

CONCLUSIONS OF THE REVIEW OF THE OBLIGATION TO REPORT SUSPICIOUS ORDERS OR TRANSACTIONS IN 2020

27 April 2021

- In 2020, 274 transactions that could constitute market abuse were reported to the CNMV.
- 85% of the reports received were related to equity instruments, and in more than half of cases, the rationale is possible insider dealing.
- The quality of the reports has improved, both in absolute and relative terms, and more than half of the reports received have been classified as medium or medium-high quality.

The European Regulation on market abuse and its regulatory technical standard, Commission Delegated Regulation 2016/957, establish that persons professionally arranging or executing transactions, market operators and investment firms operating a trading venue, as well as branches of investment firms or credit institutions, shall establish effective arrangements, systems and procedures to prevent and detect insider dealing or market manipulation, as well as attempted insider dealing or market manipulation.

These transactions and orders detected, as well as any cancellations or amendments that could constitute market abuse must be submitted, without delay, to the competent authority of the country concerned (the CNMV, in the case of Spain). When these reports are related to foreign instruments, the authorities forward the reports to the competent authority of the financial instrument concerned.

In 2020, 274 suspicious reports were submitted to the CNMV, which is 64 fewer than in 2019. This reduction is mainly due to a decline in the number of reports received from other EU competent authorities, which has dropped from 132 to 88.

By type of entity that submits the report, financial institutions lead the way, followed by other competent authorities and lastly, the markets.

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Origin of the report:	2020	2019	% change
Financial institutions	181	199	-9%
Markets	5	7	-29%
Other competent authorities (NCAs)	88	132	-33%
Total	274	338	-19%

There are a wide range of financial instruments in respect of which warnings are issued in the reports. However, as in previous years, the majority are related to shares. 85% of the reports received are related to securities instruments, followed by fixed income and derivatives. With regard to fixed income, worthy of note is the sharp decline in the reports received, which has dropped by 62% compared with 2019.

Type of financial instrument:	Financial institutions		Markets		Other NCAs		Other Reports		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Securities	174	171	4	5	60	85	1	6	239	267
Derivatives	6	10	1	2	13	10	1	0	21	22
Fixed income	1	18	0	0	14	32	4	1	19	51
Combination	0	0	0	0	1	5	0	0	1	5
Total	181	199	5	7	88	132	6⁽¹⁾	7	280	345

(1) These six reports were submitted by national competent authorities.

By type of infringement reported, reports on insider dealing or the attempted use of inside information represent more than half of the reports received, a similar number to that received in previous years. The rest correspond to possible market manipulation.

On the other hand, the number of reports submitted by the CNMV to other competent authorities has remained stable. 49 reports (48 in 2019) were forwarded to 16 competent authorities, Germany and Sweden being the most frequent destination. The two countries account for more than 40% of the reports forwarded.

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Quality assessment of the reports

The CNMV assesses the quality of the suspicious transaction and order reports received. On the basis of the information provided by each entity in each report, the latter is assessed taking into account whether the information is complete, whether the description of the transaction is accurate and whether there is sufficient, reasonable and feasible evidence related to the possible breach of market abuse regulations. The quality of the report has been classified as medium-low, medium or medium-high. Thus, the assessment criteria established in previous years has been maintained.

In general, and compared with 2019, the assessment indicates that the quality in 2020 has improved, both in absolute and relative terms, as more than half of the reports received have been classified as medium or medium-high quality.

	2020		2019	
	amount	%	amount	%
medium-high	156	57%	146	43%
medium	83	30%	144	42%
medium-low	35	13%	49	14%
Total	274	100%	339	100%

However, the main aspect to be improved is identifying the logic of and the consistency in the behaviour reported for the purposes of considering the existence of possible indications of insider trading or price manipulation.

In addition to this general assessment, the CNMV shall send a letter to the entities and markets that submitted reports in 2020 with the individual assessment of these reports, including recommendations, when deemed necessary.

Deadline for reporting suspicious transactions

Regulations require that reports to the competent authority be submitted without delay. Under the framework of the European Securities and Markets Authority (ESMA), EU authorities have agreed



that, as a guideline, a period of 60 calendar days, in general, is considered reasonable.

The time frames in which some reports have been received show the existence of a certain time gap between the date of the suspicious transaction and the date on which the transaction was reported to the CNMV. The number of late reports received, with respect to this indicative time frame, in 2020 totalled 45, which were submitted by 12 financial institutions.

Similarly, there is a slight increase in the number of late reports compared with 2019 (36%), mainly due to the high volume of trading as a result of the pandemic, which triggered a greater number of warnings for analysis.

These reports are extremely valuable for monitoring suspicious behaviours that could constitute market abuse and to assure greater market integrity. The CNMV will continue to encourage their submission by reporting entities, by offering an assessment of their quality, to help to improve the entities' systems, and by applying a sanctioning regime for the non-submission of the reports, where applicable.