

## **CNMV BULLETIN: INCLUDES THE REGULAR MARKETS AND AGENTS REPORT AND TWO ARTICLES ON NON-BANK FINANCIAL INTERMEDIATION IN SPAIN AND ON THE REMUNERATION AND INCENTIVES FOR EXECUTIVE DIRECTORS OF IBEX 35 COMPANIES**

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- The Q1 2019 Bulletin includes for the first time the report “Non-bank financial intermediation in Spain”, which will quantify and analyse the risks of this activity every six months.
- The context of international economic slowdown has not prevented significant advances in the first quarter of the year, partially offsetting the losses recorded in the latter part of 2018.

The Spanish National Securities Market Commission (CNMV) has published its quarterly bulletin for the first quarter of 2019. This edition includes the biannual report “The securities markets and their agents: situation and outlook”, which analyses in depth the latest trends in the economic and financial situation, focusing on the development of the Spanish financial markets and its most relevant participants. One of the new features of this edition that should be highlighted is the presentation of the first report “*Non-bank financial intermediation in Spain*”, which will be published on a biannual basis, the objective of which is to describe this activity and the entities that are engaged in it, quantifying their importance and providing insights into the most significant risks identified in this area (formerly known as shadow banking). Finally, the bulletin includes a study that analyses, using listed company data submitted to the CNMV in their annual remuneration reports, the itemisation of the remuneration for executive directors of Ibex 35 companies in order to quantify their incentives and their alignment with the shareholders' objectives.

The report “The securities markets and their agents: situation and outlook” describes an international economic context marked by a slowdown in growth and deteriorating expectations, which also affects the Spanish economy, but to a lesser extent. This environment, which has triggered the postponement of rate hikes in the US and in the euro area, has not prevented stock markets from rising significantly in the first quarter of the year, partially offsetting losses recorded in the latter part of 2018. In the case of Spain, at the end of

March the Ibex 35 was up 8.2% (down 15% in 2018), with low volatility and lower trading volumes. In relation to the agents that participate in the markets, it is important to highlight the impact of financial market turmoil in 2018 on collective investment schemes. These firms recorded a negative performance in the last financial year and unitholders' investments (in investment funds) were almost one-third of the figure registered in 2017, mainly due to net redemptions in the last quarter. Even so, the medium-term outlook for this sector continues to be favourable.

On the other hand, credit institutions are still the main providers of investment services in Spain (they account for 90% of the fee income generated by the different investment services), while securities firms and agencies continue having some importance in transmitting and executing client orders and are diversifying the services that they offer.

The report “*Non-bank financial intermediation in Spain (IFNB)*” describes the credit intermediation activities carried on by entities outside the banking system on the basis of preparatory work by international institutions such as the Financial Stability Board (FSB) and the European Systemic Risk Board (ESRB). In Spain, the entities with the most significant activity in this regard are investment funds, securitisation issuers, credit financial institutions, broker-dealers and mutual guarantee schemes. At the end of 2017, the assets of these entities represented 6.8% of the Spanish financial system's assets, a figure that is increasing, although lower than that of other European economies. Analysing the risks by type of entity shows those which should be subject to regular monitoring. This is the case, for example, of liquidity risk in certain categories of investment funds.

Lastly, the article “*Remuneration and incentives for executive directors of Ibex 35 companies between 2013 and 2017*”, by Juan Pedro Gómez, from the Instituto de Empresa (IE) (Business Institute), analyses, for the period 2013–2017 and on the basis of data provided to the CNMV by IBEX 35 companies in their annual remuneration reports for executive directors (IARC), the incentives for executive directors of these companies, quantifying the items thereof and their alignment with the shareholders' objectives. The study shows that, on average, the incentives of executive directors (including CEOs) are not linked to fluctuations in price of the company's shares. The variable remuneration (bonus), however, represents 33% of the total remuneration and is mainly linked to short-term figures, while the value of restricted shares and options granted (more representative of long-term incentives related to the creation of value for shareholders)



is only 5% of the remuneration, versus an average of 19% in European countries and 42% in the United States. Furthermore, only 10% of the executive directors have a restricted shares or options portfolio.

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