

THE CNMV PUBLISHES THE REPORT ON NON-BANK FINANCIAL INTERMEDIATION (NBFI) IN SPAIN FOR 2020

1 December 2021

- Assets in NBFI in Spain totalled 303.6 billion euros in 2020, approximately 2.3% less than in 2019. This sector accounts for around 5.8% of the financial system (down from 6.6% in 2019).
- No relevant threats to financial stability are identified and the assessment of the risks associated with NBFI does not reveal any material changes compared with previous analyses.

The Spanish National Securities Market Commission (CNMV) has today published the [fourth report on non-bank financial intermediation \(NBFI\)](#) in Spain, which updates the information on this sector with data from 2020¹.

According to the methodology of the Financial Stability Board (FSB), the key measure of NBFI is the so-called “narrow measure”, which seeks to identify entities that may be included within any of the five economic functions defined by the FSB in 2013² and whose activities are assimilated to some of the typical banking risks. This measure considers certain types of investment funds, securitisations (or SFVs), credit financial institutions, broker-dealers and mutual guarantee schemes as part of NBFI.

The total amount of assets of these institutions, after deducting those that consolidate in banking groups, was 303.6 billion euros in 2020, 2.3% less than in 2019 and 5.8% of the total financial system (6.6% in 2019), below the proportion of other advanced economies (close to 15%). The decline in the relevance of NBFI in 2020 can be explained by both the fall in the assets of finance companies and the increase in the total assets of the financial system (caused by the expansion of bank credit during the crisis).

The most relevant entities of the NBFI narrow measure in Spain continued to be investment funds, which accounted for 87.4% of total

¹ The first analysis in this area was published in the CNMV newsletter for the first quarter of 2019.

² See “Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities” (2013).

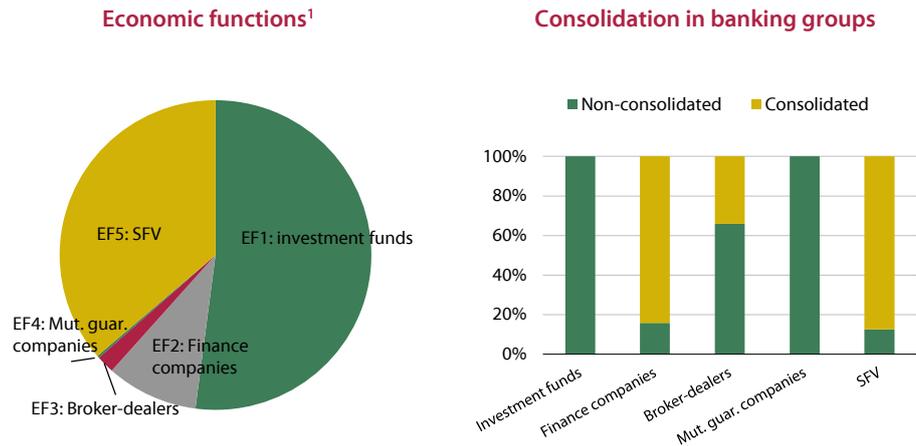
For further information:

[CNMV](#) Communications Department

Tel.: 91 5851530 - comunicacion@cnmv.es

assets. Securitisation vehicles were a distant second with 7.6%. The remaining entities accounted for 5% overall.

Distribution of non-bank financial intermediation 2020



Source: CNMV and BoS.

1. Economic functions defined by the Financial Stability Board (FSB) in 2013 (see footnote 2 of this press release).

The analysis of risks associated with NBFIs does not reveal, for the moment, the existence of relevant weaknesses from a financial stability perspective. The most significant risks continue to be credit and liquidity risks for most NBFIs institutions, although to a large extent their intensity is largely a function of the nature of the institutions themselves and varies little over time. In the area of investment funds which, as noted above, are the most relevant institutions of NBFIs, very slight changes were observed in their risk indicators in 2020, related to the lengthening of the average maturity of the assets in the portfolio of fixed-income funds and to the increase in investments in corporate debt assets and in other CISs of mixed funds. Leverage remains low both for the funds as a whole and for each category.

The report includes a section describing the existing tools in Spain for the liquidity risk management of CISs and their use in 2020, in the context of the crisis. It indicates that no Spanish fund had to activate any extraordinary liquidity measures such as redemption suspensions or side pockets and that only five funds had to make partial redemptions. Furthermore, during the crisis, the CNMV strengthened its coordination mechanisms with management companies by encouraging these institutions to use, where appropriate, the tools

available. In particular, the CNMV recommended the valuation of assets on the basis of bid prices and swing pricing schemes.

Finally, the results of the latest half-yearly stress tests conducted by the CNMV on investment funds are presented, which reveal that the sector remains resilient to the different scenarios of redemption shocks posed on the various categories of funds. In the most extreme scenario, with an extremely low probability and a severity much greater than that experienced in the worst moments of the COVID-19 crisis, the number of funds that could experience liquidity problems is ten in total (representing only 1.3% of the assets of the sample of funds in the exercise).

This report contains two exhibits that deal with two subjects of special interest:

- The first lists the proposals for the reform of money market funds made at the international level in light of the weaknesses identified in money market funds during the COVID-19 crisis. The presence of this type of fund in the Spanish market is practically non-existent, meaning that risk analysis and regulatory debate have little virtuality in our country. These weaknesses arise from the co-existence of elements such as the possibility of offering daily redemptions, the existence of constant NAV funds (which is not the case in Spain), deterioration in the portfolio's liquidity at times or the presence of certain thresholds determining the change in the fund's scheme. The measures proposed until now are of a different nature, the most relevant, from the CNMV's point of view, being the elimination of the possibility of valuing funds at constant value.
- The second table describes the public consultation on the draft Technical Guide on the management and control of CIS liquidity carried out by the CNMV and published in September this year. It is an initiative included in its 2021 Activity Plan aimed at unifying all the relevant supervisory criteria applicable in this area, which the CNMV has been conveying to firms in the past few years. The Guide also takes into account the results of the recent actions carried out at national and European levels, including most notably the Common Supervisory Action conducted by ESMA in 2020.

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