, planning, report and monitoring stages**. Although the process of contracting the tool is already underway with publication of a tender offer, it has not been possible to complete it yet as certain incidents have arisen in the award process outside the CNMV's control, which have delayed the deadlines. However, progress has been made in this area by adding an extra person to the department.

A total of eight of the 11 objectives included under the heading of **market supervision** have been achieved (73%). In each of the three remaining objectives, the corresponding actions have begun.

The completed objectives are as follows:

- A special analysis of the breakdowns in the 2017 annual accounts relating to **implementation of IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers)** was carried out.
- The CNMV has drawn up a report on the **first completion of the statement of non-financial information**.
- In the field of corporate governance, a proposal for a **Technical Guide on Appointments and Remuneration Committees** was submitted to public consultation in November 2018. Following the deadline for comments from interested parties, it is expected to be published in the first quarter of 2019.
- The objective of **reviewing the criteria on the publication of significant or insider information by securities issuers** has also been met. On 22 January 2019, the CNMV published a statement¹³ addressed to insurers of listed securities regarding the new European market abuse regulatory framework.
- With regard to data reporting and a **greater statistical exploitation** of the data received through the reporting from investment firms and other financial institutions that execute transactions in financial instruments (**Transaction Reporting**), the CNMV has already drawn up the lists of series that may be calculated using this information.
- The objective relating to the **periodic supervision plan for stock exchange governing companies** on significant aspects introduced by MiFID II has also been achieved. Among other aspects, the plan focuses on aspects of the market

13 <https://www.cnmv.es/portal/verDoc.axd?t=%7B66f33c34-ab7a-42b7-b17c-195e0f3e531d%7D>

microstructure, such as those relating to algorithmic trading, the new obligations on market-makers and publication of data on execution quality.

- The **resolvability of BME Clearing** has also been analysed and the CNMV has begun to draw up its **resolution plan**, which will be completed with quantitative data on the activity of the central counterparty and its participants. The likely approval of the European regulation on the recovery and resolution of central counterparties, the designation of a resolution authority in Spain and the creation of a resolution college will be the next steps in this matter.
- Finally, in 2018 the CNMV began to publish, in the form of Questions and Answers, **criteria on takeover bids**, which is considered a significant step forward in terms of transparency since it relates to a particularly sensitive area¹⁴. The CNMV has also worked over the year on the possible publication of criteria on initial public offerings, although it is assessing whether action in this second area is truly of interest.

With regard to the objectives that **have not been achieved**, the following should be noted:

- The CNMV had planned to develop tools that included **ratios or alarms obtained using the periodic information received by Spanish central counterparties**. The templates for standardised reporting by said entities to the authorities began to be applied in September 2018 and the CNMV is working internally on establishing controls to ensure the consistency of information both within each reporting period and with regard to the information previously submitted. These controls are already being implemented and the CNMV is working on automating them as far as possible.
- With regard to the **development and implementation of quality tests on the database of the FIRDS (Financial Instruments Reference Data System) and the SCORE (transaction reporting)**, preparation of the analytical tests of the FIRDS has been completed, which will allow more in-depth supervision of the quality of the information submitted by Spanish trading venues. With regard to the SCORE, the CNMV is currently in the analysis stage for generating the quality tests.
- Similarly, the CNMV had set the objective of **reviewing Circular 9/2018 on accounting standards and confidential and public information statements of market infrastructures**. A draft circular has already been drawn up and will be processed during the first quarter of 2019.

In the area of the **supervision of financial intermediaries**, 82% of the objectives included in the 2018 Activity Plan have been achieved. Of the 11 objectives included in this block, the CNMV has decided, however, not to address two of them.

A brief summary is given below of each one of the objectives achieved:

- Firstly, with regard to the **approval of national restrictive measures in relation to trading with binary options and CFDs**, in 2019 ESMA has decided to

renew its prohibition of the marketing and sale of binary options to retail investors for an additional period of three months as from 2 January. It also decided to renew the restrictions on CFDs for an additional period of three months as from 1 February 2019. However, the CNMV has prepared and submitted for public consultation a proposal for intervention measures relating to binary options and CFDs¹⁵. The measures essentially match those approved by ESMA and will apply to the provision of services in Spain (including under the freedom to provide services without an establishment) once ESMA's measures cease to be in force.

- With regard to the **implementation of new powers relating to benchmarks**, the CNMV has carried out various actions. These measures include publication in March 2018 of a statement addressed to entities¹⁶ and the organisation of a first seminar/workshop in June that aimed to help supervised entities adapt to the new obligations. In addition, work has begun on supervising contributors and authorising administrators, and the CNMV's website has been adapted to include a new section on benchmarks¹⁷.
- With regard to the **amendment of Circular 1/2010 on confidential information of entities that provide investment services**, the CNMV has published its Circular 4/2018, of 27 September, amending Circular 1/2010, of 28 July, on confidential information of entities that provide investment services and Circular 7/2008, of 26 November, on accounting standards and the annual accounts and confidential information statements to be submitted by Investment Firms, Collective Investment Scheme Management Companies and Venture Capital Management Companies.
- With regard to the **review of the level of compliance with the criteria contained in the Technical Guide published in January 2017 on related-party transactions** relating to financial instruments made by collective investment scheme management companies, the CNMV has conducted a specific horizontal verification of compliance with the criteria on accreditation and the procedure for authorization.
- With regard to the **review of advertising when registering new funds and when updating funds with a target return**, the CNMV has verified compliance with Order EHA/1717/2010, of 11 June, on regulation and control of the marketing material of investment products and services and Article 60 of Royal Decree 217/2008, of 15 February.
- **Horizontal reviews** have also been performed on **compliance with the new restrictions applicable to CFDs and with regard to the level of adaptation of investment firms to the new information obligations relating to incentives and costs resulting from MiFID II**. In this latter case, the CNMV has launched a review on a representative sample of entities focused on prior and *a posteriori* information on incentives and costs of transactions in financial instruments.

15 <https://www.cnmv.es/portal/verDoc.axd?t=%7B794e1b13-faa6-4084-b2ec-eb2ba5b93d33%7D>

16 https://www.cnmv.es/docportal/benchmark/ISindicesReferencia_EN.pdf

17 <https://www.cnmv.es/portal/Benchmark/Indices-Referencia.aspx>

- Similarly, the CNMV has also performed **horizontal reviews relating to compliance with the obligations established in the PRIIPs Regulation**, as well as with regard to the **selection procedures of financial intermediaries and the scope of CIS management companies (related to the rule on best execution)**.

Only two of the objectives **have not been completed** as it was eventually decided not to address them:

- Firstly, during the year the CNMV decided to abandon the objective of **amending Circular 4/2008 on the content of collective investment scheme reports**. This objective had been set with the aim of including the transaction costs not provided for in collective investment scheme legislation, which the management company must provide to distributors of such schemes in accordance with MiFID II and which ESMA believes should be calculated using the PRIIPs methodology. The CNMV prepared an internal proposal that was based on this methodology, although not fully aligned with it as some aspects are pending review at a European level (due to the weaknesses highlighted by CIS and investor associations). Uncertainty about when said review will be performed led the CNMV to decide not to tackle this objective.
- Secondly, with regard to the **analysis of a proposal for legislative reform in relation to crowdfunding platforms**, although some very specific changes limited to the scope of penalties could be considered, there is draft European legislation in progress, which means that any proposal for a reform of national legislation should be postponed.

Finally, the section relating to **relations with investors and other stakeholders** included 15 objectives, of which ten have been completed, accounting for 67% of the total. Work has begun on all of the remaining five objectives.

Below is a brief summary of each one of the objectives that are deemed to have been achieved.

- With regard to the **promotion of good practices in the publication of information relating to securities issuers**, in April 2018 the CNMV disseminated a document that includes a series of good practices regarding the relationship between companies and the media and information of interest to the market¹⁸. In addition, it has entered into a cooperation protocol with the Federation of Press Associations of Spain (Spanish acronym: FAPE) relating to the information of interest for the market disseminated in the media.
- The CNMV has also **reviewed the Code of Conduct on investments in securities and financial instruments of non-profit entities**. As over 15 years have elapsed since it approved the previous code of conduct in 2003, the CNMV believed that it should be updated.
- With regard to the **study on the correlation between the director remuneration policy in Spain and company performance**, the CNMV has presented the conclusions of an academic study in this regard relating to Ibx 35 companies

in an internal seminar and a descriptive article is expected to be published in the first quarter of 2019.

- With regard to the publication of the **half-yearly monitoring report** describing the entities, activities and products making up the **shadow banking sector in Spain**, the CNMV has monitored the most important figures and has designed an indicator in this regard, which it expects to start publishing in the first half of 2019.
- In relation to the **detailed analysis of the results of the Financial Skills Survey** carried out in 2017, the CNMV has performed an initial exploitation of the microdata corresponding to the savings and investment patterns of Spanish households. In 2019, the CNMV plans to promote more exploitations together with the objectives of the Financial Education Plan.
- With regard to the objective of **promoting the presence of Spanish staff on international bodies**, the CNMV has actively disseminated the vacancy notices of ESMA, IOSCO and other international bodies and an internal working group has been created to draw up specific initiatives in this area.
- With regard to promoting the **signing of fintech and regtech cooperation agreements with other countries**, particularly in Latin America, the CNMV has signed a Multilateral Memorandum of Understanding (MMoU) which has been signed by 14 Latin American countries.
- With regard to **adaptation of the complaints handling procedure to Law 7/2017 on alternative dispute resolution**, the CNMV has agreed and implemented a common response protocol in this regard together with the Bank of Spain and the Directorate-General for Insurance and Pension Funds.
- With regard to the **improvement of the whistleblowing channel**, in January 2018 the CNMV launched a channel on its website for reporting all types of infringements anonymously if so preferred by the whistleblower.
- Finally, with regard to the objective of holding **meetings to inform entities of the assessment that the CNMV makes of their customer service department** and to discuss possible improvements, meetings were held with over 12 entities.

The most significant progress with regard to the objectives **that could not be achieved** is highlighted below.

- Firstly, with regard to the **opening of a new CNMV regional office in Bilbao** several visits have been made to the city in order to analyse possible locations and the CNMV has commenced the internal process for selecting the manager of said office.
- With regard to the development of a **new dissemination strategy** for the Investor Factsheets and Guides that will allow their content to reach all interested parties through new channels and formats, the CNMV has, firstly, reviewed all of the **mentioned Factsheets and Guides**. Following this review and updating process, the digitisation of these contents has begun.

- With regard to the **publication of an analysis of the non-banking financial sector in Spain (financial intermediaries)**, the CNMV has begun drafting the analysis and expects to publish it in 2019.
- With regard to the objective of preparing a **guide with recommendations on investor protection based on the findings of behavioural economics**, said guide is expected to be published in the first quarter of 2019. This guide will analyse the main conclusions of the studies relating to behavioural finance that apply scientific research to human and social cognitive and emotional trends so as to allow a better understanding of economic decision-making.
- Finally, it has not been possible to complete **the signing of the new IOSCO MMoU**. The main reason has been the delay in obtaining the favourable opinion of the European Data Protection Board (EDPB) with regard to the provisions that need to be added in order to take into account European data protection legislation.

3. Strategic areas 2019-2020

As on previous occasions, the strategic areas set out below are established for a period of two years. This time horizon may seem a little short, but it is considered particularly reasonable in a context such as the current one, which is characterised by three main factors: increasingly intense competition between markets and financial centres, significant regulatory changes and uncertainty in the growing impact of new technologies.

Based on the functions legally assigned to the CNMV and the environment in which it must perform them, there are three strategic areas that will guide its activities in 2019 and 2020. Rather than being completely new, these three strategic areas strengthen or enhance the direction in which the CNMV has been progressing: supervision as a priority, contributing to promoting the competitiveness of the Spanish market and attention to technological developments in the financial sector.

1. Supervision as a priority

The CNMV, which performs numerous activities and functions (international activities, market promotion, advising the government, promoting financial education, monitoring markets from the perspective of financial stability, etc.), will continue giving full priority to its essential function of promoting market integrity and transparency and protecting investors' interests.

Resolute supervision and principle of scepticism

Effective supervision, focused on preventing and discouraging inappropriate conduct or practices, must be resolute in its detection, correction and disciplinary work. This is fully compatible with measured and careful work that takes into account whether actions have been carried out in good faith and in an attempt to respect the regulation. Similarly, as the securities market is such a sophisticated environment in which numerous interests converge, the supervisor's activities must particularly take into account the principle of scepticism. There is growing international consensus on the importance of scepticism in the supervisory function.

Added value supervision

Although it has limited resources, the CNMV has room to improve the effectiveness of its supervisory activity. The aim is to make efficient use of these resources by focusing on supervising significant aspects and emphasising supervisory actions that generate added value. An example of this can be seen in what are referred to as "horizontal reviews" (focused on specific areas of the activity of financial institutions that provide investment services), in which the CNMV has extensive experience and which have been intensified in recent years following international recommenda-

tions. Similarly, the CNMV plans to make greater use, where reasonable, of the option provided for by the Securities Market Act of using external experts.

In addition, the CNMV will make more extensive use of IT tools, including big data tools, which may help to focus efforts on the areas of greatest risk and which may be useful for increasing the level of efficiency of some authorisation and supervision processes. The CNMV will also work to intensify the digitalisation of its internal processes and communications with the sector, enhancing the use of its IT potential in order to respond to the needs of market participants in a swifter and more flexible manner.

Special attention to the quality of financial information and significant information

With the aim of contributing towards raising the level of market transparency, the CNMV will continue to pay particular attention to the quality of the financial information and significant information disseminated by listed companies.

Promotion of the CNMV's public presence as supervisor

The CNMV will strengthen its preventive supervision, aiming to enhance the CNMV's visibility as supervisor so that its marketing monitoring and oversight will be perceived to a greater extent, thus ensuring investor protection. To this end, the CNMV will promote the communication and publication of messages of interest for the market and investors, passing on the CNMV's position on issues of supervisory importance.

With the same objective, the results of specific supervisory actions will be published, in particular the horizontal reviews and, for example, the mystery shopping exercises.

Coordinated supervision with Europe

Finally, at a time when the European Securities and Markets Authority (ESMA) has as its priority the promotion of supervisory convergence in Europe, the CNMV will participate as actively as possible in all the initiatives proposed in this regard and will take special account in its supervisory actions of the approach and criteria applied by the other major securities supervisors in the European Union.

2. Promotion of competitiveness and strengthening of the Spanish market

Placing emphasis on supervision - the CNMV's main function - should be compatible with continuing to contribute towards making the Spanish financial market as competitive as possible. This is particularly important in the context in which competition between financial centres is extremely high and in an environment such as Europe, which is undergoing major changes as a result of new financial legislation and high-impact events such as Brexit.

It is important to persevere in all aspects that might help the Spanish securities market to achieve and maintain sufficient critical mass. The aim is for as many companies as possible – large, small and medium-sized – to consider this market as a source of financing in order to raise capital and as an alternative to bank borrowing.

The CNMV will continue to promote and attempt to make it easier for companies to issue both debt and equity (including initial public offerings), and to do so in the Spanish market, and it will continue supporting the adoption of measures that make it more attractive. This aim also refers to actions promoting multilateral trading facilities designed for small-cap companies.

These actions are consistent with the conclusions reached in the CNMV's study on the investment of Spanish households¹⁹, published in 2018, which indicated that the low level of savings and the propensity to allocate savings to house buying may have consequences on the economy's productivity and, therefore, the potential growth of the Spanish economy in the long term.

Culture of service: streamlining of processes and simplification of requirements and procedures

An environment characterised by competition between markets, and even between supervisors, makes it necessary to persevere in the efforts relating to the CNMV's mentality and culture. The CNMV must not only insist on its general efforts towards modernisation, but it must continue making progress in a culture of service to investors and other market participants. The aim is to be a more flexible and faster supervisor and to be open to dialogue and innovation.

The growth of the Spanish market may also be boosted by attracting business from other financial centres, particularly with Brexit in mind. In recent years, the CNMV has taken several measures in this regard, such as establishing specific programmes and strengthening the use of English. The idea is to continue along this line and, from this perspective, it is important for the Spanish supervisor to be perceived as a rigorous and capable institution, but one which is, at the same time, open-minded and swift to respond.

The CNMV aims to continue simplifying as far as possible the requirements and procedures necessary for its authorisations so as to reduce processing times. In this regard, it will conduct an analysis based on the principle of proportionality of the possible flexible approaches that will make it possible to help new companies comply with some requirements at the initial stage of their activity.

Foreseeability and legal certainty

An additional effort is required for the CNMV's actions to be consistent, foreseeable and easily understood by market participants. The foreseeability of a supervisor's decisions generates legal certainty and, in short, contributes over the long term to

19 http://www.cnmv.es/docportal/publicaciones/monografias/dt45_web.pdf

strengthening the positive image and reputation of the Spanish financial market and of Spain as an investment destination.

In line with this effort, the CNMV will maintain the policy of publishing technical guides and questions and answers and will continue promoting dialogue with the sector.

Competitive and comparable regulatory framework

This positive image and reputation are also significantly influenced by regulatory stability and the fact that the Spanish legal framework is in line with that of other major European countries. Local restrictions or peculiarities that might generate competitive disadvantages or confusion among market participants should be avoided or reconsidered, particularly bearing in mind both growing internationalisation and interdependence of financial markets and the recent application and high level of complexity of a large part of the legislation.

It is also important to attempt to incorporate into the services offered by our markets and regulation formulas or possibilities that are already accredited in other advanced markets and whose availability might encourage companies or entities with a good level to opt for Spain.

Open attitude and promotion of quality in the CNMV's advisory function with regard to corporate transactions

The CNMV should try to stand out for the quality with which it performs its functions relating to takeover bids, IPO processes and primary and secondary offerings or other types of corporate transactions. The aim is to act with a level of thoroughness that, while prioritising investor protection in this field, maintains equity and a good technical level that will avoid unjustified delays in executing transactions.

Attention to new trends: sustainability

Finally, an attractive market must be able to quickly adapt to new trends. In this regard, within its powers, the CNMV will drive the development of best practices in Environmental, Social Responsibility and Governance areas, and longer-term sustainability risk assessments.

In this area, Royal Decree-Law 18/2017 has entrusted the CNMV with the supervision of non-financial information, i.e., that relating to environmental and social issues or relating to workers' rights and other issues, which must be filed by large companies. The CNMV will also pay special attention to this area. In addition, Law 11/2018, of 28 December, which results from Royal Decree-Law 18/2017 and transposes into Spanish law Directive 2014/95/EU, of the European Parliament and of the Council, of 22 October 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information has recently come into force.

In addition, in March 2018, the European Commission published its Action Plan for financing sustainable growth, which establishes the European Union's strategy for integrating environmental, social and governance considerations into its financial policy framework and for mobilising funds for sustainable growth. Following this

line, in May 2018 the European Commission presented a package of specific regulatory measures that include several affecting the scope of the CNMV, such as the creation of sustainability labels for financial products, an increase in company disclosures on issues relating to sustainability and the development of sustainability benchmarks.

The area relating to sustainability is becoming increasingly important both internationally and nationally and needs to be incorporated into the CNMV's activities in aspects such as the corporate governance of listed companies and certain features of investment products.

3. Attention to technology-driven market changes and new phenomena

One year ago, the CNMV decided to add an additional strategic area relating to the growing impact of technological developments, which has turned out to be very timely. Last year saw significant progress in the application of new technologies in the financial services industry, which is leading to new lines of business, new products and new operators.

Outlook that is favourable to innovation and the use of new technologies, but with caution

As a supervisory body, the CNMV must adapt to the process of innovation and the growing use of new technologies in the markets with a positive attitude, but without neglecting the monitoring of risks such as those highlighted by phenomena such as the spread of crypto-currencies and ICOs.

The principle must be to maintain the level of investor protection regardless of the format in which investors interact with financial intermediaries. For this purpose, the CNMV must focus on the substance and apply the measures that are necessary with an approach which, wherever possible, must be coordinated and agreed at international forums in this field. In addition, the CNMV must continue to be active and to cooperate faithfully at such forums.

The CNMV will continue providing assistance in this field through its Innovation Portal (section on the website dedicated to receiving and answering enquiries of all types relating to the application of new technologies to financial services). In addition, as part of the general effort to raise the level of the CNMV's transparency, it will continue publishing questions and answers resulting from its interaction with business people and market participants in this field.

Regulatory sandbox

A regulatory sandbox - a controlled environment for testing technology-based financial innovations - is likely to be established in Spain in the short term. The CNMV will address its implementation in a proactive manner which will entail applying a new philosophy of cooperation between supervisors and the promoters of innovative projects.

Promotion of regtech/suptech projects

The CNMV will promote the design and implementation of regtech/suptech projects that might increase the effectiveness and efficiency of both the procedures established by supervised entities for complying with applicable legislation and the processes focused on facilitating financial supervision.

These projects may be based on various technologies (such as big data or artificial intelligence), but one which might be useful in this regard is blockchain technology (DLT), which has already been used in a project of this type (FTL Warrants) and which benefited from cooperation between various entities, market structures and the CNMV. Following this line, the CNMV will closely analyse the developments of market infrastructures aimed at making use of this technology in their daily activities.

Cyber-security

Continuing the work performed over recent years, the CNMV will encourage the operators of market infrastructures and supervised entities to take specific measures to raise standards in the area of cyber-security.

* * *

By way of clarification, the selection of the three strategy areas above does not imply relegating objectives such as continuing to work in the area of **financial education** or paying special attention to **financial stability**.

Financial education is very important as it allows investors to be better prepared when making their investment decisions and it contributes towards strengthening the population's literacy in this area. With regard to financial stability, specialised international bodies are paying increasing attention to how it is affected by capital markets. In addition, the work of the Financial Stability Committee (Spanish acronym: CESFI) in Spain has recently been reactivated and the aforementioned Macroprudential Authority Financial Stability Board (AMCESFI) is expected to be established, in line with the recommendations of bodies such as the European Systemic Risk Board (ESRB) and the International Monetary Fund.

In these two significant areas, the CNMV has been performing its activity in coordination with the Bank of Spain and the Ministry of Economy and Business.

4. 2019 Activity Plan

4.1 CNMV's operational improvements

The 2019 Activity Plan details a set of objectives aimed at making the CNMV a more efficient institution that is capable of responding to the requirements of markets that are undergoing significant changes. In this regard, and following the 2019-2020 Strategic Areas, it is particularly necessary to insist on the modernisation of the CNMV and to progress in the culture of service to investors and other market participants. For this purpose, the CNMV needs to become a more flexible and faster supervisor that is open to dialogue and innovation.

Digital transformation

The CNMV will continue with its efforts to obtain the technological resources required by a modern supervisor.

In this regard, the CNMV intends to complete in 2019 (II) its digitalisation process in order to **culminate its adaptation to the requirements of electronic administration**, which is important for improving its interaction with the parties falling under its scope. After achieving last year's objective in this matter, the CNMV has drawn up a three-stage calendar. The final stage would entail formal modification of the existing procedures and guides and will conclude many months before the extended deadline established by Royal Decree-Law 11/2018, of 31 August, which ends on 2 October 2020.

In addition, in 2019 (II) the CNMV will acquire a new **technological tool that will strengthen its capacity to process and analyse large volumes of data for supervisory purposes**.

The new European legislation has resulted in a significant increase in the volume of information received for supervising markets, which makes new tools necessary for better processing and analysis of such data. The application of this tool will have an immediate effect on the supervisory work performed by the CNMV, allowing it to achieve a greater level of effectiveness and efficiency. This strengthening of the CNMV's data processing and analysis tools is related to the various projects on which it is currently working.

Improved efficiency

In line with its desire to enhance efficiency, the CNMV will strengthen its commitment to a culture of service and quick response.

In 2019 (II), the CNMV plans to develop a project to **standardise requests related to the CNMV's official registers** in order to facilitate their quick and efficient processing. For this purpose, it proposes establishing a specific procedure from which

the interested party may access, using an electronic certificate or through a system of passwords, an electronic form for submitting certain requests related to official registers, which will allow a more immediate response.

The types of procedures that will use this system include requests for the issuance of certificates of registration in the different official registers and the request for public information that appears in the CNMV's files and registers.

Secondly, the CNMV believes that it is of special interest to know the perception of market participants with regard to the CNMV's functioning.

For this purpose, it plans to conduct a **survey of market participants on the functioning of the CNMV** in 2019 (II). This survey will be a very useful tool for discovering the opinion or perception of the supervised parties, the professionals that interact with the CNMV and other interested parties on the functioning of the supervisor. This survey will also serve to better understand the CNMV's strengths and weaknesses and thus promote measures allowing it to operate more efficiently. The CNMV plans to outsource the design and execution of the survey.

In addition to the above, the project to carry out in 2019 (II) a **reform of the internal channels of communication in order to strengthen them and encourage their use** is also related to the aim of improving efficiency and requires internal coordination. Among other actions, a comprehensive review of the CNMV's intranet will be conducted in order to promote its use as a tool for internal communication.

Similarly, in 2019 (II) the CNMV plans to **promote initiatives, within the CNMV itself, relating to social responsibility**.

Among the possible initiatives, measures aimed at reducing the CNMV's environmental impact as an organisation may be analysed and, as the case may be, implemented. These measures include installing charging points for employees' electric vehicles or initiatives aimed at reducing paper consumption. The CNMV will also analyse possible measures aimed at improving health and well-being at work. In addition, the CNMV will continue promoting and facilitating the participation of the CNMV's staff in social volunteering programmes. At any event, in order to identify possible initiatives in this area, the proposals made by the CNMV's staff will be particularly taken into account.

Finally, improvements in **risk management governance** will be introduced in 2019 (II). For this purpose, the CNMV will undertake a review and simplification of its risk map in order to highlight those particularly relevant and essential risks that require a greater control and management effort.

Similarly, the CNMV will appoint a Chief Risk Officer who will report directly to the Chairperson of the CNMV and an internal risk committee will be set up.

CNMV Innovates

The likely approval of the Law on Measures for the Digital Transformation of the Financial System will make it necessary to establish in 2019 (II) the **structure of internal procedures necessary for implementing the regulatory sandbox**, which will make it possible to analyse, receive and implement the projects that are proposed in this area and to subsequently assess them.

The creation of this sandbox, whose scope will cover the entire financial sector, will require establishing an appropriate framework for cooperation in this regard with the General Secretariat of the Treasury and International Financing, the Bank of Spain and the Directorate-General for Insurance and Pension Funds.

Furthermore, the accelerated rate of current technological development makes it essential to pay particular importance to aspects of staff training. To this end, in 2019 (II) the CNMV will **design specific training actions in new technologies** aimed at a significant number of the CNMV's technical staff (which will begin to be effectively given in 2019).

The aim is for the CNMV's staff to acquire or strengthen their knowledge in the field of new technologies (artificial intelligence, machine learning, big data, business intelligence and blockchain), which are increasingly having an impact on the financial world. Increasing the knowledge of the CNMV's technical staff in this area will help, in particular, to identify the specific areas and functions to which these technologies may apply so as to enhance compliance with the objectives entrusted to the CNMV.

CNMV's operational improvements

TABLE 1

	Initiative	Planned timetable (*)
Digital transformation	Full adaptation of the CNMV to the requirements of electronic administration	2019 (II)
	Acquisition of a new technological tool that will facilitate the processing and analysis of large volumes of data for supervisory purposes	2019 (II)
Improved efficiency	Standardisation of requests relating to the CNMV's official registers	2019 (II)
	Survey of market participants on the functioning of the CNMV	2019 (II)
	Promotion and strengthening of internal channels of communication	2019 (II)
	CNMV initiatives relating to social responsibility	2019 (II)
	Improvements in risk management governance	2019 (II)
CNMV Innovates	Implementation of a regulatory sandbox	2019 (II)
	Specific training actions in new technologies aimed at a significant number of the CNMV's technical staff	2019 (II)

(*) Half-year by which the commitment is to be completed.

4.2 Supervision of the markets

The 2019 Activity Plan contains several specific objectives relating to market supervision.

Corporate governance

The CNMV's work area relating to corporate governance will continue to be important in 2019.

From 2019 (I), the **publication of notifications on voting rights and financial instruments will become automatic**. Currently, unlike notifications of insider information (significant events), those relating to voting rights and financial instruments that are received by the CNMV are disseminated following a prior general or formal

review performed by the competent department. In 2019 (I), their publication will become automatic (which will not, logically, exclude, as with significant events, their *ex-post* review by the CNMV).

In addition, three years after their approval and in view of the experience acquired, in 2019 (I) the CNMV will **review, in order to clarify their scope, certain recommendations of the Good Governance Code of Listed Companies.**

Without prejudice to the results of an additional detailed analysis, some of the recommendations that might be modified are Recommendation 2 (relating to the case in which both the parent and the subsidiary are listed companies), Recommendation 6 (which deals with publication of the corporate social responsibility report), Recommendation 39 (majority of independent directors on the audit committee), Recommendation 55 (on publication of the corporate social responsibility report) and Recommendation 64 (which clarifies that the limit of termination payments to two years' remuneration includes any payment resulting from resignation or dismissal, including payments relating to post-contractual non-competition agreements).

In addition, in 2019 (II) the CNMV plans to **modify the templates of the Annual Corporate Governance Report (ACGR) and the Annual Directors' Remuneration Report (ADRR) in order to incorporate changes relating to the above objective and the amendments that may be necessary following the transposition of Directive (EU) 2017/828²⁰.** This objective is dependent on compliance with the previous objective and on completion of the transposition of the aforementioned directive that allows the templates to be modified with sufficient time – prior to the end of 2019. Should this not be possible, the templates will be modified with effect in 2020 so as to give the companies subject to the requirement time to adapt to the new formats.

Financial and non-financial information

In 2019, the CNMV will continue with its task of supervising the financial and non-financial information of issuers and it will intensify its cooperation with other European supervisors through ESMA in order to coordinate application of EU legislation in this area in as standardised a manner as possible.

As specific objectives, the CNMV will firstly carry out in 2019 (II) an **analysis on the application of IAS 33 (earnings per share).** The aim of this standard is to establish the principles for determining and presenting the figure for earnings per share and to improve the comparison of the performance of different companies in the same period. The public report on the review of annual financial reports will include a specific section with the conclusions of the analysis and with recommendations to improve its proper application in the future.

Secondly, in 2019 (II) the CNMV will organise **an information day on the implications of submitting the annual financial report in the European Single Electronic Format (ESEF), which will be applicable for financial years beginning on or after 1 January 2020.** During this information day, the content of the ESEF will be explai-

20 Directive (EU) 2017/828, of the European Parliament and of the Council, of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

ned with the support of representatives from ESMA, the software development industry and issuers.

Finally, in 2019 (II) the CNMV plans to carry out a **specific analysis of the non-financial information statement of issuers of securities whose 2018 annual report is subject to a substantive review in 2019**. The obligation to draw up and submit this statement currently results from the provisions of Law 11/2018²¹. The public report on the review of annual financial reports will include a section with the main conclusions obtained and with recommendations for improving their quality in the future.

Market supervision

In 2019 (I), the CNMV will **draw up and publish criteria – through a technical guide or a Q&A document – relating to implementation of the settlement internalisation regime**. It should be taken into account that the regulations that implement the reporting obligations imposed by the Central Securities Depositories Regulation (CSDR)²² on settlement internalisers will enter into force in March 2019 and the first reports must be filed with the CNMV in July 2019. Publication of a technical guide or a Q&A document will form part of the CNMV's actions aimed at disseminating and explaining the new requirements.

In addition, in 2019 (II) the CNMV plans to **amend CNMV Circular 1/2017, of 26 April, on liquidity contracts** with the aim of allowing issuers on the Alternative Stock Market (MAB) and similar markets to make use of the liquidity provision mechanism provided for in the circular. Although this possibility was already provided for in the current version of the aforementioned circular, certain adjustments need to be introduced to the conditions for operating in order to adapt them to less liquid securities.

Finally, the CNMV plans, also in 2019 (II), **to review the recommendations on discretionary trading of treasury stock** by securities issuers and financial intermediaries acting on their behalf that were published in 2017. Following entry into force of the new common European market abuse legislation in 2016, which exclusively establishes buy-back programmes as a “safe harbour” in relation to trading in own shares, and bearing in mind its provisions on accepted market practices, the CNMV needs to analyse whether such recommendations should be maintained.

21 Law 11/2018, 28 December, amending the Code of Commerce, the recast text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Account Auditing, in the matter of non-financial information and diversity.

22 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.

Market supervision

TABLE 2

	Initiative	Planned timetable (*)
Corporate governance	Automatic publication of notifications of voting rights and financial instruments	2019 (I)
	Review of certain recommendations of the Good Governance Code	2019 (I)
	Modification of the ACGR and ADRR templates as a result of the above objective and as a result of the necessary amendments following the transposition of Directive (EU) 2017/828	2019 (II)
Financial and non-financial information	Analysis of the application of IAS 33 (earnings per share)	2019 (II)
	Information on the implications of filing the annual financial report in the European single electronic format as from the 2020 report.	2019 (II)
	Specific analysis of the 2018 non-financial information statement	2019 (II)
Market supervision	Criteria relating to implementation of the settlement internalisation regime	2019 (I)
	Amendment of CNMV Circular 1/2017 on liquidity contracts	2019 (II)
	Analysis and, as the case may be, revision of the CNMV's recommendations on discretionary treasury stock trading	2019 (II)

(*) Half-year by which the commitment is to be completed.

4.3 Supervision of Financial Intermediaries

Preparation of technical guides

Making use of the power entrusted to it by the Securities Market Act, the CNMV plans to continue publishing technical guides with the criteria, practices, methodologies and procedures that it considers appropriate for entities to comply with the legislation applicable to them.

In line with the above, in 2019 (I) the CNMV will prepare a **Technical guide for CIS management companies on best execution and the selection of intermediaries** with the criteria resulting from its supervisory experience in this matter.

Secondly, in 2019 (I) the CNMV will publish a **Technical guide on ancillary activities of investment firms**. This guide will determine the accepted thresholds for investment firms to perform ancillary activities, distinguishing between those which imply a risk for clients and those which do not, and taking into account whether the ancillary activities fall under the scope of other supervisors (Bank of Spain or the Directorate-General for Insurance and Pension Funds).

Finally, in 2019 (I) the CNMV will prepare a **Technical guide on entity authorisation** that will contain general guidelines applicable to the processing of authorisation projects with the aim of speeding up the procedures and reducing timescales. Among other aspects, the CNMV will establish the criteria for applying the proportionality principle and the quality standards of the submitted information.

Review of procedures

With the aim of simplifying administrative formalities as far as possible, in 2019 (II) the CNMV will conduct a **critical review of entity authorisation procedures (autho-**

risation manuals) with the aim of facilitating and simplifying the processing of authorisation procedures.

Reviewing these manuals is consistent with the initiative of publishing a Technical guide on entity authorisation as they include the requirements provided for in legislation for authorising different types of entities, as well as the information and documents which, as a minimum, must be included in an authorisation project. This critical review process for procedures will take into account the legal and operational feasibility of the proposed amendments.

Horizontal reviews

In 2019, the CNMV plans to conduct several horizontal reviews, relating to all or a significant sample of entities on compliance with some specific rules and criteria.

Firstly, in 2019 (I) the CNMV will conduct a **review of compliance with ESMA's decision on CFDs and binary options**.

Following the actions already performed in 2018, the CNMV will review, in reference to a representative sample, compliance with rules corresponding to: (i) leverage levels, (ii) procedures for collecting additional collateral and closing positions and (iii) procedures to prevent a negative balance on a per account basis.

In addition, in 2019 (I) the CNMV will conduct a **horizontal review on investments by CIS in other CIS managed by their management company**. This review will analyse the different models for charging fees in order to promote best practices in this matter.

Similarly, in view of the weaknesses identified in some entities, in 2019 (II) the CNMV will conduct **specific inspections with the aim of analysing the quality and consistency of the information collected from clients in order to evaluate the suitability and appropriateness** of the financial products offered to them. This aspect is considered to be of special supervisory interest, and therefore specific inspections will be performed with regard to a representative sample of entities in order to verify this information.

Fourthly, a **horizontal review of the online operations of entities providing investment services** is planned for 2019 (II). These operations are increasingly important and it is therefore appropriate to conduct a cross-cutting review to verify proper compliance with the main conduct of business rules when operating through the Internet.

Finally, in 2019 (II) the CNMV will conduct a **horizontal review of the non-quantitative information included in the periodic public reporting of CIS**. This review will be performed using computer processes based on algorithms defined internally and is therefore deemed a supotech activity.

New areas of supervision

In order to ensure adequate protection of investors that trade through entities operating under the freedom to provide services, in 2019 (II) the CNMV **will strengthen its monitoring of the activities performed by these entities in Spain**. The

regulatory framework assigns supervisory powers to the home country, but the host country may collect information or urge the home supervisor to take action to remedy any infringements identified. This objective implies strengthening the resources that the CNMV allocates to this work, which might include setting up a specific unit.

In addition, in 2019 (II) the CNMV plans to perform a **horizontal review of the entities included in the CNMV's list of qualifications or certificates that are accepted qualifications for informing or advising**. To this end, the CNMV will request information on the activity performed (number of assessments, percentage of passes, entities for which, as the case may be, evaluations have been conducted) and confirmation of whether there have been any changes that might affect compliance with the requirements of the CNMV's Technical guide addressing this issue.

Mystery shopping

In 2019 (I), the CNMV will **engage a company that will collaborate by providing mystery shopping techniques, at the request of the CNMV, in specific investigations**. The aim is for the CNMV to have access to a company that may collaborate in specific actions, for example in obtaining information on the activity of non-authorised companies (boiler rooms).

Similarly, in 2019 (II) the CNMV plans to conduct a **new review, using the mystery shopping technique, of the process of marketing financial products in the commercial networks of a sample of entities**. The CNMV carried out such a review for the first time in 2016.

Benchmarks

In view of the reform of interest rate benchmarks, the CNMV, in coordination with other national and European authorities, will implement actions aimed at publicising the latest developments in this area. Among these actions, in 2019 (II) the CNMV will organise a **conference on the preparation and adaptation of the Spanish market to the reform of interest rate benchmarks**. This conference will be aimed at all affected and interested entities: financial and non-financial entities, market infrastructures, auditors, advisors, consultants, etc.

Cyber-security

Finally, in 2019 (II) the CNMV will perform an **action aimed at a sample of entities in order to discover what measures they are taking with regard to technological and cyber-security risks**.

The CNMV is interested in discovering the scope of the measures that investment firms and collective investment scheme management companies are taking with regard to technological and cyber-security risks. Depending on the result of the analysis, the CNMV will then decide on the actions to be performed in the future and it will assess the possibility of addressing a statement to the industry in this regard.

Supervision of financial intermediaries

TABLE 3

	Initiative	Planned timetable (*)
Preparation of guides	Technical guide for CIS management companies on best execution and selection of intermediaries	2019 (I)
	Technical guide on ancillary activities of investment firms	2019 (I)
	Technical guide on entity authorisation	2019 (I)
Reviews of procedures	Review of the entity authorisation procedures (authorisation manuals)	2019 (II)
Horizontal reviews	Review of compliance with ESMA's decision on CFDs and binary options	2019 (I)
	Horizontal review on the investments of CIS in other CIS managed by their management company	2019 (I)
	Performance of specific inspections on the quality and consistency of the information collected from clients to assess suitability and appropriateness.	2019 (II)
	Horizontal review on the online operations of entities that provide investment services	2019 (II)
	Horizontal review of the non-quantitative information included in the periodic public reporting of CIS	2019 (II)
New areas of supervision	Strengthening of the monitoring of the activities performed in Spain by entities that operate under the freedom to provide services	2019 (II)
	Horizontal review of the entities included in the CNMV's list of qualifications or certificates that are accepted qualifications for informing or advising	2019 (II)
Mystery shopping	Engagement of a company that might provide mystery shopping techniques, at the request of the CNMV, in specific investigations	2019 (I)
	Review, using mystery shopping, of the process of marketing financial products in the commercial networks of a sample of entities	2019 (II)
Benchmarks	Conference relating to preparation and adaptation to the reform of interest rate benchmarks	2019 (II)
Cyber-security	Collection of information on cyber-security in investment firms and CIS management companies in a sample of entities	2019 (II)

(*) Half-year by which the commitment is to be completed.

4.4 Relations with Investors and other Stakeholders

Financial stability

In the coming years, the CMMV will intensify its analysis and monitoring of those areas of securities markets with the potential to have an impact on financial stability.

In 2019 (I), the CNMV will publish a **report on macroprudential policy from the perspective of the securities markets and their role in this regard**. The aim is to explain the relationship between securities markets and macroprudential policy and the role that should correspond to a body such as the CNMV in this regard. This is particularly timely given the fact that a macroprudential authority is likely to be established shortly in Spain.

In addition, in 2019 (II) the CNMV will carry out an **analysis of interconnectedness in the Spanish financial system**. An example of an analysis of these types of links

would be preparing indicators of interconnectedness between investment funds, the equity market and the fixed-income market. The work might include developing connectivity indices and sub-indices and creating an indicator, and relates to the concerns expressed by the IMF in its Final Report on the 2017 Article IV consultation, in which it recommended that in order to address issues relating to the crisis legacy and to mitigate other risks for financial stability, it was necessary to improve the capacity to supervise and analyse intra-system links and connectedness and spillovers beyond borders and to close gaps in data. The IMF assigned compliance with this recommendation to the CNMV together with the Bank of Spain and the Directorate-General for Insurance and Pension Funds.

In addition, in 2019 (I) the CNMV will **create an internal committee for monitoring and analysing systemic risks in securities markets**. This committee will meet on a regular basis in order to identify and analyse trends and to respond to possible systemic risks that might emerge in securities markets and it will provide support to the CNMV's representatives in the Macroeprudential Authority Financial Stability Board.

Encouraging cooperation

In recent years, the CNMV has at all times maintained an attitude of active collaboration with other supervisors and bodies. Continuing along these lines, in 2019(I) the CNMV plans to **perform specific actions aimed at strengthening international cooperation in the exchange of information**.

Specifically, with the aim of improving this supervisory work, the CNMV will promote cooperation with those authorities with which it has a greater exchange of information. The possible measures to be adopted include: (i) establishing standing working groups to improve collaboration procedures, (ii) organising periodic meetings (for monitoring and controlling requests for information made and received by the CNMV in order to improve response times), and (iii) promoting channels for exchanging information that give priority to digital formats with all the necessary security and confidentiality guarantees.

Studies and reports on securities markets

The CNMV will continue to prepare studies and analyses of the most significant aspects of Spanish capital markets.

In this regard, in 2019 (I) the CNMV plans to perform a **study of the costs and performance of Spanish investment funds compared with European funds**. ESMA²³ recently published a report on the performance and costs of retail investment products in the EU and it plans to continue publishing a similar annual report in the future. The aim of the CNMV is to contribute towards perfecting the methodology used in this type of exercise.

Financial education

23 https://www.esma.europa.eu/sites/default/files/library/esma50-165-731-asr-performance_and_costs_of_retail_investments_products_in_the_eu.pdf

In 2019 (II), the CNMV will prepare a **guide on investment in financial instruments and securities markets aimed at university students**.

The aim is to offer university students, particularly those studying courses that are not related to financial markets (engineering, health sciences, etc.), information on products, intermediaries, trading, etc. The objective is to help students gain useful knowledge for their future investment decisions bearing in mind their level of education.

Similarly, and in line with the efforts that it has made over recent years in relation to financial education, the CNMV plans to prepare an **investor factsheet on fintech**. This small-format publication is intended to provide a practical overview of specific aspects of fintech companies and their importance to investors.

Unauthorised entities

In 2019 (I), the CNMV plans to strengthen its actions relating to the activities of unauthorised entities. This includes a possible **agreement with the Directorate-General of Police relating to investigations into unauthorised entities**. The aim is to strengthen the prosecution of these entities and to contribute towards the proper coordination of public resources aimed at preventing financial fraud.

Along the same line, in 2019 (II) the CNMV plans to **develop or acquire new specific IT tools for detecting unauthorised entities**. The aim is to strengthen, also from the perspective of the IT tools available to the CNMV, detection and actions relating to these types of entities.

Advertising of investment products and services

The CNMV also plans to perform specific actions relating to the advertising of investment products and services.

Firstly, in 2009 (I) CNMV will publish a **circular on advertising of investment products and services** with the aim of setting out in a single rule the various existing provisions and establishing general principles, criteria and controls on this type of advertising, as well as possible CNMV measures relating to including warnings or actions in the event of non-compliance.

Finally, in 2019 (II) the CNMV plans to **adopt measures or formulate proposals aimed at restricting the advertising of CFDs and other complex financial products to the general public**. Several European countries restrict this type of advertising (for example, in the mass media and at specific times or during sporting events) and the CNMV believes that it might be appropriate to adopt similar measures in Spain.

Relations with investors and other stakeholders

TABLE 4

	Initiative	Planned timetable (*)
Financial stability	Publication of a report on macroprudential policy from the perspective of securities markets and the role of the CNMV in this regard	2019 (I)
	Analysis of interconnectedness in the financial system	2019 (II)
	Establishment of an internal committee for monitoring and analysing systemic risks in the securities markets	2019 (I)
Encouraging cooperation	Actions aimed at strengthening international cooperation in the exchange of information	2019 (I)
Studies and reports on securities markets	Study on the costs and performance of Spanish investment funds compared with European funds	2019 (II)
Investor education	Guide aimed at university students	2019 (II)
	<i>Investor factsheet on fintech</i>	2019 (II)
Unauthorised entities	Conclusion of an agreement with the Directorate-General of Police relating to investigations into unauthorised entities	2019 (I)
	Development or acquisition of new specific IT tools for detecting unauthorised entities	2019 (II)
Advertising of investment products and services	Circular on advertising of investment products and services	2019 (I)
	Possible restrictions on the advertising of CFDs and other public financial products to the general public	2019 (II)

(*) Half-year by which the commitment is to be completed.

