

CNMV BULLETIN: INCLUDES THE USUAL REPORT ON THE SECURITIES MARKETS AND THEIR AGENTS AND TWO ARTICLES ON THE LEVERAGE OF ALTERNATIVE INVESTMENT FUNDS AND ON THE REFORM OF FINANCIAL BENCHMARKS

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The Spanish National Securities Market Commission (CNMV) has today published its [quarterly bulletin for the first quarter of 2021](#). This edition includes the biannual report "Securities markets and their agents: situation and outlook", which continues to focus on the impact of the COVID-19 pandemic on financial markets and the entities under its supervision. It also includes two articles of interest: the first one analyses the leverage of Spanish alternative investment funds and the second one deals with the present situation of the reform of financial benchmarks.

The biannual report describes the international and domestic macroeconomic and financial environment. Although new outbreaks of the virus continue to appear, the vaccination process launched at international level has slightly reduced the existing uncertainty and has led to an improvement in economic expectations, especially in those economies, such as Spain's, that have been most affected by the crisis due to its production model. Expectations have also improved for other economies, such as the United States, which have implemented major fiscal packages. In some of these jurisdictions, the expected improvement in activity was accompanied by some fear of a pick-up in inflation, which was reflected in bond yields.

In this context, the most important international equity benchmarks showed significant gains in the first quarter of the year. As a development, revaluations were relatively similar between the different economic areas, compared to the differential behaviour observed in 2020 between the US and Japanese benchmarks, and the European indices (except for the German Dax 30) in favour of the former. In the Spanish financial markets, the Ibx 35 closed the quarter with a gain of 6.3%, somewhat lower than other international indices, with moderate volatility levels and stable liquidity, and falls in trading volumes. It is worth noting the recent approval in the Spanish market of two IPOs (initial public offerings), marking the beginning of a trend that may continue in the coming months.

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Supervised entities

In the area of entities supervised by the CNMV, it is worth highlighting the recovery of the main magnitudes of the investment fund industry which, after losing 10.5% of its assets in the first quarter of 2020, closed the year at par with respect to the end of the previous year (assets increased by 0.1% to 279.7 billion with respect to 2019). This trend, which has continued in the first months of 2021, was extended to foreign CISs marketed in Spain, which now account for almost 40% of total assets. In the provision of investment services, credit institutions continued to account for the bulk of fees and commissions for various types of services (close to 90% of the total), although investment firms recorded substantial growth in profits. Solvency conditions in the sector remained comfortable.

Featured topics

This report includes four monographic boxes describing: the initial effects of Brexit on European financial markets, the evolution in 2020 of the credit ratings of debt assets issued by Spanish issuers, the public consultation process that the CNMV has launched in relation to the future circular on the advertising of cryptoassets and the obligation of entities to meet the requirements established in Regulation 2019/2088 on the disclosure of information relating to sustainability in the financial sector, applicable since March 10th.

Initial analysis of the leverage of AIFs

This bulletin includes a paper by Gema Pedrón, from the CNMV's Research and Statistics Department, which presents the most relevant results of the recent analysis on the level of leverage in Spanish alternative investment funds (AIFs). The concept of alternative investment fund refers to any collective investment scheme that is not subject to the UCITS Directive, that is to say, it includes investment funds and quasi-UCITS SICAVs (open-ended collective investment schemes), as well as hedge funds, real estate and venture capital CISs. The analysis was performed based on standardised measures of leverage assumed through investment in derivative instruments, as well as indebtedness and commitments for future investments. This initial analysis shows that the leverage of these funds in Spain is low and for the time being no threat is perceived in terms of financial stability. The analysis undertaken is intended to be of a recurring nature in order to assess the potential impact of AIF leverage on financial stability.

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Benchmarks

Finally, the article penned by María José Gómez Yubero and Miguel Palomero, from the CNMV's Resolution and Benchmark Unit, analyses the situation of benchmark reforms worldwide, with particular attention to the euro zone and Libor's areas of influence. The recent announcement by the British authorities confirming the disappearance of Libor from next year and granting an additional period of eighteen months to the US dollar Libor index, the most widely used in the world, paves the way for the last phase of a transition that has probably been one of the most important reforms faced by the financial system in recent decades. This process, initiated at the behest of the G20 and the FSB, has taken a different path in the eurozone, where the choice has been made to strengthen the Euribor benchmark and replace the Eonia with the €STR published by the European Central Bank. In both cases, the aim is to reduce reliance on traditional indices and to have more robust benchmarks based on deep, liquid markets.

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