

## CNMV BULLETIN: INCLUDES THE USUAL REPORT ON THE MARKETS AND THEIR AGENTS AND TWO ARTICLES ON MARGIN CALLS AND LIQUIDITY PRESSURES UNDER EMIR AND ON INTEGRATING CLIMATE RISK INTO SUPERVISION

4 May 2022

The Spanish National Securities Market Commission (CNMV) has published its [quarterly bulletin for the first quarter of 2022](#). This issue includes the biannual report “[Securities markets and their agents: situation and outlook](#)”, which focusses on the impact of the upturn in inflation and the conflict between Russia and Ukraine on financial markets. It also presents two articles of interest: the first one analyses margin calls, liquidity pressures and anti-procyclicality measures under EMIR. The second article refers to the integration of the monitoring of climate risk in the prudential, conduct and macroprudential supervision of the CNMV.

The report describes a macroeconomic and financial environment that commenced the year marked by the upturn in inflation and its possible consequences in most economies, and was subsequently affected by Russia’s invasion of Ukraine, which began at the end of February. These elements triggered a financial market turmoil, especially in commodities and energy, increasing the bullish trend in inflation, and further complicating monetary policy decisions.

The main international stock markets, which had closed 2021 with significant gains, started 2022 with price declines and upturns in volatility. Stock markets fell between 2.3% and 9.3% in the first quarter. More diversity was observed in emerging economy indices. The Ibx 35 fell by 3.1% in the quarter and was down during three successive quarters, but it outperformed major European indices and the British FTSE 100 (the latter index rose). The evolution of the Spanish index reflected, to a certain extent, the lower exposure of the economy to the conflict areas and the positive impact that the increase in energy prices and interest rates had on specific sectors. Yields in fixed-income markets continued their upward trend in the first quarter of 2022 due to the prospects of higher official interest rates, with credit risk premia also rising slightly.

In the area of firms supervised by the CNMV, it is important to highlight the renewed expansion of the collective investment industry which, following the interruption during the pandemic, recorded an increase in

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assets exceeding 16% in 2021 (€324.7 billion). 60% of this increase was due to net fund subscriptions (particularly in global, equity and fixed-income funds) and the rest of the increase was in portfolio revaluations. In parallel, there was also a significant increase in foreign CISs marketed in Spain, whose assets represent more than 43% of the total assets of CISs marketed. In the area of provision of investment services, two of the trends witnessed in previous years continue:

- the preponderance of credit institutions in this business (they obtain 85% of the income generated);
- the change in model of broker-dealers and securities brokers (whose profit increased by 3.1% in 2021) to services such as portfolio management, advice or the marketing of CISs, which in the past were less relevant.

### **Increase in issues registered with the CNMV**

Finally, with regard to primary markets, fixed-income issues registered with the CNMV stood at €42.858 billion, 81% more than in the previous year, while those registered abroad fell by more than half. In the case of long-term issues, the data were due to a significant increase in securitisations carried out by financial institutions. In the case of short-term issues (promissory notes), the recent abolition of the obligation to prepare a prospectus for promissory notes with a maturity of less than 365 days may have encouraged these issues in Spain.

This report includes four text boxes that describe: the impact of the war between Russia and Ukraine on clearing infrastructures in Europe; the annual supervisory report of non-financial information of issuing companies published by the CNMV; the main findings of the study conducted on the practice known as “Payment for Order Flow (PFOF)” ; and the new CNMV Circular on the advertising of crypto-assets for investment purposes.

### **Articles**

The first article, by Laura del Campo, a technical staff member of the Markets Directorate-General of the CNMV, entitled “Requerimientos de garantía, tensiones de liquidez y medidas anticíclicas bajo el marco del EMIR: recomendaciones del ESRB y reformas en marcha” (Margin calls, liquidity pressures and anti-procyclicality measures under EMIR: ESRB

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recommendations and on-going reforms) addresses how regulatory authorities have fostered the application of anti-procyclicality measures in margin models in recent years, in order to avoid liquidity pressures caused by extraordinary margin calls in the event of increased volatility in contracts, whether they are centrally cleared or traded bilaterally. The article describes the peculiarities of these measures and their application in margin calculation models. It also contains the latest recommendations and regulatory guidelines published, particularly in the wake of the coronavirus crisis, with the aim of making the anti-procyclicality measures applied in these models more effective.

The second article, by María José Gómez Yubero, from the Policy Directorate-General of the CNMV, entitled “Integración del seguimiento del riesgo climático en la supervisión prudencial, de conducta y macroprudencial de la CNMV” (Integration of the monitoring of climate risk in the prudential, conduct and macroprudential supervision of the CNMV) addresses how climate risks affect the financial system, both in its role of channelling the financing necessary to achieve the transition to a low carbon economy, and the associated financial risks, which could become systemic, thus requiring appropriate prudential, conduct and macroprudential supervisory attention. Financial supervisors and market participants need to adapt themselves and contribute to improving the knowledge on identifying and measuring these risks, as well as to developing possible mitigation measures. The CNMV, as a supervisor responsible for investor protection, market transparency and its efficient functioning, carries out comprehensive monitoring of environmental risks and includes them in its daily activity, thereby ensuring the resilience and correct functioning of the system.

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