



The CNMV announces that, as of 21 July 2019, the submission of a preliminary expert report will not be required for the registration of fixed income and structured product issuances for retail clients

15 July 2019

As of 21 July 2019 (the date on which the new European prospectus regulation enters into force¹) the submission of an expert report on the value of fixed-income financial instruments or structured products for retail clients will not be required on the occasion of the verification by the CNMV of the relevant prospectus.

In 2005, in a regulatory context very different from that of today, the CNMV decided to request the submission of this type of preliminary report in the case of issuances of fixed-income securities and structured products in Spain for retail investors. There is no record of this requirement having been imposed by other European Union authorities, and therefore, it has solely affected Spanish securities (and not similar European securities marketed among retail clients under the so-called European passport). Nor was it applicable for the marketing of these securities in the secondary market. Hence, the scope of application of the requirement was limited.

In addition, this report is not required under the new European regulation on prospectuses for IPOs and securities admitted to trading, which are aimed at maximising harmonisation across the EU, both in relation to the content of the prospectuses and their supervision and approval.

In the CNMV's opinion, the removal of the obligation to submit this type of valuation report, in addition to eliminating a more burdensome regime for Spanish issuances or offerings, will not hinder the degree of protection for retail investors, in particular, in view of the following:

- CNMV Circular 1/2018 has, for over a year now, has required banks and investment firms to issue warnings when the difference between the price or the total amount of the client's transaction and the fair value of the financial instrument, which must be calculated by the firm, exceeds certain thresholds (5% in absolute terms or 0.6% multiplied by the term to maturity, in years, of the instrument).

¹ Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market.

- This obligation to issue warnings is in addition to the increase in information related to the costs of financial products, including implicit costs, under MiFID II² and PRIIPS³, and the duties of governance and control for their distribution (also under MiFID II).
- Likewise, in the case of issuances of subordinated securities or other securities categorised as own funds of credit institutions, at least 50% of the securities must be acquired by a minimum of 50 professional investors, and their nominal unit value must exceed certain thresholds⁴.

All of these requirements, applicable to both the marketing of Spanish and foreign products, are subject to regular supervision by the CNMV, which has a unit specialised in the valuation of financial instruments.

In any event, the CNMV would like to highlight the importance of entities placing or marketing financial instruments among retail investors to comply with the requirements under the aforementioned Circular 1/2018, and to issue the relevant warnings to their clients, as well as complying with the aforementioned obligations under MiFID II and PRIIPS.

² Directive 201/65/EU of the European Parliament and of the Council on markets in financial instruments.

³ Regulation (EU) 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products.

⁴ Additional provision four of the Recast Text of the Spanish Securities Market Act (deriving from Law 9/2012, of 14 November, on restructuring and resolution of credit institutions).